IOSCO Consultation Report on Finfluencers

February 2025

The use of social networks to share any type of content, especially among the younger population, is an increasingly common practice. The so-called "finfluencers" are individuals who present themselves as experts who share personal experiences, market analysis and investment advice in an engaging and accessible way. Their growing influence is changing the way retail investors, especially younger ones, make their investment decisions. While they help popularise financial topics and make access to investment easier, they can also sometimes share misleading or biased information and endorse potentially high-risk products without appropriately disclosing conflicts of interest.

Based on the responses to a survey shared among members of the International Organisation of Securities Commissions (IOSCO), the resulting report analyses the role played by finfluencers, potential benefits and risks, along with various regulatory approaches. It highlights the fact that many finfluencers are not familiar with traditional regulatory frameworks, leading finfluencers to operate outside them. It also identifies gaps in regulation, especially when talking about individuals that do not hold proper professional certifications. It also shows that the global nature of social networks makes supervision harder, requiring a more coordinated international collaboration between regulators.

Said document was open for public consultation until 20 January 2025. It included questions regarding conflicts of interest, the definition of "finfluencer", the regulatory and supervisory frameworks, investigations and international cooperation, as well as recommendations for retail investors.

Pregunta

What are the benefits and risks of finfluencers' activity?

Respuesta

Recent studies show that finfluencers target **younger audiences** and have a **major impact on their investment decisions**. According to a report submitted by the Australian Securities and Investments Commission, 28% of people between 18–21-years old follow at least one or more finfluencers and 64% of them have changed their financial behaviour as a result.

The majority of IOSCO members surveyed believe that finfluencers have access to a large audience and can explain financial concepts in an easy, understandable and entertaining way, with personal anecdotes and examples that engage with their followers. Their growing popularity has **potential benefits,** as they can contribute to the population's **financial education**, **warning retail investors about potential fraud**. Therefore, in some jurisdictions, regulators are promoting **fraud awareness campaigns and creating educational content, spreading their message through well-known finfluencers.**

However, the IOSCO Report highlights that most finfluencers are neither registered nor duly authorised, even though the information they provide could be, in some cases, seen as investment recommendations. Said Report lists some of the main risks of finfluencers: (i) **the lack of authorisation**; (ii) the possible dissemination of **fraud and scams aimed at retail investors**; (iii) the promotion and recommendation of **unsuitable and high-risk products**; (iv) the dissemination of **misleading content or lack of information**; (v) the existence of **conflicts of interest**; and (vi) the operations of **famous finfluencers**.

On the other hand, a growing trend observed in IOSCO's surveyed jurisdictions is that of contractual relationships between brokers and finfluencers involved in activities such as the promotion or comparison of financial products and investment strategies, as well as the opening or reactivation of investment accounts. When finfluencers receive remuneration or compensation for such services, conflicts of interest may arise as a result.

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What is the current regulatory framework?

Respuesta

While some regulators deem the general regulatory framework to be applicable to finfluencers (e.g., regarding investment advice), others consider that there are gaps in the regulation. Among aspects that may fall outside of financial regulation we can highlight (i) cross-border operations by individuals or companies acting without a branch office; (ii) inaction or slowness of social media companies when blocking illegal content or refusing to cooperate with regulators; (iii) complex or non-transparent contractual or commercial relationships between finfluencers and brokers; and (iv) the provision of financial advice in educational sessions.

Regulatory initiatives include the publication of a guide for the rules applicable to social media investment advertising. In France, the Ministry of Economy published a code of conduct including the regulatory framework applicable to finfluencers, bearing the obligation to report on the commercial nature of their publications. Likewise, the "Responsible Influence Certificate", issued by the Advertising Professional Regulation Authority (ARPP)[1] for influencers who pass a training program, includes a module for financial products and services developed by the Financial Markets Authority in collaboration with the ARPP. Said module, first introduced in 2023, sets out the rules regarding the communication of investment offers, specifically listing those products and services whose advertising is prohibited.

However, most of the jurisdictions that took part in the survey have not yet drafted codes of conduct nor guidelines for individuals or entities acting as finfluencers, nor technology companies or social networks.

In the area of securities markets, the aforementioned Report highlights that, as for finfluencers' activity, the regulation on **disclosure of payments and incentives, disclosure of business and personal relationships and information on the commercial nature of disseminated content** (e.g., references to brands) would apply.

As for financial intermediaries making use of finfluencers in their practices, the legal framework relating to **financial advice, advertising, incentives, data disclosure, market manipulation, third party management, misleading or false content and product governance** would apply.

In regard to sanctioning, fifteen IOSCO jurisdictions report having carried out actions against finfluencers including: (i) cease-and-desist orders; (ii) court orders; (iii) asset restitution; (iv) fines; (v) warning letters; (vi) asset freeze; (vii) investor warnings; and (viii) public reprimands.

[1] AMF and ARPP launch the "Responsible Influence Certificate" in Finance | AMF

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How to deal with risks?

Respuesta

The aforementioned Report includes a set **of best practices for regulators, financial intermediaries and influencers** with the purpose of promoting a transparent environment in which they can operate within the securities markets' regulatory framework, with the appropriate investor protection standards. Said practices cater to:

1. **Clarity and supervision:** The scope of finfluencer activities must be clearly defined, and existing frameworks must be modified and adapted to cover such activities. This includes establishing specific guidelines and improving supervision and compliance competences.
2. **Identifying, disclosing and managing conflicts of interest:** Brokers should accurately identify, prevent, manage and disclose conflicts of interest. On their part, finfluencers should disclose all the possible conflicts of interest, such as financial incentives or business relationships with the providers of the financial products they advertise.
3. **Data disclosure and transparency:** Finfluencers should include standardised warnings as well as clear and concise disclosures in order to help investors understand the nature of the content they consume.
4. **Proactive education for investors and finfluencers**: The creation of educational programmes is recommended in order to enhance retail investors' critical thinking abilities and financial literacy.

Additionally, the Report lists the following tips for retail investors:

1. **Verifying credentials:** Checking whether a finfluencer is duly licensed or registered to give financial advice.
2. **Being sceptical about high return deals:** Being wary of finfluencers who promise fast or guaranteed returns.
3. **Understanding conflicts of interest:** Being aware that finfluencers may earn a compensation for promoting certain financial products or services.
4. **Conducting independent research:** Not relying solely on finfluencers' advice and seeking advice from authorised financial professionals.

Adopting these best practices can help create a regulated environment that prioritises investor protection and fosters a more transparent and resilient financial environment.

Link of interest: CR/08/2024 Finfluencers