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Measures Against Dissemination of Inappropriate Investment Information on Social Media

Implications for Japan from European and U.S. Case Studies of Finfluencer Response

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Summary

- In recent years, "finfluencers" who disseminate information on investment and finance have gained a large presence on social media in Europe and the U.S. They are particularly influencing investment decisions of Gen Z. While finfluencers' posts have increased people's motivation to invest, especially among the younger generation, they have also caused problems such as (1) investment fraud and market manipulation, (2) inappropriate financial promotions, and (3) inappropriate investment advice.
- The U.S. Securities and Exchange Commission (SEC) has been exposing investment fraud and inappropriate financial promotions using social media. However, it is unclear whether finfluencers are "investment advisers" as defined in the Investment Advisers Act of 1940, and the reality is that their dissemination of information cannot be fully regulated.
- On the other hand, in Europe, where regulations have been tightened to protect retail investors, aggressive measures are being taken against finfluencers. Regulators in the Netherlands, Germany, and France have introduced guidance and legislation to prevent inappropriate investment recommendations by finfluencers. In addition, the UK Financial Conduct Authority (FCA) has issued detailed guidance on financial promotions on social media, clarifying the responsibilities of finfluencers and commissioning firms.
- In Japan, the dissemination of investment information on social media is increasing. The Securities and Exchange Surveillance Commission (SESC) recommended that the Prime Minister and the Commissioner of the Financial Services Agency order the payment of a surcharge for "spreading rumors" for the first time in July 2024. Financial institutions are also using finfluencers to strengthen their contacts with young people. Leading examples from the U.S. and Europe will serve as a reference for the establishment of regulations related to finfluencers.

Attention

IMPORTANT DISCLOSURES, INCLUDING ANY REQUIRED RESEARCH CERTIFICATIONS, ARE PROVIDED ON THE LAST TWO PAGES OF THIS REPORT.

Legal and Tax Research

This report is a summary translation. The official document is only in Japanese.