

Navigating Counterparty Risk: Addressing the Hazards of AI, Fraud, and Anonymous Transactions



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How well do you know who is on the other side of a transaction? Jeffrey Sweeney examines how AI-enabled impersonation, sophisticated fraud, and anonymous digital transactions are reshaping counterparty risk—and how rigorous due diligence can help protect businesses and investors.

In the world of business and finance, counterparty risk remains a significant concern. It refers to the potential loss a party may incur if its counterparty fails to fulfill contractual obligations. This risk has always existed, but the emergence of advanced technologies—such as deepfakes—now enables bad actors to impersonate individuals during due diligence and background checks, heightening the threat. While traditional risk management strategies remain important, the rise of artificial intelligence (AI), increasing incidents of fraud, and the challenge of dealing with anonymous counterparties have added new layers of complexity.

The Rise of Artificial Intelligence

AI has transformed many sectors, including fraud. While it brings efficiencies and opens new opportunities, it also introduces fresh risks, especially in counterparty engagements. While AI is a useful tool for due diligence, its effectiveness is constrained by inherent biases and a lack of transparency in its data sources.

AI is helpful for developing risk models, enhancing monitoring capabilities, and setting clear guidelines for working with AI-driven counterparties. However, the lack of consistent regulation, standards, and best practices currently limits its overall utility.

Combating Fraud

To combat fraud effectively, businesses must implement robust due diligence procedures that combine advanced detection technologies with time-tested methodologies. This includes verifying counterparties' identities, cross-checking financial records, and conducting thorough background checks. Few practices are more effective than speaking directly with signatories of key contracts, documents, or references to confirm authenticity.

Fraud remains a persistent threat in business transactions, exacerbating counterparty risk. Whether through falsified financial statements, identity theft, or forged documents, fraudulent counterparties can inflict substantial financial losses and reputational damage. The proliferation of digital platforms and online transactions has only amplified the scale and sophistication of fraudulent activity.

Digital Currencies and Online Transaction Security

There has been tremendous progress in revealing the identities of counterparties involved in digital transactions. More



secure “onramps” or access points are now available for those wishing to participate in digital currencies or online finance. On trusted platforms, there is greater certainty than ever before that counterparties are legitimate.

At the same time, however, our increasingly interconnected world has made it commonplace to conduct transactions with anonymous parties—particularly in online marketplaces and decentralized finance (DeFi) platforms. This shift introduces new challenges. Participants must ensure that screening and onboarding processes on these platforms are compliant, robust, and reliable. While anonymity offers privacy benefits, it also brings significant risks, as individuals may operate under pseudonyms or conceal their identities, making it difficult to assess their credibility and financial soundness.

In response to these emerging risks, regulators have begun pushing for stricter onboarding protocols to help screen out bad actors. These enhanced requirements are helping participants engage more confidently, with less exposure to reputational harm or financial loss from unreliable counterparties.

How We Limit Counterparty Risk

At US Capital Global, we place a strong emphasis on limiting counterparty risk—for our clients, borrowers, and investor counterparties. We take great care in verifying the identities of individuals and businesses to guard against fraud and bad actors. As a global financial enterprise, we consolidate our due diligence and compliance practices under a single set of international standards. This allows us to cross-check counterparties for bad behavior and sanctions across all jurisdictions in which we operate. When a client is onboarded and accepted onto our platform, we ensure they are not flagged in one jurisdiction but overlooked in another.

Our treasury operations are conducted exclusively with banks holding the highest Tier 1 capital, such as JPMorgan Chase, Bank of America, and Barclays. These institutions offer services like ICS® (Insured Cash Sweep) and CDARS® (Certificate of Deposit Registry Service), which extend FDIC protection across the full value of deposits.

Our FINRA-regulated securities affiliate, US Capital Global Securities LLC, performs extensive due diligence on all clients raising debt or equity capital through us. This includes verifying claims about their business models, financial statements, supply chains, sales orders, and customer channels—often by speaking directly with references, vendors, or professional service providers. We also examine capitalization tables and management structures to ensure there are no bad actors whose presence could create regulatory concerns later on.

At US Capital Global, assessing counterparty risk is a fundamental part of our business model. We conduct rigorous due diligence before presenting any opportunity to our community of institutional and individual investors.

Jeffrey Sweeney is a lifelong entrepreneur and successful fund manager with decades of experience in corporate finance and asset management. He is Founder and Chairman of US Capital Global (www.uscapital.com), a full-service global private financial group headquartered in San Francisco with primary offices in Los Angeles, New York, Miami, London, Zurich, Dubai, and Singapore.