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The Finfluencer Appeal: Investing in the Age of Social Media

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EXECUTIVE SUMMARY

Social media has transformed the way information is shared and consumed in the modern economy, and new actors have emerged. Among these are social media influencers—individuals who typically have a large online presence and followership and create social media content on specific topics. Influencers may be sponsored by firms or brands to create content or paid by companies to promote certain products and services. In this sense, influencers can serve two purposes: first, to share information on topics they are perceived to be an expert on, and second, to influence the purchasing decisions of their audience through their expertise and personal branding (Geyser 2023b).

Social media influencers are becoming a key vehicle to promote products and services, including in the financial services sector. This development has given rise to the neologism "finfluencer" (financial influencer).

Finfluencers represent a new intermediary between financial institutions and consumers. They provide general investment information, promote investment products, offer guidance, and, in some instances, make investment recommendations. It is often unclear whether finfluencers are authorised to conduct regulated activities; however, they have become an important source for young investors—particularly those aged 18–25, who are part of Generation Z—to access investment information.

This report examines the influencer model and explores the extent to which investors use finfluencer content in their investment decision-making process. It focuses on Gen-Z investors, who typically cite social media content among their top information sources to support investment decision making.

Specifically, we evaluate the adequacy of policy frameworks applied to finfluencers; discuss our primary research on finfluencer content in five geographic markets (the United States, the United Kingdom, France, Germany, and the Netherlands) and three social media channels (TikTok, YouTube, and Instagram), which we conducted to understand finfluencer practices; and make recommendations to improve best practices and investor experiences.

Three main research questions guide this study.

Research Questions

1. How well do existing policy frameworks account for finfluencer activities?

2. What are the key characteristics of finfluencer content?

3. Why and how are Gen-Z investors engaging with finfluencer content?

Existing research highlights the role social media plays in investment decision making but is limited. Some limitations stem from how the research is conducted, including the focus on Twitter (now X) data and on quantitative methodologies. Due to the aggregation of data and relative anonymity of Twitter users, most existing (quantitative) studies do not distinguish between retail and professional investors. Other limitations result from the limited focus of the research itself. For example, most studies on social media's use in investment decision making do not segment investors by age even though a striking 37% of Gen-Z investors in the United States and 38% in the United Kingdom cite social media influencers as a major factor in their decision to invest (FINRA Investor Education Foundation and CFA Institute 2023). And although some studies do show the potential risks of using finfluencer content, such as risks arising from inadequate disclosures and a lack of transparency, they rarely situate them in a broader regulatory framework to see how these risks could be reduced.

The United Kingdom, the United States, and the EU (represented in our sample by France, Germany, and the Netherlands) were chosen for this research because of the prevalence of finfluencer content in these markets. In addition to growing concern from regulators about finfluencer activity, the capital markets we chose are globally significant and can thus offer important insights into how new intermediaries are influencing investment trends.

To assess whether current policy frameworks are sufficient to account for finfluencer content (Research Question 1), we reviewed financial regulations and social media platform policies relating to investment promotions and recommendations

in these markets. Our findings were mixed. They showed similarities in principles regulating investment promotions and an overarching need for those providing investment services to be authorised. However, they also showed some differences in definitions of an investment recommendation/advice. This divergence in definitions across markets can limit the effectiveness of the regulatory framework surrounding finfluencer content that can be consumed across different jurisdictions.

The social media platforms whose content was sampled for this study—YouTube, TikTok, and Instagram—have policies that are sufficiently broad to apply to finfluencer activities. However, platform rules assume that content creators are aware of and adept at interpreting regional rules, which places a high degree of responsibility on individuals to ensure they are compliant.

Accordingly, we offer the following recommendations for regulators and for social media platforms.

Recommendations for Regulators

- **Regulators should cooperate to design and implement a more universal definition of an investment recommendation.**

  In addition to promoting products, we observed some finfluencers recommending that their audiences buy, sell, or hold financial instruments. Although laws regulating financial promotions and advertisements more generally are relatively comprehensive and consistent across the markets in this study, we found that what constitutes an investment recommendation is less clear, with differences in definitions in the markets we cover. To overcome the challenge finfluencer activities pose to the regulatory framework, the International Organization of Securities Commissions (IOSCO) could design a common definition of an investment recommendation and strongly encourage its member jurisdictions to transpose this definition (or something substantially similar) into their laws. Overall, working toward a more universal definition of an investment recommendation would mean that regulations are sufficiently comprehensive to respond to new online and offline actors who may emerge in the future—particularly those that operate across borders.

- **National regulators should engage with finfluencers.**

  Finfluencers often demonstrated efforts to help educate their audience, as shown through their highly curated content. The majority of finfluencers appear genuine in their educational efforts but are likely unaware that some of their activities are regulated. Regulators should, therefore, engage directly in constructive dialogue with finfluencers and explain which of their activities are regulated. Such engagement would serve to emphasise the importance of making clear and relevant disclosures, including disclosures of any conflicts of interest that arise when they are marketing products or providing information. Finfluencers should also be required to disclose their regulatory status—that is, whether they are a regulated adviser, a tied agent, a broker/dealer, or none of the above—even when partnering with regulated firms.

- **National regulators should record and publicly report data on complaints and whistle-blowing activities regarding finfluencers.**

  If not already doing so, regulators should record data on complaints received and whistle-blowing activities regarding finfluencers, including the platforms involved. National data should then be aggregated and publicly reported. A lack of data may mean that regulators face challenges in issuing timely warnings to the public regarding specific finfluencers who consistently violate regulations, as well as challenges in determining the appropriate platforms on which enforcement actions should be focused. Regulators should also mandate that firms keep records on their use of finfluencers in markets where this is not the case.

Recommendations for Social Media Platforms

- **Enhance social media platform controls.**

  Social media platforms should take additional responsibility in ensuring content creators clearly display posts that include advertising. Some platforms, such as YouTube, include interfaces that prompt content creators to disclose advertising before posting, which then automates advertising disclosures. Similar interfaces could be applied to other platforms and combined with human moderators, along with improved algorithmic model training and model transparency for content moderation that uses artificial intelligence (AI), to check that posts contain adequate disclosures.

Our analysis of the key characteristics of finfluencer content (Research Question 2) shows that content is not fully customised by region; as a result, it can either expose users to new concepts and ideas from outside their market (a potential benefit) or expose them to information that is unsuitable in the context of capital market functions and trends in their respective countries (a drawback). Regardless of the location, however, finfluencer content receives high levels of engagement, making finfluencers potentially useful intermediaries to promote products and services on behalf of investment companies.

Our analysis of finfluencer content posted on YouTube, TikTok, and Instagram in the markets we studied shows that the most discussed asset classes were individual shares, index funds, and exchange-traded funds (ETFs). We found that 45% of this content offered guidance, 36% contained investment promotions, and 32% contained investment recommendations (see Chapter 3 for details on how we defined investment recommendations).[1]

Only 20% of the finfluencer content that contained recommendations, however, included any form of disclosure (such as the professional status of the finfluencer or whether the finfluencer received commissions or other forms of payment for recommending certain products). Further, just over half (53%) of the content that contained promotions made any form of disclosure. This finding is concerning given that Gen-Z investors expressed that they rely on disclosures to identify marketing and that in the absence of adequate disclosures, the content may violate advertising laws.

Moreover, when disclosures regarding affiliate links (such as sign-up links to open accounts with trading platforms or free shares) were made, they were often generic, such as "some of the links may be affiliate links," which obscured exactly which websites and/or product sign-ups the finfluencers were being remunerated for.

Our research identified three main drivers of Gen Z's use of finfluencers (Research Question 3): (i) insufficient exposure to formal financial education, (ii) limited interaction with regulated financial advisers, and (iii) a preference for obtaining information through digital platforms. Finfluencers appeal to Gen-Z investors because they produce educational and engaging content that is free and instantly accessible. They are also relatable and, in some cases, perceived to be trustworthy.

Our research suggests that finfluencers may be filling the gap in access to financial information by helping synthesise what is perceived to be complex financial information into accessible social media content. Overall, finfluencers appear to be challenging notions that financial education needs to be formal to be informative and that sound investment advice is issued exclusively by professionals.

On the basis of these findings, we offer the following recommendations for firms that use finfluencers to promote their products and for educators and financial information providers.

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[1]Note that the percentages do not add up to 100, because although guidance was an exclusive category, promotions and recommendations were not mutually exclusive and were often identified together. For further details, see Chapter 3.

Recommendations for Firms

Investment companies that use finfluencers in their marketing initiatives should take more responsibility in ensuring they have effective oversight of finfluencer activities, which includes:

- Providing finfluencers with compliance training.

- Reviewing finfluencer content before and immediately after it is posted to ensure it remains in compliance with the relevant laws in that jurisdiction. Best practice would be to ensure such content complies with the highest regulatory standard among the target markets.

- Maintaining records of social media content commissioned with finfluencers.

Investment firms that use affiliate marketing or sponsor finfluencers should adopt these practices, in addition to ensuring that finfluencers are clearly disclosing in their videos and infographics that they are promoting content or are sponsored. These types of actions will reduce the likelihood that financial promotions mislead consumers.

Recommendations for Educators and Financial Information Providers

- **Increase financial literacy initiatives.**

  Enhancing financial literacy may enable Gen-Z investors to identify when information provided online is inaccurate or unsuitable. Providers of financial education should emphasise that retail investors will not have access to consumer protections when acting on information from unregulated individuals or companies and should signpost databases to allow users to check whether a provider of financial advice is registered with regulatory authorities. Financial education should also include signposting of channels enabling the reporting of financial harm.

- **Strengthen Gen-Z individuals' ability to critically evaluate information.**

  Online investment content can provide benefits when it adheres to high standards, is factual, and offers engaging and informative insights. Therefore, consumers should be empowered to evaluate information received online through principle-based questions. Based on our research, we have identified three main types of questions that Gen-Z investors should use to evaluate finfluencer content:

  - *Motivations.* Does the person/source who has created this content have any financial motivation to do so? Does the individual clearly disclose such motivations?

  - *Qualifications.* Does the person provide any information about what qualifies him or her to have expertise on this topic? Can this information be verified?

  - *Consistency.* Is the information provided consistent with the most up-to-date information when cross-checked with other sources?

- **Financial advisers should consider how to position themselves to attract new generations of investors.**

  Finfluencers are beginning to disrupt the financial advice industry. In general,

Gen-Z investors in this study saw little utility in accessing a personal financial adviser. One of the main barriers they cited was cost. Financial advisers should think more long term regarding the value of their client base; many Gen-Z investors may not currently be viable clients but will most likely accumulate more wealth in the future. It is unclear whether they will seek out an adviser in the future, especially if they become more accustomed to managing their own finances, which also will likely be aided by future technological developments. The main differentiators of professional advisers are that the information they provide can be tailored and comes with assurances of quality, professional competency, and duty of care. Advisers must emphasise these elements in their value proposition if they are to stay competitive in an increasingly digitalised world.

1. INTRODUCTION

Merriam Webster defines *social media* as "forms of electronic communication (such as websites for social networking and microblogging) through which users create online communities to share information, ideas, personal messages, and other content (such as videos)."[2]

Globally, social media use continues to grow. In 2021, social media sites registered over 4 billion users worldwide (Dixon 2023). This growth has been enabled by more rapid and widespread diffusion of technology, such as access to smartphones. Since its proliferation, beginning in the early 2000s (Ortiz-Ospina 2019), social media has changed the way information is shared and consumed. Investment information is no exception. For instance, social media has given users access to information about global events as they happen in real time, some of which may be viewed as financially material. Social media has also facilitated more rapid sharing of opinions about companies and sectors by individuals, increasing the speed of information transmission across regions. It is no surprise that the rise of social media, particularly in wealthier countries, has also resulted in increased time spent on social media, especially by younger people.[3]

Partly in response to both the increased time spent on social media and the use of social media to consume information, new online actors have emerged, such as social media influencers. Although there is no univocal definition, social media influencers can be defined as a network of individuals who typically have a large online presence and create social media content based on niche topics that they share with their online audiences (Geyser 2023b). Influencers are often (but not always) sponsored by brands to create content or are paid by companies to promote products and services. In this sense, influencers can serve two purposes. First, they can share information on topics they are perceived to be an expert on. Second, they can influence the purchasing decisions of their audience through their expertise and personal branding (Geyser 2023b).

In the same vein, financial influencers can be thought of as a subcategory of social media influencer,

whose content creation niche is personal finance, which typically includes investing (ESMA 2022). Recent trends show that the influencer model is increasingly leveraged by financial institutions and individuals to provide general investment information, promote investment products and industry events, and make investment recommendations (used synonymously with advice).[4] According to our research, financial influencers often carry out this activity in exchange for compensation, such as free shares or commissions on products and services promoted. The use of influencers in this way has given rise to the neologism "finfluencer"—an amalgamation of the words *financial* and *influencer*. In this sense, finfluencers represent a new intermediary between financial institutions and retail investors.

Since 2019, the global influencer marketing size, including influencer subtypes, has doubled, and it was estimated to be worth over $21 billion in 2023 (Dencheva 2023; Michaelsen, Collini, Jacob, Goanta, Kettner, Bishop, Hausemer, Thorun, and Yesiloglu 2022). Increased time spent online during the COVID-19 pandemic is also thought to have increased audience exposure to influencer marketing (Michaelsen et al. 2022). Instagram is now the most popular platform for influencer marketing according to recent studies, and TikTok's popularity among marketers is also increasing.

Existing research highlights that finfluencers and social media platforms are more commonly used to access information on investing by Gen-Z retail investors over age 18 (born from 1997 to 2004) compared to Millennials (1981–1996) or Generation X (1965–1980). Research from FINRA Investor Education Foundation and CFA Institute (2023) highlighted that among Gen-Z investors, social media is used to learn about investing by 48% of those in the United States, 53% in Canada, 44% in the United Kingdom, and 41% in China.

FINRA Investor Education Foundation and CFA Institute (2023) also found that 37% of Gen-Z investors in the United States, 30% in Canada, 38% in the United Kingdom, and 51% in China cite social media influencers as a major factor in their decision

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to start investing. Evidently, finfluencers are playing a significant role in facilitating access to financial information and shaping investment decisions. Outside the United Kingdom and North America, data on the use of finfluencers is scant, but qualitative findings from our research highlight that Gen-Z retail investors in France, Germany, and the Netherlands (representing the EU jurisdiction) also use finfluencers to access information on investing.

Perhaps this development is unsurprising in the context of an increasingly digitalised world, where Gen Z is part of the demographic dubbed the "digital natives"—reflective of their exposure to the internet and social media throughout their childhoods and adolescence. Asset management and insurance company Aegon (2022) has even suggested that having a social media presence may be necessary to "reach younger audiences."

Early participation in capital markets can enhance the ability to accumulate assets and build wealth. Traditionally, increasing youth participation in capital markets has been challenging despite younger investors being at life stages where they can afford to take more risk. Hence, social media and finfluencers could play an important role in educating young people on means to achieve upward mobility and enhancing financial inclusion.

Although our research focuses specifically on Gen-Z retail investors, Gen Z's reliance on social media may be indicative of broader societal and institutional changes in how information is consumed. A recent study by the Brunswick Group found that 58% of institutional investors who are aware of Reddit have made an investment decision based on information found on the platform (Brunswick 2023). This finding reveals some convergence in how institutional investors and Gen-Z retail investors access their investment information.

However, in contrast to institutional and more experienced investors, Gen-Z investors typically display lower levels of financial literacy and take more investment risk.[5] This situation may be concerning when combined with Gen Z's ability to decipher the quality and appropriateness of investment information offered on social media platforms by finfluencers. In Europe, the Dutch regulator Authority for Financial Markets (AFM) received "dozens of complaints" from

consumers because they had lost large amounts of money as a result of "tips" from finfluencers (AFM 2021c, p. 8). Financial promotions data from the United Kingdom's Financial Conduct Authority (FCA) show that 69% of unlawful promotions identified involved website or social media platforms.[6] This indicates the scale of the challenge online investment promotions pose to regulations and their potential to cause harm.

Excluding age restrictions, arguably anyone can create and upload investing content on social media. The ease with which finfluencers can create and share content on social media and, in turn, influence their viewers to invest reveals the extent to which the finfluencer regulatory landscape contrasts with regulations and disclosure requirements placed on traditional financial advisers. Traditional financial advisers make investment recommendations and promote products usually for a fee, but they are mandated to undergo rigorous professional accreditation and continuous professional development to remain compliant with regulatory authorities.

Therefore, given Gen Z's comparatively higher levels of engagement with social media content, our research aims to evaluate the adequacy of existing regulations as applied to finfluencers and in doing so reveal areas for improvement. The findings of this report could help regulators and policymakers better understand how to position their resources to protect a new generation of investors from online investment content, such as the impacts of acting on unsuitable information. The findings are also relevant to marketing professionals at investment firms because the research conveys some of the risks associated with finfluencer marketing.

To better understand the rise of finfluencers and the challenges they pose to regulation, this research addresses three main questions:

1. How well do existing policy frameworks account for finfluencer activities?

2. What are the key characteristics of finfluencer content?

3. Why and how are Gen-Z investors engaging with finfluencer content?

Our exploratory study focuses on Gen-Z investor engagement with finfluencer content in the

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[5]FINRA's US-based National Financial Capability study found that on average, investors aged 18–34 scored the fewest correct answers on an investor literacy test compared with investors aged 35–54 and 55+. Younger respondents also exhibited higher levels of confidence; they were more likely to believe they would outperform the market (Lin, Bumcrot, Mottola, Valdes, and Walsh 2022).

[6]A freedom of information request was submitted to the FCA for a breakdown of referrals by social media platforms and the number of referrals that involved finfluencers. The FCA responded that it does "not categorise these referrals by social media type, or influencer name." So, it is unclear how many of these breaches involved finfluencers.

United Kingdom, United States, and EU jurisdictions (represented by France, Germany, and the Netherlands) to highlight its risks and benefits for investors. The report begins with a review of existing literature on the relationship between social media and investing and how this study helps fill gaps in previous research by focusing on those investors who access finfluencer content the most: Gen Z. We also discuss the risks of using finfluencer content to make investment decisions. After explaining the methodology used to conduct our research, we summarise existing regulations and social media platform policies pertaining to investment recommendations and marketing promotions in the three jurisdictions.

We then present the results of our analysis of finfluencer content from TikTok, YouTube, and Instagram in the aforementioned markets. We first identify the key characteristics of finfluencer content, as well as key data points and qualitative insights from the research. We then explore why and how Gen-Z investors across markets choose to engage with this content and come to trust it. Finally, with these findings in mind, we provide some concluding thoughts. Throughout the report, we provide recommendations for regulators, firms who partner with finfluencers, educators and providers of financial information, and social media platforms.

2. WHAT WE CURRENTLY KNOW ABOUT SOCIAL MEDIA AND INVESTING

In this chapter, we review the existing literature on the relationship between social media and investing.

Social Media and Investing

Since 2010, a growing body of behavioural finance research has highlighted the role that social media can play in disseminating investment information and influencing investor behaviour and, in turn, stock market trends (Bollen, Mao, and Zeng 2011; He, Guo, Shen, and Akula 2016). Most existing studies apply algorithmic approaches to Twitter data to map the relationship between sentiment expressed in tweets and the prices of specific stocks. For instance, Bollen et al. (2011) analysed a large volume of Twitter data and found that sentiment in tweets related to companies could predict company stock prices. Other studies focus on whether tweets posted by investment companies and their representatives can affect corporate reputation (Grover, Kar, and Ilavarasan 2019). Given that most existing research on social media and investing focuses on the relationship between tweets and stock prices, less is known about the use of other social media platforms—such as YouTube, Instagram, or newer platforms, such as TikTok—by investors to obtain information. Furthermore, because of the aggregation of data and relative anonymity of Twitter users, most existing studies that focus on sentiment analysis do not distinguish between the behaviours of retail and professional investors. Most existing studies also do not directly capture the varying motivations of investors for turning to social media for information or explore how investors come to trust individuals who provide financial information on platforms.

One study that does capture the motivations behind investors' use of social media is a survey of 150 investors by Al Atoom, Alafi, and Al-Fedawi (2021) based on the use of Facebook, Twitter, WhatsApp, and unspecified online forums. The authors highlight that investors use social media to search for specific types of information. Opinions and comments about investor sentiment and confidence in particular institutions, followed by brokers' views on specific investments, are the most popular pieces of information investors seek out via social media. In contrast, technical analysis of stocks, global economic and financial indicators, and future expectations of stock and bond prices are the most common pieces of information obtained from specialist websites. One limitation of the study by Al Atoom et al. (2021) is that it only included investors who participated in the Amman Stock Exchange, most of whom in the sample were over the age of 40. Future studies that seek to understand the reasons why investors of different ages based in different markets turn to social media would be useful contributions to the literature.

At the global scale, social media's use in investment decision making rose to prominence in early 2021, during and after the GameStop meme-stock phenomenon. This episode involved mainly young retail investors who organised through Reddit's WallStreetBets forum, coordinating to collectively purchase GameStop stock (AFM 2021b). As a result of their collective purchasing, GameStop's share price rose dramatically but caused significant losses for hedge funds that had to cover short positions (i.e., betting on a fall in the share price).[7] This example demonstrates how social media is altering the dynamics of investing, in addition to providing new modes for retail investors to organise. Although some retail investors benefited from the GameStop event, Yang (2023) discusses how GameStop investors increased their exposure to default risks, regulatory uncertainty, and online misinformation.

The US Federal Reserve Board's Financial Stability Report from November 2021 further contends that social media may not only increase risks for individual investors but also increase risks across the entire financial system (Board of Governors of the Federal Reserve System 2021). The report goes on to state that social media has the potential to destabilise financial markets because existing risk management systems may not be calibrated for the increased volatility that can result from such investor behaviour as that seen in the GameStop event. The report also notes that social media is increasing the noise in markets, in the form of speculation and bias toward riskier products.

In contrast, NEOTAS, a due diligence company, outlines the positive role that social media can play in reducing exposure to risk. In this context, information shared on social media around consumer opinion,

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[7] In the case of GameStop, hedge funds that borrowed shares to sell short were forced to buy back GameStop stock at a much higher price (to cover their positions and return borrowed stock to the lender) because of the inflated demand generated from the WallStreetBets forum.

management reviews, employee feedback, and consumer reputation can help users assess companies' social and governance records.[8] Overall, we can conclude that social media may have both beneficial and harmful effects on investors' ability to ascertain information, and it may carry financial stability risks.

The influence that information shared on media channels (including social media) can have is not a new phenomenon. Existing research highlights that traditional media, such as industry publications, play an important role in shaping investment decisions. A study by Kaniel and Parham (2017) found that mutual funds that were mentioned in the "Category Kings"[9] section of the *Wall Street Journal* received a 31% average increase in capital flows. In contrast, the authors found no increase in flows when the *Wall Street Journal* published similar lists without the prominence of the Category Kings label. The authors theorise that media attention drove investors to direct capital flows to more prominent mutual funds.

Earlier research by Barber and Odean (2008) conveys that decisions to purchase stocks are influenced by the level of attention they receive. Social media also works by providing companies with visibility and may just reflect a new method of distribution. What is different about social media, however, is the speed at which information can be transmitted and the lower barriers to entry, given that most social media platforms are free for users while most industry publications use paywalls to restrict access to content. Therefore, social media has a much greater ability to influence retail investors.

It is worth noting, however, that the distinction between "traditional" media and social media is becoming more blurred; many publications also use their company social media pages to amplify their outputs, which may then be re-shared with social media users. Indeed, Blankespoor, Miller, and White's (2014) research focuses on the use of Twitter to share links to press releases. The authors found that information shared on Twitter can lead to more widespread diffusion of information, which can, in turn, reduce information asymmetries between firms and individuals and potentially lead to greater market liquidity. This finding suggests that social media has an important role to play in the democratization of investing. Researchers predict that by 2027, over 6 billion people will use social media; with such widespread adoption, intermediaries such as finfluencers are likely to become even more prevalent in investment decision making (Dixon 2023).

To summarise, existing research highlights the important role social media plays in investment decision making but is limited because of its focus on Twitter data and quantitative methodologies and the localization of research on social media use cases. Most studies on social media's use in investment decision making do not segment investors by age, precluding a clear understanding of Gen Z's investing behaviour. Therefore, the following section focuses on young investors and their use of social media.

Young Investors and Social Media

Existing research specifically focusing on Gen-Z investors is scarce, but some studies from markets included in this research cover *young* investors as a generic group. For instance, a report from the FINRA Investor Education Foundation (Lin, Bumcrot, Mottola, Valdes, and Walsh 2022), based on investors in the United States, found that 60% of investors aged 18–34 use social media to source their investment information, compared with 35% of those aged 35–54 and only 8% of those aged 55 and older. Among those who use social media to source investment information, YouTube was found to be the most popular platform. The study also found that investors aged 18–34 do not exclusively rely on social media and are more likely to use multiple sources to gather investment information. These investors rely on research and tools provided by brokerage firms, business and finance articles, financial professionals, friends, family, or colleagues.

These findings are similar to those of the FINRA Investor Education Foundation and CFA Institute (2023) study, which showed that 60% of Gen-Z investors keep up to date on investment topics using at least four different resources, the most common being social media. This study also found that among online resources, YouTube is the most popular platform to learn about financial topics and investing (cited by 60% of US Gen-Z investors who use online resources), followed by internet searches, Instagram, and TikTok. The same study, however, also found that Gen-Z investors were most likely to trust investment information from parents and family and were less trusting of social media, indicating that Gen-Z investors pay attention to and evaluate the credibility of social media content.

Moreover, young investors' reliance on multiple information sources indicates they are likely to

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[9]Category Kings is a section of the *Wall Street Journal* trade press that highlights the top-performing funds in a given category.

cross-reference investment information prior to making an investment decision, which could mitigate any biases resulting from using social media use.

In terms of attitudes toward investing, both the Lin et al. (2022) and FINRA Investor Education Foundation and CFA Institute (2023) studies found that young investors have a relatively high tolerance for risk taking. For example, the latter study found that almost half of US Gen-Z investors are willing to take substantial or above-average financial risk and are more likely to have invested in cryptocurrency than Millennials and Gen-X investors. Further, Lin et al. (2022) found that investors under 35 were the least likely to perceive cryptocurrency as risky, and young investors and male respondents were also more likely to believe they would outperform the stock market.

A study based on German investors by Nemeczek and Weiss (2023) found that students, young people, and males who are less risk averse and are more impatient were more likely to have invested in cryptocurrencies. This group also displayed more scepticism toward financial advisers, perceiving them to be not useful and to provide poor-quality advice. The group instead displayed high levels of self-confidence, preferring to manage their own investments.

In a study based on Austrian and German investors mostly under the age of 30, Harms (2021) found that these investors prefer to be highly involved with their investments, logging into their investment apps 27 times per month, on average. The study found that these investors typically adopted a buy-and-hold strategy during the 2020 COVID-19 pandemic and, as a group, achieved significant outperformance.[10] The author concluded that contrary to popular beliefs about young investors, this group acts "surprisingly smart." Research from interactive investor's Private Investor Performance Index also supports the view that young investors performed well in recent years; the data from 2020 to 2022 on Gen-Z investors aged 18–24 convey that this cohort achieved the greatest returns over the two years studied, with an average return of 22.8%, outperforming investors aged 24–34, 35–44, 45–54, 55–64, and 65 and over (Jackson 2022).

Studies on Finfluencers

FINRA Investor Education Foundation and CFA Institute (2023) found that 37% of Gen-Z investors in the United States and 38% in the United Kingdom cite social media influencers as a major factor in their decision to invest, yet few studies explore the role finfluencers play in providing investment information and how Gen-Z investors are engaging with finfluencers.

Notably, in a recent CFA Institute study, Ramachandran (2022) explored new forms of investment marketing, with a primary focus on gamification. The study shows that gamification is supported by other emerging marketing techniques, such as the use of finfluencers to promote products. It draws attention to the following concerns about finfluencers:

- Many finfluencers are not regulated.
- Those who view finfluencer content often interpret follower count as a proxy for credibility.
- Finfluencers can make spurious recommendations.
- There may be conflicts of interest in relation to the compensation finfluencers receive for promoting products and services.

Ramachandran (2022) recommended that to mitigate conflicts of interest, regulators should mandate that finfluencers provide comprehensive disclosures for any compensation they receive for promoting products via social media.

In its "2022 Markets and Risk Outlook," French regulator Autorité des Marchés Financiers (AMF) highlights the risks posed by the use of finfluencers by neo-brokers.[11] AMF (2022, p. 114) notes that "while social media platforms provide an opportunity for execution venues to promote their services, they run the risk of being considered as sources of information prior to investment, with all the issues raised by the 'good tips,' including [those] related to the liability of those who offer them and to the risk of herding behaviour such as that observed in the GameStop episode."

The most comprehensive study to date on finfluencers is by the Dutch regulator AFM (2021c). The AFM studied 150 finfluencers, 80% of whom provided investment "tips," some of which qualified as investment recommendations. However, none of the 150 finfluencers sampled were licensed by the AFM to provide investment recommendations, thus contravening both Dutch and EU laws. Moreover, many finfluencers studied did not have a degree in finance or a related discipline. Of the 150 finfluencers

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[10]According to Harms (2021, p. 11), "Based on the internal rate of return, for the timespan from August 2017 to March 2021, the performance of the underlying funds was +4.6% p.a. The investors however achieved a performance of +13.7% p.a."

[11]Examples of neobrokers include online trading platforms and social trading platforms for retail investors.

sampled, 50 offered courses, 17 offered self-authored books, and 24 provided trading signals. The study also found that finfluencers promoted risky products, such as cryptocurrency, forex, turbos,[12] and CFDs (contracts for difference). Finfluencers also worked with firms not licensed to operate in the Dutch market and received compensation for promoting broker services or banks, both of which violated Dutch laws.

Much of what is known about finfluencers originates from the AFM (2021c) study, despite the finfluencer phenomenon appearing globally. As such, finfluencers have attracted the attention of IOSCO. IOSCO surveyed 90 financial firms in Europe, the Middle East, Asia, Africa, and the Americas and found that 10% of firms used finfluencers (Board of the International Organization of Securities Commissions 2022). Brokerage services, followed by asset managers and fund distributors, were the most likely firms to use finfluencers. Of the 10% of firms using finfluencer marketing, only a few had oversight over finfluencer activity.

A lack of firm oversight is emblematic of the decision in 2022 by the UK Financial Conduct Authority (FCA) to ban paid-for social media posts by Freetrade, a zero-commission app-based trading platform. The FCA action judged that Freetrade failed to have effective oversight of a finfluencer who suggested that investing could be a way to pay off debt in a TikTok post sponsored by the trading platform (FCA 2022). Although the FCA was able to force Freetrade to remove these sponsored influencer promotions in the United Kingdom, the study by the Board of the International Organization of Securities Commissions (2022) highlights that the transboundary nature of finfluencer content poses a challenge to regulators because member authorities have limited jurisdiction for content produced or disseminated overseas. IOSCO therefore recommends that regulators of firms that may have clients in multiple locations (outside those where they hold a license) mandate that the domestic firms have appropriate policies and procedures to onboard overseas clients.

Pelster and Hofmann (2018) conducted a relevant study that is not directly about finfluencers but focuses on information provided on social trading apps. Social trading apps allow users to exchange information and view and copy the trading activities of fellow users who are not necessarily licensed professionals. The authors found that individuals who provided advice (as defined by the authors) through such apps and had the greatest number of followers copying their trades were more vulnerable to the disposition effect[13] than investors who were not being followed. The results were true for forex and stock traders. The results of the study suggest that those providing advice and who have large public profiles often base decisions to sell investments on social pressure as opposed to fundamental factors. Pelster and Hofmann (2018, p. 15) theorise this phenomenon may be explained by individuals feeling a "fear of losing followers when admitting a poor investment decision or an attempt by newly appointed leaders to manage their social image and self-image." The results of the study could be significant in the context of finfluencers who are also highly visible and often share their own trading activities with their audiences, thus calling into question the extent to which the information they provide is subject to the same behavioural biases.

Similarly, Ramachandran (2022) highlights how posting tips and trades on social media can act as a "commitment device," compelling investors to hold on to investments even if they perform badly to avoid reputational losses and the appearance of lacking conviction in investment decisions.

What Are the Risks to Consumers?

So far, the literature reviewed identifies five main risks that finfluencer content may pose to consumers:

- Hidden marketing
- The misinterpretation of a finfluencer's level of expertise
- Inappropriate or poor-quality information (including recommendations), some of which may be influenced by behavioural biases, such as disposition effects
- Misinformation
- Scams

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[12]Turbos are leveraged financial derivatives similar to CFDs. They are also known as *sprinters* or *speeders*. The AFM defines turbos as "a financial product through which you invest indirectly in an underlying value. This underlying value could, for example, be a share, a bond[,] or a currency. With a turbo[,] you capitalize on an anticipated price rise or price fall in the underlying value. The rate of return can be considerable, either positive or negative. The turbo's leverage effect is the driver for that" (AFM 2020a). The AFM found that 68% of retail investors experienced losses trading turbos from the period June 2017–July 2018. See AFM (2020b).

[13]The disposition effect describes the tendency of investors to sell investments that have increased in value and hold investments that have fallen in value.

Many of the risks associated with finfluencers stem from inadequate disclosures and a lack of transparency, which could lead to audiences overestimating the level of a finfluencer's expertise.

To conclude, the literature on finfluencers provides insight into some of the challenges associated with their role as new intermediaries, but less is known about their appeal and their ability to affect the investment decision-making processes of their audiences. Few studies use qualitative methods, such as interviews with retail investors. With the exception of the Netherlands, little is known about the characteristics of finfluencer content in most markets.

3. METHODOLOGY

As shown in Chapter 2, there are gaps in research on social media and investing that our study attempts to fill. In addition to evaluating the effectiveness of policies and regulations, the objective of this research is to add to the body of knowledge exploring the relationship between social media and investing behaviours through finfluencers. To meet these objectives, we organise our study around three main research questions.

Research Questions

1. How well do existing policy frameworks account for finfluencer activities?
2. What are the key characteristics of finfluencer content?
3. Why and how are Gen-Z investors engaging with finfluencer content?

Market Selection

To establish a broad understanding of finfluencers, we selected three jurisdictions for this research—the United Kingdom, the United States, and the EU. These jurisdictions are included in the study because in addition to growing concern from regulators about finfluencer activity in these markets, they are globally significant capital markets that, therefore, provide important insight into how new intermediaries are influencing investment trends. Additionally, in the EU, the same legislation is transposed into member state laws, which facilitates our analysis. From the EU, we selected for our analysis Germany, France, and the Netherlands, three of the largest capital markets in Europe and the three largest EU markets in terms of CFA Institute membership, represented by large member societies in each market that were able to support this primary research.

Question 1

How Well Do Existing Policy Frameworks Account for Finfluencer Activities?

We reviewed regulations relating to investment promotions and recommendations in the United States, the United Kingdom, and the EU, in addition to member state

laws, where relevant. The regulatory review served two main purposes: (i) to understand the restrictions around providing investment advice and recommendations in each market and the protections afforded to consumers for acting on unsuitable advice and (ii) how finfluencer activity might operate within these regulations and where there is ambiguity in frameworks.

Overall, this exercise was conducted to help assess whether the current regulatory framework and levels of enforcement are sufficient to encompass finfluencer content. We also evaluated social media community guidelines to understand how social media platforms address finfluencer content. In addition, we spoke with an investment company that uses finfluencers to provide further context on practices surrounding the use of finfluencers and their experience of navigating regulations.

Question 2

What Are the Key Characteristics of Finfluencer Content?

To understand the key characteristics of finfluencer content, we conducted primary research that consisted of four steps:

- Selecting the social media platforms
- Defining the sample size, establishing the criteria, and selecting content
- Categorising the content selected
- Analysing the data

We detail each of these steps as follows.

Selecting the Social Media Platforms

We focused our content analysis on three social media platforms: YouTube, Instagram, and TikTok. As noted in Chapter 2, FINRA Investor Education Foundation and CFA Institute (2023) identified these as the top three social media platforms among the online information sources used by Gen-Z investors to learn about financial topics and investing. We thus consider these three platforms to be the most relevant for our study.

Defining the Sample Size, Establishing the Criteria, and Selecting Content

The sample we selected is shown in **Exhibit 1**. It comprises 35 pieces of content in each of the UK

Exhibit 1. Finfluencer Content Sampled by Platform and Market

	YouTube	TikTok	Instagram	
UK	10	15	10	
US	10	15	10	
EU				
France	5	7	5	
Germany	5	7	5	
Netherlands	5	7	5	
Total	**35**	**51**	**35**	**121**

Because social media content is regionally custom-ised, we conducted finfluencer content searches locally in each region so that the results of the search were representative of what a consumer in that market would find.[16] Personnel from CFA societies in France, Germany, and the Netherlands conducted the content searches in those markets.[17] These individuals also performed the content categorization later in the process.

Based on earlier scoping research, we based our content search on a group of search terms[18] chosen to ensure that finfluencer content was discoverable in each market. We used terms that were neutral in the sense that they did not bias toward specific types of investment.[19] Search terms used to find relevant content included *investing for beginners*, *investing*, *how to invest*, and *what to invest in?* We used two additional search terms—*investing tips* and *best investments*—when the previously listed terms did not yield content that fit in the study's inclusion criteria.

Once search terms were entered in our chosen platforms and markets, multiple videos under each term were displayed. To inform the subsequent content selection, we used a list of inclusion criteria to identify which content to include (or exclude) for the analysis.

The inclusion criteria consisted of, for example, videos created by finfluencers with a niche in personal finance and investing. Conversely, content that discussed personal finance alone—such as how to budget—but did not discuss investing were excluded. See Appendix 1 for details of the inclusion and exclusion criteria.

We chose to search by key terms, rather than by individual finfluencer, for three main reasons:

- The aim of the content search was to understand the nature of finfluencer content at a snapshot in time—to give a sense of the type of content that is likely to be shown to social media users in the same way they might search for it. To emphasise this point, in qualitative focus group findings

and US markets and 17 pieces of content in each of France, Germany, and the Netherlands, totaling 121 pieces of content. We considered this sample size to be large enough to obtain a representative view of finfluencer content at the time the search was conducted.[14]

Upon subsequent analysis of the sample, 11 pieces of content were identified by the researchers as duplicates (i.e., the same piece of finfluencer content was discovered in at least two markets).[15] Duplicate content sources were then removed from the analysis so that only one copy of the duplicated content was retained, resulting in 110 unique pieces of finfluencer content.

YouTube and TikTok are video sharing platforms, so only videos were collected on these platforms. On Instagram, we collected a mixture of infographics and videos.

Exhibit 1 provides a breakdown of the proportion of content from each platform. More content was sampled from TikTok because of the shorter length of videos posted there, which made it more feasible for the researchers to analyse content within the time frame for this study.

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[14]For comparison, the study on finfluencers by Dutch regulator AFM sampled content from 150 finfluencers. Its search was conducted by finfluencer rather than through search terms yielding finfluencer content.

[15]See Chapter 5 for more detail on duplicate content and a discussion on the implications it has on the adequacy of existing regulatory frameworks.

[16]Content searches were conducted in English except for in Germany and France, where local languages were used to search for content.

[17]We extend our thanks to Sonia Allam and Bénédicte Mutamba from CFA Society France, Setara Feroozi from CFA Society Germany, and Heleen de Vlaam from CFA Society Netherlands for conducting the content reviews.

[18]In Germany and France, the search terms were translated into the local language.

[19]To avoid introducing biases, terms did not include asset classes.

(discussed later), investors mentioned that they searched for finfluencer content by topic rather than by individual finfluencer.

- To our knowledge, data on the universe of finfluencers do not exist, nor would it be practical to maintain a valid, up-to-date list because new content creators can continuously emerge. Therefore, choosing individual finfluencers would mean only those known about before the research was conducted would be included in the sample.

- Searching through terms rather than finfluencers may be less likely to introduce selection bias because content creators who have produced content relevant to a term but who are less well known are included in a content sample.

Categorising the Content Selected

Following the finfluencer content selection process, the researchers viewed and categorised each piece of relevant content against 28 preset criteria. The criteria were populated into a survey instrument and distributed to the content reviewers (CFA Institute staff for the US and UK markets, and CFA society staff for France, Germany, and the Netherlands, respectively).

The survey categorisation questions were designed based on previous scoping research that identified relevant aspects of finfluencer content. Key questions included what asset classes the finfluencer content discussed; whether the content was best categorised as an investment promotion, recommendation, or guidance; whether the content contained any affiliate links; whether the finfluencer had made any disclosures or disclaimers; the number of followers or subscribers a finfluencer had; and the length of video content. See Appendix 2 for the survey categorisation questions.

To categorise whether content contained promotions, contained recommendations, or offered guidance, the content reviewers were provided with definitions of key terms. These definitions are shown in **Exhibit 2.**

We chose to use a generic definition of a "recommendation" as opposed to a specific regulatory definition belonging to a given jurisdiction to facilitate comparability across markets and to ensure consistent interpretation of terms among the content reviewers. A caveat, therefore, is that our categorisation of content as a recommendation is our own interpretation and not a strict regulatory interpretation for the market in question. If instead regulatory definitions were used in each of the respective markets, it is possible that different results could be obtained. Moreover, it is a matter for competent authorities—not researchers—to determine definitively what content does or does not satisfy a given regulatory definition.

Given broad consistency in definitions of marketing promotions among the respective jurisdictions (see Chapter 4), we chose the UK Financial Conduct Authority regulations as the basis for our definition

Exhibit 2. Definitions Used for Content Categorisation

Guidance	Content in which a finfluencer does not recommend a specific course of action, such as what to buy. It may provide information that helps the user weigh different options. Guidance includes general information about different types of investments or contains general principles to consider before investing. For example, guidance may explain how investing in an index fund works but will not recommend that the user invest in an index fund.
Promotion	Content in which a finfluencer is paid to advertise an investment product or platform and/or to provide links to a promotional offer that the finfluencer stands to benefit from financially. Personalised affiliate links are an indication that the creator is benefiting financially from the sharing of a promotional offer. Affiliate links may also be included in the caption or comments with a message, such as "For a free share, sign up to XYZTrade using this link." The link will include a personalised web address that is likely to refer to the creator.
Recommendation	Content that recommends a specific course of action in relation to a specific investment or provider of an investment product or service—for example, a piece of content that recommends buying or selling a financial product, such as an ETF.

of a financial promotion.[20] The authors adapted this definition to incorporate how promotions/marketing appear on social media, such as when finfluencers use affiliate links.

To ensure consistency in content analysis, we also provided the reviewers with definitions such as who would be considered a finfluencer and what constituted a disclosure. See Appendix 1 for the full details on all definitions used.

Analysing the Data

Once the researchers categorized the content using the survey instrument, we undertook further analysis to identify themes in finfluencer content, such as the role of emotions and the positioning of status and lifestyle. Additionally, we aggregated data on the types of asset classes discussed in the content to quantify the most common asset classes covered.

Question 3

Why and How Are Gen-Z Investors Engaging with Finfluencer Content?

To understand why and how Gen-Z investors are engaging with finfluencer content, CFA Institute commissioned three focus groups with Gen-Z investors who self-reported that they use finfluencers in their investment decision-making process. Those who participated in the focus groups were based in the Netherlands, France, and Germany. The focus group discussions were designed by CFA Institute and based on questions related to Gen Z's investment habits and their use of and trust in various information sources. On average, these focus groups consisted of seven investors and lasted for 90 minutes.

We also used existing research on Gen-Z investors from the joint study by the FINRA Investor Education Foundation and CFA Institute (2023). Seven Gen-Z investors from the United States and seven from the United Kingdom participated in these focus groups. In the US and UK focus group discussions, the

questions asked also related to Gen Z's use of and trust in various information sources, including finfluencers, as well as Gen Z's financial goals. These discussions also lasted 90 minutes, on average.

The focus groups revealed that individual stocks and shares were the most commonly held investments by Gen-Z investors across all markets, followed by exchange-traded funds. Cryptocurrencies were the third most commonly held investment.

Appendix 3 provides details on the focus group sample in each market. We elaborate on the findings from the focus groups in Chapter 6.

Study Limitations

The markets included in this research consist of developed Western countries. Finfluencer content is also important in other markets, including developing markets, where professional financial advice may not be as accessible. Given this study's developed-market focus, the findings may not be generalisable to other regions.

Primarily, this is a qualitative study, and therefore, subjective judgements on quality are inherent in the research method. Some bias may have been reduced by the facts that content reviewers completed the same survey instrument and that the same definitions were used for all markets. There may be no perfect method to analyse content on social media, and some of the search terms used, such as "best investments," may have introduced bias into the content sample by showcasing content where finfluencers explicitly make recommendations as invited by the search term. Of the pieces of content that we categorised as recommendations, 14% came from a search using the term "best investments." However, this finding is also important in highlighting the ease of finding investment recommendations if the right search terms are used.

To answer Research Question 1, we begin Chapter 4 by reviewing the existing regulations relating to financial promotions and recommendations.

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[20]See www.handbook.fca.org.uk/handbook/glossary/G421.html#:~:text=(1) an invitation or inducement,(Restrictions on financial promotion)].

4. HOW WELL DO EXISTING POLICY FRAMEWORKS ACCOUNT FOR FINFLUENCER ACTIVITIES?

Social media is designed to bring users from different places together through shared content. Although this confluence can help foster social connectivity and the transmission of information, it also is a key challenge to effective regulation.

Globally, regulators have been responding to concerns over investment content produced by finfluencers. These responses have typically targeted four main areas: individual finfluencers, investment companies such as neobrokers, social media platforms, and consumers.

To illustrate regulators' responses, the Dutch regulator AFM (2021a) has contacted finfluencers to remind them of rules on financial recommendations and promotions, and the Australian Securities and Investments Commission (ASIC) issued guidance to finfluencers on what types of statements are acceptable and unacceptable when discussing services and promoting products (ASIC 2022). ASIC also has placed permanent injunctions on one finfluencer for providing trading advice in online trading groups without authorisation (Australian Associated Press 2023).

Financial market regulators in Germany (BaFin)[21] and France (AMF 2021) have issued consumer guidance that encourages retail investors to complete basic due diligence and exercise caution when using investment information from finfluencers. In 2022, the US Securities and Exchange Commission charged eight finfluencers with securities fraud for their role in a stock manipulation scheme.[22] And most recently, the Securities and Exchange Board of India (SEBI) took action against a finfluencer for what it called "violating investment adviser norms" (Bazaz 2023). The actions taken by regulators, including in markets outside the scope of this study, highlight that finfluencer content is becoming a global concern.

To assess whether current policy frameworks and levels of enforcement are sufficient to encompass finfluencer content, we reviewed regulations relating to investment promotions and recommendations in the United Kingdom, United States,

and EU. Our review sought to understand the restrictions around providing investment advice and recommendations in each market and the protections afforded to consumers for acting on unsuitable advice, as well as the extent to which finfluencer activity might operate within these frameworks. We also reviewed social media platform policies to understand how social media platforms address finfluencer content.

Summary of Regulations Relating to Investment Promotions and Recommendations

Our review of existing regulations in the United Kingdom, United States, and EU showed similarities in principles regulating investment promotions and the overarching need for those providing investment services to be authorised. However, it also showed some differences in the definitions of recommendations/advice, inducement rules, and who can provide recommendations and promote products. Further, the regulatory approach to recommending and promoting cryptoassets—one of the most popular products among Gen-Z investors—is uneven and patchy across the markets covered.

The UK and EU member states broadly share the same definition of an investment recommendation, which derives from the EU Markets in Financial Instruments Directive (MiFID), which defines investment advice as "the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments."[23]

To be classified as such, recommendations should have three characteristics. They should be

- made to a person in his or her capacity as an investor or potential investor or in his or her

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capacity as an agent for an investor or potential investor,

- presented as suitable for that person or based on a consideration of the circumstances of that person, and

- personal (e.g., not issued to the general public).

In comparison, Section 202(a)(11) of the US Investment Advisers Act defines an investment adviser as "any person or firm that: for compensation; is engaged in the business of; providing advice to others or issuing reports or analyses regarding securities."[24] This definition illustrates that in the United States, compensation must be received for a recommendation to be considered as such, which contrasts with the criteria under the EU and UK regulatory frameworks.

Differences in definitions related to investment recommendations across markets limit the effectiveness of the regulatory framework surrounding finfluencer content that can be consumed across different jurisdictions; such content may satisfy some but not all of the regulatory criteria associated with recommendations/advice in the different markets. In practice, the extent to which the regulatory framework applies to a specific finfluencer in a given market will depend on the professional status of the finfluencer, the extent to which they receive

compensation from affiliates such as financial services firms, and the scope of their audience.

In our review of finfluencer content (see Chapter 5), we found that of the 110 unique pieces of content analysed, there were 14 finfluencers who appeared in at least two markets. This finding highlights the challenge that the transboundary nature of social media content poses to a siloed regulatory framework and the importance of a more universal or harmonised definition of investment recommendations.

In contrast, laws on investment promotions appear more comprehensive across markets. In general, laws on marketing promotions are based on the principle that promotions should be fair, clear, and not misleading. In addition to providing relevant marketing disclosures, those promoting products should make the risks associated with an investment product or service clear. The similarity in these rules across the markets covered suggests that greater enforcement of existing marketing disclosure rules is likely to be more effective in preventing potential harms associated with finfluencer content than creating new marketing regulations to apply specifically to finfluencers.

In light of our work, we offer the following regulatory recommendations.

Recommendations for Regulators

- **Regulators should cooperate to design and implement a more universal definition of an investment recommendation.**

  In addition to promoting products, we observed some finfluencers recommending that their audiences buy, sell, or hold financial instruments. Although laws regulating financial promotions and advertisements more generally are relatively comprehensive and consistent across the markets in this study, we found that what constitutes an investment recommendation is less clear, with differences in definitions in the markets we cover. To overcome the

  challenge finfluencer activities pose to the regulatory framework, IOSCO could design a common definition of an investment recommendation and strongly encourage its member jurisdictions to transpose this definition (or something substantially similar) into their laws. Overall, working toward a more universal definition of an investment recommendation would mean that regulations are sufficiently comprehensive to respond to new online and offline actors who may emerge in the future—particularly those that operate across borders.

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[24]This definition can be found in Section 202(a)(11) of the Investment Advisers Act (see SEC 2013).

- **National regulators should engage with finfluencers.**

  Finfluencers often demonstrated efforts to help educate their audience, as shown through their highly curated content. The majority of finfluencers appear genuine in their educational efforts but are likely unaware that some of their activities are regulated. Regulators should, therefore, engage directly in constructive dialogue with finfluencers and explain which of their activities are regulated. Such engagement would serve to emphasise the importance of making clear and relevant disclosures, including disclosures of any conflicts of interest that arise when they are marketing products or providing information. Finfluencers should also be required to disclose their regulatory status—that is, whether they are a regulated adviser, a tied agent, a broker/dealer, or none of the above—even when partnering with regulated firms.

- **National regulators should record and publicly report data on complaints and whistle-blowing activities regarding finfluencers.**

  If not already doing so, regulators should record data on complaints received and whistle-blowing activities regarding finfluencers, including the platforms involved. National data should then be aggregated and publicly reported. A lack of data may mean that regulators face challenges in issuing timely warnings to the public regarding specific finfluencers who consistently violate regulations, as well as challenges in determining the appropriate platforms on which enforcement actions should be focused. Regulators should also mandate that firms keep records on their use of finfluencers in markets where this is not the case.

Social Media Platform Policies

Given social media's ubiquity, greater expectations from governments and civil society are being placed on the platforms themselves to moderate content. Indeed, YouTube, TikTok, and Instagram all have community guidelines governing platform conduct, in addition to procedures to remove harmful content.

Social media platforms' terms of use specify the type of conduct expected from users, including content creators such as finfluencers. Platform activities prohibited by YouTube, Instagram, and TikTok that are relevant to this research include misinformation that causes harm (defined as content that is inaccurate and has a potentially negative impact on other users, irrespective of the content creator's intent); fraudulent activity and scams; and illegal and criminal activities.

TikTok, Instagram, and YouTube have policies in their guidelines restricting misinformation, including fake engagement such as manipulating follower count or views. These policies would apply to finfluencers who may otherwise seek to artificially inflate their number of followers to enhance their perceived credibility.

YouTube and TikTok platform policies prohibit content related to the sale of, or linking or access to illegal goods and services, and their guidelines list examples of banned goods and services. However, none of the products or services listed in the guidelines explicitly relate to financial recommendations, which are regulated activities in most markets.

Failure to comply with the platform terms of use on TikTok, YouTube, and Instagram can result in a warning to an account holder, the removal of content that violates terms of use, and/or a temporary or permanent ban from using the platform. An account holder may be reported to the relevant law enforcement authority if a violation is significant.

Platforms also have mechanisms that enable users to report content they view as harmful, and platforms use artificial intelligence (AI) and human content

moderators[25] to flag and remove content that violates platform guidelines.[26]

YouTube

YouTube has rules that explicitly regulate the promotion of financial products and services.[27] These rules require those promoting products to comply with the relevant regulations in the jurisdictions where advertisements are targeted, including disclosure requirements. YouTube's platform guidelines also ban deceptive advertisements such as those that omit relevant product information, provide misleading information on products, services, or businesses, or misrepresent important details.

TikTok

TikTok's advertising policies do not explicitly include rules on financial promotions but instead stipulate that advertisers are responsible for ensuring their advertisements comply with relevant laws in the regions they are targeted.[28]

It is noteworthy that TikTok acknowledges its role as a source for people to obtain financial information. In 2021, TikTok launched the #FactCheckYourFeed social media campaign with the aim of teaching people how to critically evaluate content they view to safeguard themselves from potential harm. Part of this campaign involved a partnership between Citizens Advice and TikTok in which they coproduced videos as part of a Scams Awareness Fortnight campaign. Videos covered how to make informed financial decisions, conduct research, and understand financial jargon (TikTok 2021).

Additionally, in our content analysis, we identified automatic tagging and identification of videos related to financial topics by TikTok in the United Kingdom (using the mobile application). As part of TikTok's #FactCheckYourFeed campaign, a banner appears under some finfluencer videos that says "learn about making informed financial decisions" and directs users to a link that includes further resources on how to spot scams.

Instagram

Instagram platform guidelines, which are adopted from parent company Meta, are principle based, placing general prohibitions on content that poses harm to the public and personal safety. Its guidelines include prohibitions on "financial harm." The extent to which this term could apply to investment recommendations, however, is unclear.

In regard to advertising, Meta's Instagram policies require those promoting financial products to be authorised by "the relevant regulatory authorities where this is a requirement," and their status may then be reviewed by Meta. These policies also mandate advertising disclosure requirements.[29]

The content creator must also obtain written permission from Meta before promoting cryptocurrency on the platform.[30] Advertisements are also banned from promoting crowdfunding, binary options, or contracts for difference. Meta's guidelines thus appear to be the most specific regarding financial products among the platforms we reviewed.

Summary

Our review of the guidelines for YouTube, TikTok, and Instagram suggests that they are sufficiently broad to apply to finfluencer activities and, in particular, to investment promotions. Guidelines that offer specific

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[25]Moderators assess content against social media platform rules and its potential to cause harm and remove harmful content.

[26]The consequences of violating YouTube's guidelines and its moderation process can be found at, respectively, https://support.google.com/google-ads/answer/7187501?hl=en&sjid=15756967294205129082-NA and https://transparencyreport.google.com/youtube-policy/removals?hl=en. Note the former website is for Google Ads policies, which apply to YouTube because it is part of Google.

The consequences of violating TikTok's guidelines and its moderation practices can be found at, respectively, https://support.tiktok.com/en/safety-hc/account-and-user-safety/account-safety and www.tiktok.com/transparency/en-us/content-moderation/.

The consequences of violating Instagram's community guidelines and its moderation process can be found at, respectively, https://help.instagram.com/477434105621119 and https://help.instagram.com/423837189385631.

[27]Google Ads policies that apply to YouTube (which is part of Google) are available at https://support.google.com/adspolicy/answer/6008942?sjid=13750307713856280411-EU.

[28]TikTok's business help center advertisement policy can be found at https://ads.tiktok.com/help/article/advertising-on-tiktok-first-things-to-note?redirected=2.

[29]To see these requirements, go to https://transparency.fb.com/policies/ad-standards/.

[30]Meta's transparency center states that "ads may not promote cryptocurrency trading platforms, software and related services and products that enable monetisation, reselling, swapping or staking of cryptocurrencies without prior written permission." See https://transparency.fb.com/en-gb/policies/ad-standards/content-specific-restrictions/cryptocurrency-products-and-services/.

examples of the types of activities that are prohibited are helpful, such as those provided by Instagram (through its owner, Meta).

The social media platforms we reviewed are also implementing mechanisms to prevent online harm, including from investment content. However, platform rules assume that content creators are aware of and adept at interpreting regional rules, which places a high degree of responsibility on content creators to ensure they are compliant.

The use of AI and human moderators is important in restricting the spread of potentially harmful finfluencer content, but it is unclear whether platform moderators have the right level of training to identify investment misinformation, given its complexity. Furthermore, there is little public information about the accuracy of algorithms in detecting unlawful content.[31] This situation further emphasises the value of a common regulatory approach to defining investment recommendations, which would reduce complexity for content creators, consumers, and social media platform moderators.

Recommendations for Social Media Platforms

- **Enhance social media platform controls.**

  Social media platforms should take additional responsibility in ensuring content creators clearly display posts that include advertising. Some platforms, such as YouTube, include interfaces that prompt content creators to disclose advertising before posting, which then automates advertising disclosures. Similar interfaces could be applied to other platforms and combined with human moderators, along with improved algorithmic model training and model transparency for content moderation that uses AI, to check that posts contain adequate disclosures.

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[31]YouTube reports that automated flagging is the first source of detection of the majority of videos that violate its platform policies. See https://transparencyreport.google.com/youtube-policy/removals?hl=en.

5. WHAT ARE THE KEY CHARACTERISTICS OF FINFLUENCER CONTENT?

This chapter presents the results from our finfluencer content analysis. We present aggregated results from the three main jurisdictions to provide an overall view of the main characteristics of finfluencer content, including country-specific comparisons, where relevant. We begin with some general observations about the finfluencer content sampled and then present the key data points from our analysis.

- **Content Is Accessible**

  We found that content created by finfluencers on the three social media platforms was highly accessible. First, no content creator used a paywall to restrict access to content, although some creators did signpost links to their own fee-based courses. Second, finfluencers most often provided concise and jargon-free explanations of investing concepts, such as overviews of various asset classes and the differences between them, how dividends work, and how to calculate the return on investments. The accessibility of content was a feature Gen-Z investors in the focus groups mentioned as part of finfluencers' appeal (see Chapter 6). Third, finfluencers often included varied data visualisations, such as static and live charts, alongside their audio-visual explanations that helped make content relatively easy to follow.

  On TikTok, finfluencers used in-platform features, such as auto-generated captions, to provide information. When considering the large followings of finfluencers and the potentially varied learning abilities of their audience, these features are likely to enhance the accessibility of investment information. On Instagram, the use of concise and colourful infographics with easily readable fonts may also help make investing information more inclusive of a diverse group of individuals.

  Although we did not collect specific demographic characteristics of finfluencers, overall, they appeared to be a diverse group but majority male. Some finfluencers marketed themselves as appealing to certain identities. For example, one finfluencer used the term

"wealth for women of colour" and portrayed herself as "providing a safe space for women of colour" to learn about personal finance and investing. This finding illustrates the potential for finfluencers, when abiding by regulations, to be an important vehicle in enhancing capital market participation, in particular by minority groups who have historically had lower levels of participation.[32]

- **Content Is Not Fully Customised by Region**

  As noted in Chapter 3, 11 pieces of finfluencer content were found to be duplicates and were removed from the sample. Among these duplicates, three of the same finfluencer videos appeared in three different markets—the United States, the Netherlands, and the United Kingdom—potentially because English is the dominant language in the United States and the United Kingdom and is commonly spoken in the Netherlands. Moreover, content that was viewed on TikTok was more likely to appear in multiple countries—8 of the 11 excluded content pieces originated from TikTok. Overall, 14 finfluencers were discoverable in at least two markets.[33] Further analysis of the sample reveals that 54% of the 35 sources of finfluencer content from the UK sample appeared to have been created by finfluencers based outside the United Kingdom, most commonly from the United States.

  The fact that finfluencer content displayed to users is not entirely regionally customised has benefits and drawbacks. On the one hand, it could help expose those who view it to new concepts and ideas from outside their market (which was corroborated in Gen-Z focus groups). On the other hand, it could also mean that those who view finfluencer content could be exposed to information that is unsuitable in the context of local capital markets, product availability, and industry trends in their respective localities. This finding further highlights the scale of the challenge of geography and potential divergence in the regulatory landscape.

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[32]For example, in the United States, people of colour are estimated to invest at lower rates; see Burton (2018).

[33]The 14 creators who appeared in multiple markets were not removed from the sample if we found different content in the respective markets. For example, if a finfluencer had content on YouTube in multiple markets but with different videos, that individual was not removed from the sample.

Some finfluencers appeared to be aware that their content would be viewed outside the country where they created it. To illustrate, the following quotation is taken from a TikTok finfluencer apparently based in the United States who provided guidance on how to open an ETF account but acknowledged that the digital brokers used may not be available in other regions: "Unfortunately, I can't tell you what brokers to use. Every country has different ones. I can only speak for the US."

- **Content Receives High Levels of Engagement**

Our sample included finfluencers with a wide range of followers. The most followed finfluencers were Erika Kullberg on Instagram, with 4.3 million followers, and Graham Stephen and Ali Abdaal on YouTube, with 4.2 million and 3.9 million subscribers, respectively, at the time this research was conducted. In comparison, the least followed finfluencer had just over 1,000 followers on TikTok. The median number of followers/subscribers in finfluencer accounts for the sample was 128,000, which highlights the popularity of finfluencers across social media platforms and regions. Finfluencers with the greatest numbers of followers/subscribers were those who were more likely to be discoverable in multiple markets.

Finfluencer content also receives high levels of engagement. At least 10 pieces of content in the sample received over 1 million views. We examined other metrics of engagement, such

as comments, and found that most audiences appeared to view content positively; they frequently commended finfluencers for sharing their perceived knowledge. These types of interactions may act as positive reinforcement and encourage finfluencers to continue to create content. Comment sections also highlighted that audiences would sometimes ask finfluencers for recommendations, which may also put pressure on finfluencers to provide advice on content or make suggestions based on little knowledge of the commenter's personal situation.

This study did not explicitly quantify the quality of information by number of finfluencer followings. Our initial analysis did not reveal an obvious relation between the quality of advice offered and the size of finfluencer followings. We observed both good and poor practices among finfluencers with large followings and among finfluencers with smaller followings.

Quantitative Insights from Finfluencer Content

This section provides a breakdown of the key findings and data points from the reviews of finfluencer content for the 110 content pieces included in the final analysis.

Exhibit 3 shows the most commonly cited investment products from the sample.

Exhibit 3. The Most Commonly Mentioned Investments in Finfluencer Content (*N* = 110)
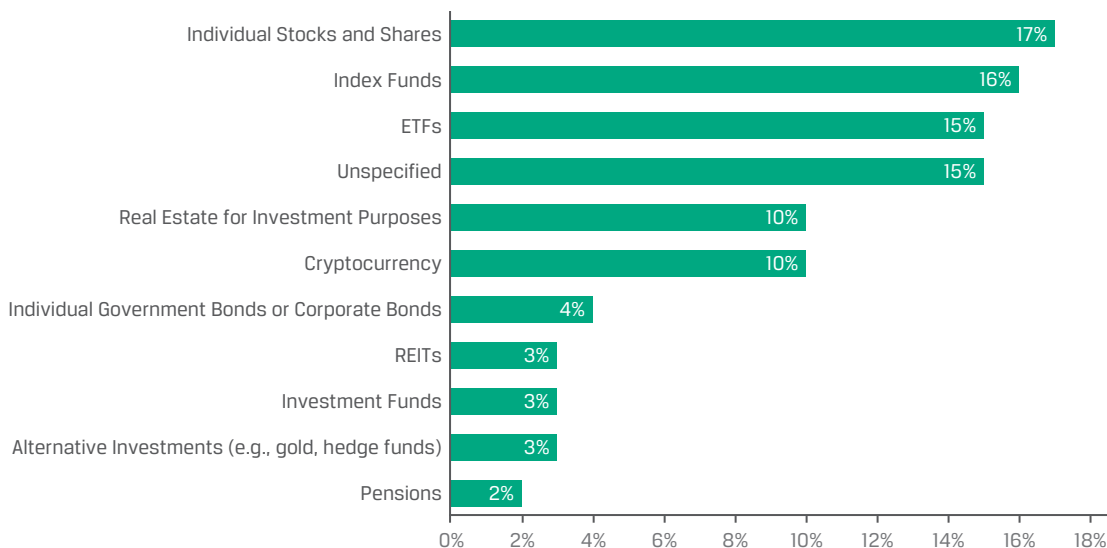
Notes: The content categorisation survey question was, "What type of investments does the content creator discuss? Please select all that apply." "Unspecified" refers to content where the concept of investing, rather than a specific asset class, is referred to.

The majority of finfluencer content covered passive investment products, typified by ETFs and index funds. This finding raises the question of the extent to which finfluencer content may be contributing to industry trends, such as the growth of index funds. We observed that finfluencers commonly suggested that ETFs and index funds were the best investments because of their low cost and the diversification they provide.

Individual stocks and shares were overall the most commonly mentioned type of investment in the sample, although the context in which they were mentioned varied. Some content focused on how to pick individual stocks, whereas other pieces of content advised against individual stock picking because of the inherent risks.

Notably, Gen-Z investors are more likely to invest in cryptocurrencies than any other demographic eligible to invest (FINRA Investor Education Foundation and CFA Institute 2023), yet comparatively less finfluencer content in our sample mentioned this type of investment. This finding could, however, result from the search terms used to collect relevant content, given that the search terms intentionally did not mention any specific type of investment to avoid introducing bias into the sample. Further, as noted in Chap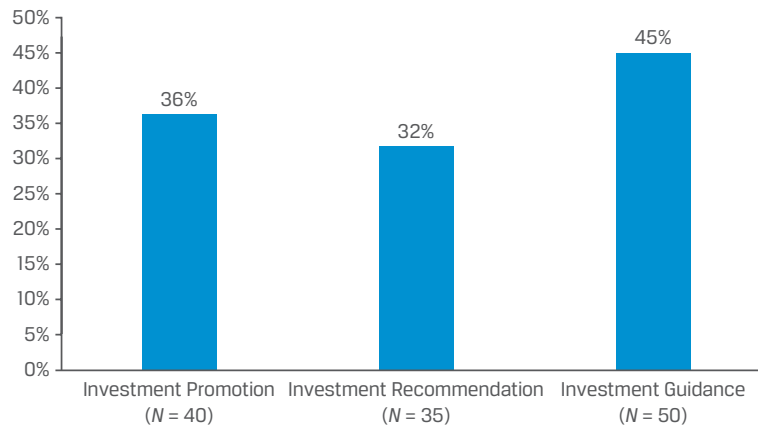ter 4, Instagram's policies restrict the ability to promote cryptocurrencies on the platform, which may further reduce the incidence of cryptocurrency content in our sample.

Categorisation of Finfluencer Content

Exhibit 4 illustrates the types of finfluencer content we discovered according to the categories

of promotion, recommendation, and guidance (as defined in Chapter 3). The exhibit shows that investment guidance was the most common category of content in our sample.

As noted earlier (Exhibit 2), guidance is distinguished from a promotion in that guidance does not contain marketing materials or promote specific products. Guidance is distinguished from a recommendation in that guidance does not recommend a specific course of action in relation to any specific investment.

It was unclear what authorisations the majority of finfluencers who promoted investment products or made recommendations had (if any) given that none of the finfluencers formally disclosed their regulatory status in the content we reviewed. A handful of finfluencers disclosed they were not professional advisers, but no finfluencers mentioned whether they were a broker/dealer, a tied agent, or an authorised representative, which would have legally allowed them to promote products and services without being a professional adviser. It is likely, therefore, that many of the finfluencers who promoted products or made recommendations were not authorised persons or were unaware of their duties to make relevant disclosures.

It is also worth noting that the majority of recommendations from content we sampled in the Netherlands and just under half of the content sampled in the United Kingdom contained recommendations that appeared to originate from creators based in the United States. This outcome is likely the result of shared language among these markets, which makes content discoverable across regions. It also highlights the importance of greater regulatory

Exhibit 4. Types of Content Produced by Finfluencers

Notes: The content categorisation survey question was, "What terms best describe the content viewed? (Select all that apply)." The data are based on 110 sources of finfluencer content. Investment guidance is an exclusive category. Investment promotions and recommendations could be selected together. Therefore, percentages do not add up to 100.

harmonisation in the context of what constitutes a recommendation.

The majority of content containing recommendations related to the purchasing of an investment, followed by a recommendation relating to which investment platform to use, which was usually accompanied by a promotion to a particular broker. Few recommendations to hold or sell investments were made.

When analysing the categories of content among the social media platforms, we found that the proportion of content that contained an investment recommendation was broadly similar for the three platforms, ranging from 26% on Instagram to 36% on TikTok, as illustrated in **Exhibit 5**. In contrast, the greatest proportion of content containing investment promotions was found on YouTube, at 76%, compared to 24% and 14% on Instagram and TikTok, respectively. Correspondingly, content identified exclusively as guidance was less prevalent on YouTube. Aside from the comparatively higher rates charged for posts on YouTube, an additional reason for the greater prevalence of promotions on YouTube could be the higher character allowance in captions on YouTube, which potentially lends itself to the insertion of affiliate links and other promotional offers.[34]

Affiliate Links

As shown in **Exhibit 6**, 27% of finfluencer content contained affiliate links. The majority of affiliate links signposted users to investment products and services, such as trading platforms and neobrokerages.

We were unable to determine the proportion of finfluencers who had been directly endorsed by trading companies versus those who were acting on their own initiative to provide links to trading platforms because on some (but not all) occasions, finfluencers would disclose they were part of an affiliate program. The majority of these affiliate links directed users to promotional offers on specific trading platforms and neobrokers through offers typified by statements such as "free shares on X platform when you sign up using this link." The word cloud in **Exhibit 7** provides an indication of the most commonly cited trading platforms and neobrokers among finfluencer content that contained affiliate links.

Finfluencer content often contained links to personal finance and investing books, finfluencers' own courses on personal finance and investing, and stationery and camera equipment used to market their content. Although it was self-evident that finfluencers would receive earnings from their own paid-for

Exhibit 5. Promotions, Recommendations, and Guidance by Social Media Platform
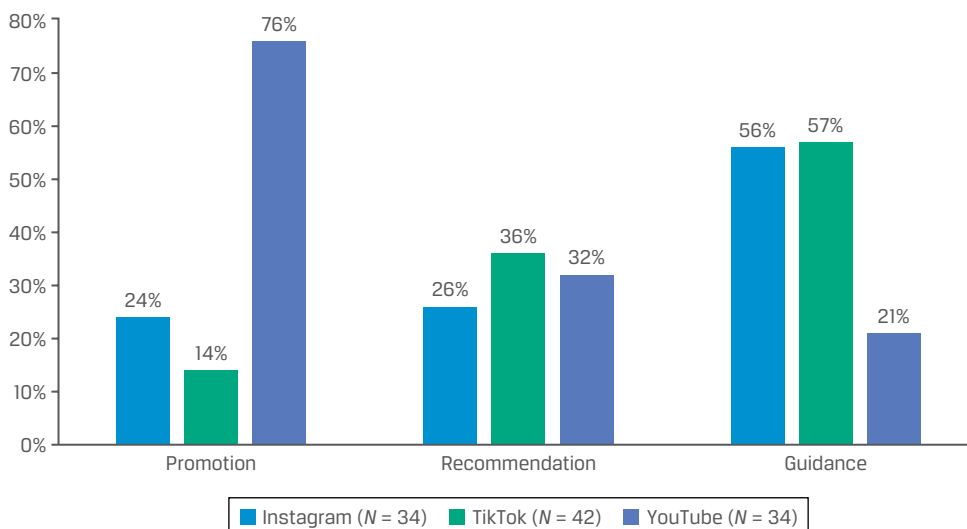
Notes: The exhibit shows the proportion of content on each platform classified as a promotion, a recommendation, or guidance. Promotions and recommendations are nonexclusive categories, so the percentages for each platform do not add up to 100.

[34]The YouTube character limit for captions is 5,000. On Instagram, the character limit is 2,200, and on TikTok, it increased from 150 characters to 2,200 characters in February 2023, while we were conducting our fieldwork for this study.

Exhibit 6. Proportion of Content Sampled Containing Affiliate Links

N = 110

- Contains an Affiliate Link
- Does Not Contain an Affiliate Link
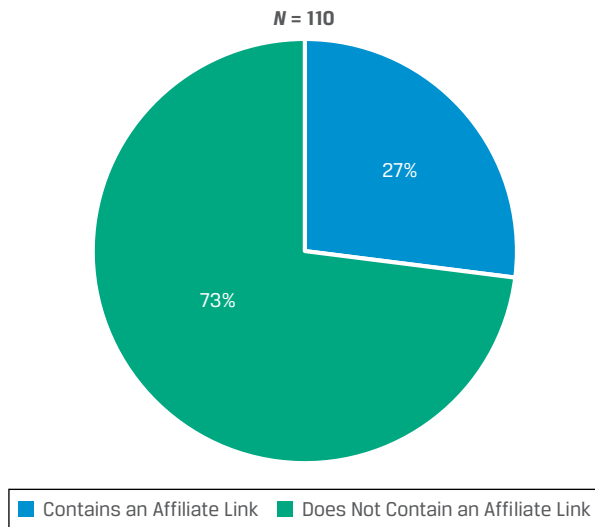
courses, the extent to which they received money from signposting links to other types of products was unclear.

Given that finfluencers have large followings and receive high levels of engagement, it is unsurprising that they are used by investment companies to promote products and services. Finfluencers may offer a cost-effective method to reach the right target audience (i.e., people who already display an interest in investing). Research from the Influencer Marketing Hub shows that mid-tier influencers who have 50,000–100,000 followers earn $1,000–$10,000 for a single sponsored post on YouTube, $500–$5,000 on Instagram, and $125–$1,250 on TikTok.[35] This finding may explain why marketing was more common on YouTube.

It is noteworthy that finfluencers linked primarily to neobrokers and less established trading platforms. Part of the appeal of neobrokers—and what makes them disruptive—is that they lower the barriers to entry by offering low trading costs, fractional shares, and mobile-friendly interfaces. The use of finfluencer marketing by these platforms can make their presence more known to different groups of end-investors who are arguably underserved by more established investment companies. Neobrokers may have seized upon the relative underserving of younger generations as a market opportunity.

Prevalence of Disclosures

The majority of finfluencers made no disclosures at all in their content. As shown in **Exhibit 8**, only 28 of the 110 content sources (25%) in the sample contained specific disclosures (such as marketing

Exhibit 7. Most Commonly Cited Brokerages and Platforms Featured in Affiliate Links

Note: N = 29 pieces of content containing affiliate links to trading platforms from 110 sources of finfluencer content.

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[35]See Geyser (2023a). The figures quoted are not specific to finfluencers but are for influencers overall.

disclosures, whether the finfluencer received commissions or other forms of payment, or their professional status).

Moreover, of the 35 pieces of content containing recommendations, only 7 pieces contained disclosures of any form (20%). Further, of the 40 pieces of content that contained investment promotions (6 of which were also recommendations), only 21 contained a disclosure. This finding is concerning because both securities and advertising laws are likely contravened when marketing disclosures are not made.

Existing research on influencer marketing has also raised issues with the low rates of disclosure in marketing content. For example, the United Kingdom's Advertising Standards Authority (ASA) undertook a monitoring exercise of 24,000 Instagram stories from 122 influencers and found that only 35% of advertisements were sufficiently labelled (ASA 2021). In particular, the study identified that affiliate marketing was not clearly disclosed to audiences, noting the prevalence of "the use of #affiliate or #aff with no additional upfront disclosure; those labels are not enough on their own to disclose to users the advertising nature of the content." However, financial influencers were not a specific category in this study.

At a structural level, improper disclosures also result in unfair competition, which highlights the reputational and legal risks both firms and individuals

expose themselves to. Notably, at the time our research was conducted, TikTok was the only platform that had specific channels enabling audiences to report when influencers had not disclosed conflicts of interest.

Our analysis found that of the 40 pieces of content identified as containing a promotion (Exhibit 4)—consisting of 26 pieces of content on YouTube, 8 on Instagram, and 6 on TikTok—the greatest proportion of disclosures was made on YouTube (19 of 26). Only one of the six promotions on TikTok and one of the eight promotions on Instagram contained disclosures. Despite the fact that YouTube was the platform where the greatest proportion of disclosures were identified in our study, we judged the majority of disclosures on YouTube to be inadequate in that they were not clear to audiences. We elaborate on the quality of disclosures later in this report.

The platform interfaces of both Instagram and YouTube contain features that enable content creators such as finfluencers to highlight advertising. For example, Instagram has a policy on branded content and partnership ads.[36] Creators must tag brands and use the paid partnership label, when relevant. YouTube also includes an advertising disclosure tool enabling content creators to disclose paid promotions, as illustrated by the screenshot in **Exhibit 9**. TikTok has a similar toggle that enables branded content to be tagged, which automatically generates an onscreen disclosure that the video

Exhibit 8. Proportion of Content That Contained Disclosures ($N = 110$)

Disclosure Not Made — 75%

Disclosure Made — 25%

Proportion of Content

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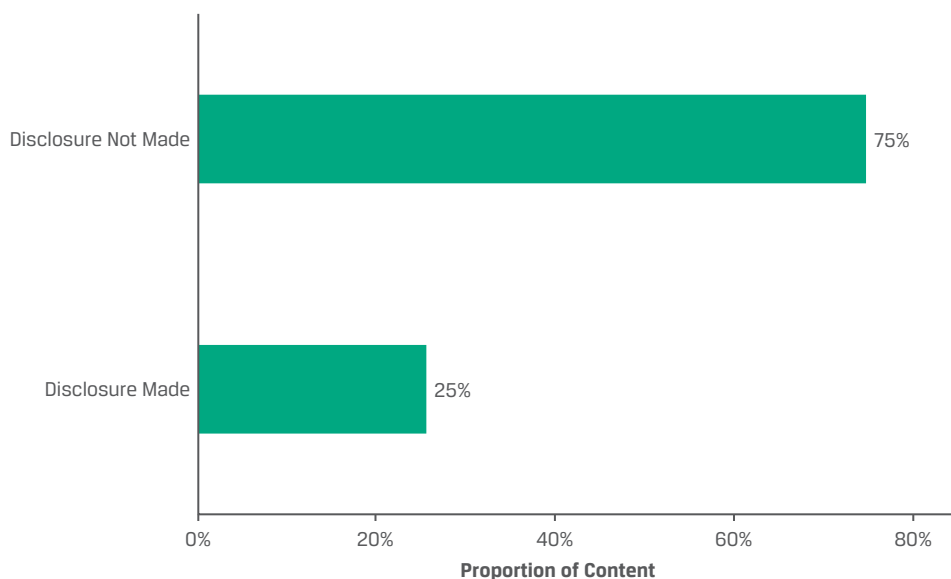
[36]For more on the policy, go to https://help.instagram.com/116947042301556.

Exhibit 9. YouTube Advertising Disclosure Tool

> **Paid promotion**
>
> If you accepted anything of value from a third party to make your video, you must let us know. We'll show viewers a message that tells them your video contains paid promotion.
>
> ☑ **My video contains paid promotion like a product placement, sponsorship, or endorsement**
>
> By selecting this box, you confirm that the paid promotion follows our ad policies and any applicable laws and regulations. **Learn more**

Source: YouTube.

contains a promotion if the content creator selects this option. Consequently, the low prevalence of disclosures among finfluencer recommendations and promotions is concerning given the ease with which these platforms enable content creators to include disclosures.

It is possible that content creators decide to bypass these tools by either not using branded content labels or not selecting labels that disclose when content contains a promotion. One possible reason for the relative lack of disclosures is that influencers do not want to appear as too profit oriented because it could cause them to lose their audience if viewers judge the content to lack sufficient independence.

Types of Disclosures

The most common disclosures identified in our sample were that a finfluencer "was not a professional financial adviser," followed by disclosures that "some of the content may contain affiliate links." Disclosures appeared in a variety of locations, such as the captions of content, the source itself (i.e., within the video or infographic), and the comments section of the content. The majority of disclosures we analysed were made exclusively in the caption of the content, which means audiences typically would have to expand the size of the caption and/or scroll down to find marketing disclosures. The scale of hidden marketing is a significant issue; most often, we found that commercial relationships with finfluencers became clear only when expanding and searching captions below the videos/infographics.

Further, when statements about affiliate links were included, they typically appeared at the end of a caption. We observed finfluencers signposting multiple affiliate links in their captions accompanied by statements that "some of the links may be affiliate links." Therefore, it was not always clear exactly what products and brands they were promoting. Specifically, the statement that some of the links "may be/contain affiliate links" obscured exactly which websites and/or sign-ups to products the finfluencers were being remunerated for. Few pieces of content in our sample made explicit statements that content creators would receive compensation if their affiliate links were used.

Across all finfluencer content we reviewed, it was not clear to us exactly when (or how much) finfluencers were being remunerated for affiliate links. For example, one piece of content—a promotion for an InvestEngine sign-up bonus—contained an affiliate link without any specific disclosure as to whether the finfluencer is being remunerated for the affiliate link, such as the payment of a commission for driving click-throughs or sign-ups to the link provided. Another piece of content contained several affiliate links and a disclosure caption at the bottom; however, the disclosure was generic, and thus, it was not possible to infer which of the affiliate links generate commissions for the finfluencer.

Other improperly disclosed conflicts of interest we observed included finfluencers who mentioned some of their own companies or investment products in their content. For example, a finfluencer who provided information on how to invest in property, which included leveraging bridging loans, proceeded to mention he had his own bridging loan company multiple times in the content, without explicitly disclosing that this was a conflict of interest.

To eliminate these disclosure ambiguities, social media platforms could require that users affirmatively disclose not only when they are marketing products and receiving commissions but also when they are not marketing or receiving commissions.

Qualitative Insights from Finfluencer Content

In this section, we examine the qualitative findings from our research.

Finfluencers Can Provide Sound Investment Guidance

Despite observations of some poor practices, we also found evidence of good practices exhibited by finfluencers.

Examples of good practice included finfluencers who provided information (guidance) about when it was suitable for individuals to invest, such as once they had "created an emergency savings fund" or "paid off existing high-interest debt. In addition, as mentioned earlier, some finfluencers provided messages that warned investors about the risks of investing in individual stocks and shares. These messages are similar to messages promoted by the US Securities Exchange Commission.[37] These messages are likely to be important to Gen-Z investors, most of whom do not rely on a financial adviser. Other influencers also highlighted the importance of investing early and building a pension fund.

Content analysis also highlighted that many finfluencers promoted sound investing principles, such as the importance of diversifying one's investment portfolio, not attempting to time the market, not investing money they are likely to need immediate access to, or not taking out loans in order to fund investments. Finfluencers also provided guidance around investment strategies, most notably by conveying that investing should be viewed as a long-term way to build wealth and, therefore, investors should start investing as soon as possible provided that certain conditions were met.

A handful of finfluencers also emphasised the importance of conducting research before starting to invest and before making any investment. Some finfluencers even provided links to resources where investors could gather information or walked their audience through how they conducted the research behind a particular investment product discussed in their content. For example, one UK-based finfluencer showcased how Google Finance can be used to track the long-term performance of the S&P 500 Index. A handful of finfluencers stressed the importance of learning about how investing works conceptually before starting to invest.

Other examples of good practice included finfluencers who observed the limitations in their own content, such as that it may not be generalisable, and encouraged their audience to reflect on their personal circumstances and goals to decide what is suitable for them, as highlighted in the following quotation from our content sample: "Please consult with a financial professional for the purpose of assessing what investments are suitable for you based on your own personal financial objectives, needs and risk tolerance."

Finfluencers Attempt to Safeguard Their Audiences

In some of the content we reviewed, it became apparent that finfluencers took responsibility to protect their audience and provided warnings. For example, some finfluencers urged their followers to be wary of scammers who may appear in the comments of their videos. Others also encouraged their audiences to consult a professional financial adviser and not rely on their content alone. Some finfluencers warned their followers to be wary of other finfluencers who try "to sell you things." As well as a warning, however, this notion sometimes appeared to be an attempt to differentiate themselves given that the statement was often followed by a statement that they would not try to sell their followers anything. We also observed a handful of finfluencers who followed some legal requirements, such as warnings that investing is risky and is done at one's own risk, which were more frequently mentioned when cryptocurrencies were discussed.

The Role of Fun—Why Should Learning about Investing Be Boring?

Previous CFA Institute research, conducted by Ramachandran (2022), highlighted the role that fun and, in particular, gamification and digital engagement practices can play in influencing retail investors' behaviour. The element of fun was also identified as a common characteristic in finfluencer content but took a different form. For example, many finfluencer videos featured GIFs, humour, animations, sound effects, and popular music. We found one example in a video comparing stocks and bonds; the video was accompanied by an animation of stocks and bonds at opposite ends of a boxing ring and preparing to fight, followed by an explanation of the benefits of each asset type. The finfluencer acknowledged that since financial content discusses concepts, there is nothing to physically show, so finfluencers must go out of their way to make the content engaging.

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[37]See the SEC's webpage "Financial Navigating in the Current Economy: Ten Things to Consider Before You Make Investing Decisions" at www.sec.gov/investor/pubs/tenthingstoconsider.htm.

Ramachandran (2022) points out that gamification can be highly engaging, can help attract new audiences into investing, and can increase financial literacy. The role of fun in finfluencer content could also promote these benefits and should not necessarily be of concern when content complies with relevant regulations. However, the role of fun may also obscure and encourage audiences to overlook the risks inherent to investing and the considered financial planning it entails.

Finfluencer Content Often Plays on Emotion

Outside of discussing investments, we observed many finfluencers promoting more entrepreneurial messaging, such as the importance of upskilling to increase one's income, which could later translate into higher investment contributions. In our focus group interviews (see next chapter), Gen-Z investors displayed entrepreneurial attitudes in discussions of their financial goals, with many aiming to upskill, start businesses, and own investment properties. Some, however, expressed feelings of rising insecurity (and thus perhaps greater vulnerability to influencing techniques), as the following quotation from a 23-year-old female UK investor highlights: "My parents could afford a house very easily on their wage. . . . They didn't have to try and find ways to beat the system. The system worked for them."

Entrepreneurial messaging may be more likely to resonate with those Gen-Z investors who believe they need to become more ambitious to maintain a basic standard of living. Indeed, data underlying the study by FINRA Investor Education Foundation and CFA Institute (2023) show that just under half of Gen-Z investors agree with the statement "the economic circumstances facing my generation are more challenging than those of previous generations."

In addition to entrepreneurial sentiment, we saw that emotion commonly played a role in finfluencer content. The most common theme we identified was anxiety around finances, which included not knowing where to start investing. Finfluencers often rhetorically asked questions related to whether investing was a source of confusion for their audiences and then presented their content as a solution to some of this confusion. Some of the anxiety finfluencers were able to capture related to worries surrounding retirement planning, which aligned with some of the long-term financial goals of Gen-Z investors. As stated by a 19-year-old female investor, "Saving for retirement is how I define financial success. You can no longer rely on the state."

Finfluencers also played on other subjective states, such as being "financially free," and regularly framed investing and their content as a gateway to access financial freedom. Simplicity was a key facet of content that framed investing as a way to become wealthy, with some asserting that they would teach followers how to "become rich the easy way."

Being a Part of a Community

In a minority of cases, it was unclear whether finfluencers' purpose was to provide investing information or divert audiences to their own services. In approximately five pieces of content, finfluencers urged their audience to join their "communities," where they offered more personalised investment tips through non-public forums. For example, one piece of content stated, "Join my community. We'd love to have you." Although tailored investment advice can be useful, it is uncertain whether finfluencers, whose authorisation to offer advice and learning is unclear, are the right cohort to provide this service. Online investment communities were not in the scope of this research, but it will be important for regulators to pay greater attention to these communities to protect investors.

The Role of Lifestyle and Status Symbols

In some pieces of finfluencer content, there was a strong focus on lifestyle. Investing was framed as a means to participate in the consumption of high-end consumer goods, such as sports cars, or as a way to maximise leisure time if one became a successful enough investor. For example, a finfluencer identified in the German content sample included footage of a high-end sports car in an explainer video on how to invest and build wealth. In another example, finfluencer content viewed in the United Kingdom displayed imagery of someone on a paddle board, accompanied with a narrative of the finfluencer explaining that investing could help them do more of what they liked. Another finfluencer whose content was viewed in multiple markets spoke of becoming a multimillionaire through successful investments, which then enabled the finfluencer to take up race car driving as a hobby. This finfluencer went on to contend that they would teach their audience how they could "do the exact same thing."

Overall, it was evident that finfluencers often attempted to position their content as not only solutions to financial worries but also gateways to certain lifestyles that may appeal to aspirational values. From the focus groups with Gen-Z investors, many

expressed that having more opportunity to pursue leisure was part of how they saw financial success.

It was notable that most of the lifestyle symbols appropriated by finfluencers were highly masculinised, perhaps because men are more likely to invest than women and hence finfluencers may feel the need to appeal to what are perceived to be more masculine ideals.[38] One male finfluencer even went as far as suggesting that investing could be a way for young men to attract women. In contrast, the role of lifestyle and status did not seem to feature as heavily in content created by finfluencers who identified as women.

A Lack of Audience Consideration

We also observed more definitively poor practices in finfluencer videos, such as posts that encouraged potentially harmful behaviours. For example, a piece of content from the UK sample began with a finfluencer suggesting how to invest £100 and then proceeded to recommend match betting—suggesting this would be a quicker way to build wealth with a potentially greater return than investing £100, as illustrated in the following quotation from a video about how to invest £100 by Investing for Beginners UK: "Within the space of a month, you could easily turn £100 to £500 using match betting, maybe even £1,000 if you really went for it. And all that is, is placing bets above outcomes on a race, football game, and tennis matches and collecting as many bonuses as possible. . . . You don't need to know anything about sports."

The content analysis also identified three finfluencer videos (two from TikTok and one from YouTube) that were explicitly targeted to teenagers with the following captions:

- YouTube: "How to Invest in Stocks for Teenagers 2023 (Step by Step)"
- TikTok: "Investing advice for teenagers"

- TikTok: "Please do this NOW! You won't regret it and you'll thank me later! (Check comments) #investing #buildingwealth #investingforbeginners #investingforteens #financialliteracy #wealthy #successful."

The two pieces of content from TikTok were identified as guidance, but the content from YouTube contained both investment promotions and recommendations. The marketing disclosure was not clearly signposted but was made in the caption of the content, which took some searching to find. Existing research emphasises the importance of clear and prominent disclosures, as well as ethics, in content targeted at teenagers because children and adolescents are less adept at identifying marketing.[39] The aforementioned post on match betting and the posts targeting teenagers seemed to pay little attention to the potentially lower levels of financial literacy of their audience and the overall suitability of content to wide audiences.

Summary

This chapter has provided an overview of the key characteristics of finfluencer content. Finfluencers have sizable audiences, which may make them useful intermediaries to promote products and services on behalf of investment companies. The majority of finfluencer content we sampled offered guidance, but a significant proportion of content was an investment promotion and/or an investment recommendation. However, it is unclear what authorisations finfluencers hold to engage in these activities that may put audiences at risk of consuming inappropriate information. Further, the incidence of disclosures in content identified as providing recommendations or investment promotions was relatively low, and there was often a lack of clarity regarding the finfluencer remuneration arrangements associated with the use of affiliate links.

On the basis of these findings, we offer the following recommendations to financial firms.

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[38]Research published in the CFA Institute Enterprising Investor blog highlights that a gender investing gap exists, but it is closing (Stewart and Stewart 2019).

[39]See Michaelsen et al. (2022).

Recommendations for Firms

Investment companies that use finfluencers in their marketing initiatives should take more responsibility in ensuring they have effective oversight of finfluencer activities, which includes:

- Providing finfluencers with compliance training.

- Reviewing finfluencer content before and immediately after it is posted to ensure it remains in compliance with the relevant laws in that jurisdiction. Best practice would be to ensure such content complies with the highest regulatory standard among the target markets.

- Maintaining records of social media content commissioned with finfluencers.

Investment firms that use affiliate marketing or sponsor finfluencers should adopt these practices, in addition to ensuring that finfluencers are clearly disclosing in their videos and infographics that they are promoting content or are sponsored. These types of actions will reduce the likelihood that financial promotions mislead consumers.

Nonetheless, our qualitative findings also identified examples of good practices in social media content, such as its accessibility, its engaging nature through the incorporation of fun, finfluencers' roles in attempting to safeguard consumers, and their ability to appeal to different audiences and to provide sound guidance in some cases. However, the ability of finfluencers to play on the emotions and aspirations of their audiences raises questions about the role of potential manipulation in content, especially when adjacent to financial promotions that were typically not clearly disclosed.

6. WHY AND HOW ARE GEN-Z INVESTORS ENGAGING WITH FINFLUENCER CONTENT?

This chapter presents our findings from focus group interviews conducted with Gen-Z investors in the Netherlands, France, and Germany on their engagement with finfluencers, in addition to reviewing findings from focus groups conducted in the United States and the United Kingdom published in FINRA Investor Education Foundation and CFA Institute (2023). We begin by providing context around Gen Z's investing behaviours, and then we explore why and how Gen-Z investors use finfluencers and examine perceptions of trust in finfluencers.

The median focus group size across the respective markets was seven Gen-Z investors. In total, 32 investors took part across focus groups.[40] The most commonly held investment combined across all markets was individual stocks and shares, followed by ETFs and cryptocurrencies. US investors were the most likely to report having a pension, typically a 401(k). Trading options also appeared more common in the United States, whereas German investors were the most likely to invest in ETFs.[41]

Context around Gen-Z Investors' Access to Financial Information

Among the cohort of Gen-Z investors included in the focus groups, it was apparent that very few had received any formal financial education. The focus group findings revealed that only two out of seven Dutch investors received any education on personal finances and investing at school, compared to three out of six in the French focus group; no investors in the German focus group expressed having received personal finance lessons at school. These findings are similar to earlier research conducted by FINRA Investor Education Foundation and CFA Institute (2023), where only one investor from the UK focus group mentioned learning about personal finance in school as part of a one-off life skills lesson. Similarly, in the US focus group, only one investor mentioned having received education on personal

finances at school. This finding is consistent with unpublished data from FINRA Investor Education Foundation and CFA Institute (2023), which showed that only 38% and 16% of US and UK investors, respectively, had any formal education on financial topics or investing.[42]

In addition, very few Gen-Z investors used a professional financial adviser to manage their personal finances. Among the five focus groups, only two Gen-Z investors mentioned they personally sought their own financial adviser. A minority of Gen-Z investors accessed financial advice by infrequently using their parents' adviser, in addition to a few who accessed an adviser through their employer. Gen Z's overall lack of engagement with financial advisers is explained by a variety of reasons, which we discuss next.

- **Enjoyability of Managing Personal Finances**

  Some focus group participants expressed they enjoyed managing their personal finances, including their investments, and viewed it as a hobby, as the following quotation highlights:

  > Personally, it's enjoyable to do it. It's like a hobby I've been interested in for years. So, I would not like asking someone else to manage my finances. (female Gen-Z investor in France)

- **Ease of Managing Personal Finances**

  Aided by technology integration, many focus group participants believed they had little need for an adviser. This view was discussed most by German Gen-Z investors, illustrated in the following quotes:

  > I'm satisfied with the management. I have my account with Trade Republic. I don't have to do much. It runs on its own. (24-year-old male investor in Germany)

  > I manage everything in my banking app because I do everything through it. I think it's great to immediately have an

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overview of my money and savings. I'm very pleased there. (20-year-old female investor in Germany)

- **Confidence in Their Ability to Manage Their Own Finances**

  Similar to those who found it easy to manage their finances, some investors were also confident in their own ability to manage their finances and thus saw little added value in having a financial adviser, as the following quote illustrates:

  I feel confident enough about my knowledge, so I wouldn't need a financial adviser. But they're right for some people. (18-year-old male investor in the United States)

- **Low-Cost Alternatives to Professional Advice**

  Some investors were also of the view that the abundance of free and alternative information sources further negated their need for a professional adviser:

  We have so much content and access to content on the internet. There's so much via documentaries, videos, articles. There's lots of things. So I can't see myself asking a professional about it. (24-year-old male investor in France)

  Moreover, many Gen-Z investors expressed that they do not feel the need to consult a financial adviser because they simply do not have enough money to make it viable.

- **Distrust of Professional Financial Advisers**

  Focus group investors in Germany and France were particularly expressive about their lack of trust in professional advisers. Their scepticism related to a belief that professional advisers would make recommendations only on the basis that they would receive a commission.[43] Consequently, these investors did not perceive financial advisers as operating in their best interest. This contention may make these investors more likely to manage their investments using alternative sources of information, such as finfluencers. One Gen-Z investor went as far as saying that he would trust a finfluencer more than a professional adviser given his perception that they are more transparent about conflicts of interest:

I prefer to trust Thomas from Finanzfluss [more] than an adviser at a bank. I don't like to go to a bank for consultation. . . . The first time I spoke with an adviser [at a bank], he tried to talk me out of ETFs and recommended a very conservative savings plan—of course, also products from his bank. . . . I tend to be sceptical when it comes to advisers at banks, more so than people online, whom I consider trustworthy. (23-year-old male investor in Germany)

Further, it is implicit in this quotation that Gen-Z investors may prefer digital engagement (such as via a finfluencer) as opposed to traditional advice channels.

Conversely, some Gen-Z investors suggested that they would use professional advisers if they no longer had the time to manage their investments themselves, if they felt they had enough money invested to make it worthwhile, or if they experienced lifestyle changes that would make it imperative to keep close track of their finances.

Notably, among the focus groups, not a single Gen-Z investor mentioned using or planning to use a professional adviser for reasons that related to their status as being regulated and trained professionals whose services come with at least some level of investor protection. Overall, it appears that finfluencer content is used by some Gen-Z individuals as a cost-effective and accessible substitute for professional advice.

Why Finfluencer Content Appeals to Gen-Z Investors

There are several reasons why Gen-Z investors use finfluencer content, including:

- **Finfluencer Content Is Perceived to Be Informative and Engaging**

  Across markets, a common perception among focus group participants was that finfluencers can be highly informative and convey facts in an engaging way, such as by using diagrams and animation. These aspects made it easier for Gen-Z individuals to learn about investing, as illustrated by this quotation:

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[43]CFA Institute published a global survey on inducements in 2023. The research highlighted that mis-selling practices have been linked to adviser remuneration policies. The survey found that mandating more transparent and full disclosures of commissions and fees paid and improving product information, including cost structures to clients, were two of the most popular solutions to addressing mis-selling. See Kamerling and Silvestri (2023).

> I follow Finanz Kroko and Finanz Raketen. I follow a lot of finfluencers. They often work with diagrams, which I find very appealing. They try to explain complex topics through pictures. That's always very good. (25-year-old male investor in Germany)

Platform design features also facilitate Gen-Z investor engagement. For instance, some focus group participants described how the TikTok algorithm's randomisation function displays a variety of content that may be unrelated by theme. This allows users to learn about investing in between viewing other topics—what were described as more "fun" topics—which can provide a more entertaining experience overall. Gen-Z investors favoured YouTube for a more in-depth understanding of how investments work because the platform enables finfluencers to post longer videos with more nuance.

- **Finfluencers Can Be Relatable**

  The way finfluencers position themselves appeals to the identities of some Gen-Z individuals. For example, women Gen-Z investors were more likely to note that they followed finfluencer accounts run by other women or social media accounts that framed themselves as female centered, such as "females in finance." This finding suggests that finfluencers could play an important role in increasing the participation of underrepresented groups in investing, such as women. The diversity of finfluencers and their ability to connect personally with their audiences likely positively affects Gen-Z individuals' willingness to engage with their content.

  In contrast, Gen-Z investors mentioned that they did not like "boomer financial influencers,"[44] who were comparatively older and perceived as less relatable.

- **Finfluencer Content Can Be Accessed during Unstructured Time**

  Focus group participants frequently mentioned they accessed social media and viewed finfluencer content in their leisure time, as opposed to designating focus time for this activity.

  > I spend a lot of time on YouTube. I use that to unwind. . . . I have my feed of things that I like. (24-year-old male investor in Germany)

This may explain why the role of entertainment is part of the appeal of finfluencers. Finfluencer content is often better adapted to the lifestyles and ways Gen-Z individuals consume information.

How Gen-Z Investors Use Finfluencers in Making Investment Decisions

Focus group participants expressed that they use finfluencer content in the investment decision-making process in the following ways.

- **Accessing Information on Unregulated Assets**

  Our content analysis shows that some finfluencers specialise in providing information on generally unregulated assets, such as cryptocurrencies. Gen-Z investors are more likely than other demographic groups to hold cryptocurrencies (FINRA Investor Education Foundation and CFA Institute 2023). Therefore, for some investors, finfluencers whose niche is cryptocurrency are key sources of information, as illustrated in the following quotations:

  > I follow Jesse Eckel. But he's more American focused and more crypto focused. . . . He figures everything out on his own first, and then he invests in it himself for a month, and then he shows you exactly how it's going. And he is not affiliated with a company. (22-year-old male investor in the Netherlands)

  > I mainly follow accounts to do with cryptocurrency; there [are] lots in France—CryptoBaleine, CryptoFR, etc. . . . It's always nice to watch that on your daily commute. They often talk about new technologies. (22-year-old male investor in France)

  Finfluencers fill the real or perceived information gap because information on cryptoassets is less accessible through mainstream news outlets as well as through regulated professionals, who are typically restricted on advising on unregulated investments to mass-market clients.

  The quotations also highlight that Gen-Z investors follow finfluencers whose information may be tailored to markets outside of their own. Although

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[44]"Boomer" is in reference to the Baby Boom generation, those born between 1955 and 1964.

it is not within the scope of this research, Gen-Z investors also told us they access finfluencers who specialise in cryptocurrency on the platform X (formerly known as Twitter).

- **Understanding Basic Investment Concepts**

    Other investors expressed that finfluencers were particularly important at the start of their investment journeys, when they sought to gain a sense of the foundational concepts on investing, as this quotation highlights:

    > I watch finfluencers on YouTube to get an understanding of the basics. . . . That also helped quite a bit for me in the beginning with how it all works and what it all actually means and what types of investments there are. (18-year-old female investor in the Netherlands)

- **Supplementing Other Sources of Information and Generating Ideas**

    Focus group participants noted that they liked to use finfluencer content to help them generate investment ideas and to supplement other sources of information. Very few investors in these focus groups, however, openly admitted to acting on a recommendation made by a finfluencer. Instead, many investors said that they may get an initial idea from finfluencer content but then they cross-reference this idea with other finfluencer videos or other sources of information before making a decision about whether to invest. This behaviour illustrates a degree of healthy scepticism among Gen-Z investors when it comes to acting on finfluencer information and is corroborated by the findings in FINRA Investor Education Foundation and CFA Institute (2023, p. 5).

    In earlier research, Kadous, Mercer, and Zhou (2017) examined retail investors' engagement with advice on social media. Acting on advice was more commonly observed among inexperienced investors. Moreover, the authors viewed many investors to be unaware that they had been influenced by advice, which suggests that part of the investment decision-making process occurs at a subconscious level. The lack of awareness of being influenced may explain why Gen-Z investors do not admit to acting on a recommendation. In sum, more research is needed to understand the extent to which investors act on recommendations made by finfluencers.

- **Accessing Promotional Offers and Marketing**

    The focus groups also sought to understand whether Gen-Z investors had acted on finfluencer marketing, such as a promotional offer

related to an investment product or account. Gen-Z investors in the EU markets were asked whether they had purchased a product in response to a promotion by an influencer who did not specialise in providing financial information. Around a quarter of investors acknowledged doing so. A handful of Gen-Z investors also noted that they had used promotional affiliate links provided by finfluencers, such as accessing their discount codes to gain free shares. A minority seemed to have been prompted by finfluencers and used affiliate links as a direct response to their content.

Most Gen-Z investors were confident in their ability to identify finfluencer content containing investment marketing. They also exhibited reluctance to acknowledge that they might be vulnerable to marketing techniques. Most notably, they relied on finfluencers verbally disclosing that a post was an advertisement, as the following quotation illustrates:

> Yes, [I can distinguish a promotion]. Often people say at the beginning of a video that they are in partnership with a broker, for example. And then they say right away if you use my code, first you get two shares at this broker for free, and then the rest of the video offers more advice on what stocks you should buy or could buy. (22-year-old male investor in the Netherlands)

Other investors noted that signposting promotions in captions helped them identify marketing, as illustrated by this quotation:

> You can definitely notice if a product is being promoted, simply through things such as "click on this link to get a special offer" [referring to affiliate links in the caption of finfluencer content]. (19-year-old female investor in Germany)

Gen-Z investors did not typically convey concerns with finfluencers promoting products but placed more importance on the transparency of promotions, as the following quotation exemplifies:

> I find advertising is okay as long as it's properly defined. They have to ultimately also earn something, so that's fine. (24-year-old male investor in Germany)

This finding is consistent with a consumer survey of the German population of influencers in general, which found that 40% were not

concerned about advertisements that were clearly labelled and a further 32% were unconcerned by the fact that influencers earn money for the products they recommend (BVDW 2019).

It is notable that only approximately half of the finfluencer content we categorised as a promotion contained a disclosure (see Chapter 5). Given that Gen-Z individuals most commonly rely on disclosures to identify marketing yet investment promotions often lack sufficient disclosures, Gen-Z investors may be overconfident in their ability to identify marketing.

Gen-Z investors' reliance on disclosures also highlights the importance for social media platforms and regulators to enforce disclosure requirements and respond appropriately when inadequate disclosures are made, such as by notifying finfluencers to amend content or taking action to remove it internally.

Gen-Z Investors' Trust in Finfluencers

The following factors determining Gen-Z investors' trust in finfluencers were identified in the focus groups.

- **Finfluencer Follower/Subscriber Count**

  Previous CFA Institute research by Ramachandran (2022) noted the problem of the use of follower count as a proxy for finfluencer credibility, whereby follower count is inflated by the presence of fake bots. Additionally, using followers as an indicator of finfluencer credibility is problematic because of the ability to purchase (sometimes genuine) social media followers.

  The extent to which followers are viewed as a useful proxy for the credibility of and, therefore, trust in finfluencers is mixed among Gen-Z investors. In the UK focus group, for example, some Gen-Z investors noted that large followings help reinforce the notion that finfluencers have expertise, while others were more sceptical and did not view the number of followers as an indicator of finfluencer credibility. Further, some Gen-Z investors in the Netherlands suggested that accounts with smaller followings often provide better information.

  Overall, we cannot draw definitive conclusions about the nature of the relationship between number of followers and quality of information. This is an area for future research.

- **Activity Transparency**

  Finfluencers who can provide evidence of their own investing activities are seen as more trustworthy. Focus group participants cited examples of finfluencers who screen-share their trades and portfolios. In particular, the transparency around trading failures in addition to successes enhanced Gen-Z investors' trust in finfluencers.

  As part of being transparent, focus group participants also favoured finfluencers who showed their performance over a longer time horizon because this displayed a more accurate picture of a finfluencer's investment performance and thus their perceived reliability, as the following quote illustrates:

  > If someone shows their performance over longer periods of time and also shows the highs and the lows of it, that makes them seem a lot more reliable. (25-year-old female investor in the Netherlands)

- **Motivations of Finfluencers**

  Investors point to the need to assess the motivations of finfluencers to decide whether to trust the information they provide, exemplified in the following quotation:

  > So many people give you great advice. Then it's followed by "buy my book," so [you question] their motivations. (24-year-old male investor in the United Kingdom)

  Finfluencers who promote products and try to sell their own courses or books are viewed as less trustworthy given that they have an incentive to engage in this activity. The frequency of promotions finfluencers make also matters to Gen-Z investors; some noted that they do not mind infrequent promotions, because they understand finfluencers create content to generate income. However, some Gen-Z investors expressed scepticism over the trustworthiness of some affiliate programmes.

- **Being Able to See a Face**

  Investors mentioned that because finfluencers speak directly to their audiences, they were easier to trust in comparison to other sources of information found online, where it was unclear who was behind the account. Being able to see a face creates a sense of familiarity, security, and accountability, which helps build trust.

  Overall, despite being able to express what factors they consider when deciding whether to trust finfluencer content, Gen-Z investors across focus groups believed that caution is needed and showed an understanding of the risks associated with finfluencer content.

It is noteworthy that Gen-Z investors place a high degree of responsibility on themselves to conduct investment due diligence, the process of which may be made easier by their access to multiple digital sources of information. However, it is also important to note that the majority of Gen-Z investors had not received any financial education and few use a professional financial adviser. This finding calls into question their ability to effectively scrutinise finfluencer content. However, finfluencer content, when based on facts and adhering to legal standards, could help overcome gaps in access to financial information and lead to a more educated investor base.

Summary

Finfluencers appear to be challenging the notions that education needs to be formal to be informative and that sound investment advice is exclusively issued through professionals. The focus group research demonstrated how Gen-Z investors in various markets use finfluencers to access information on cryptoassets, to better understand foundational investment concepts, to supplement information from other sources, and to learn about a range of different topics through multiple finfluencer videos. It is evident that Gen-Z investors perceive finfluencers to provide a valuable service and offer a cost-effective and engaging alternative to accessing professional financial advice. The discussions with Gen-Z investors also showed that the relatability of finfluencers was important to attract more diverse groups to investing.

The focus groups also revealed factors Gen-Z investors consider when deciphering the trustworthiness of finfluencer content and highlighted that they do not always consider some factors as markers of trust, such as the number of followers. Investors point to understanding the motivations behind finfluencer content to evaluate how trustworthy a source is and appear confident in their ability to distinguish finfluencer marketing from general guidance finfluencers may provide. However, the research also revealed that finfluencers' motivations are not always transparent, given that disclosures are infrequently made and when they are made, they are often inadequate. This is likely to expose investors to such risks as overestimating the extent to which they should trust finfluencer content and being manipulated by hidden advertising.

Using a regulated financial adviser could decrease the risks Gen-Z investors are exposed to when viewing finfluencer content. However, from the focus group insights, investor protection does not feature in Gen-Z investors' rationale for using a professional adviser. The economic shutdown during the COVID-19 pandemic may have also increased Gen-Z investors' reliance on finfluencers, with many mentioning that this period is when they actively sought financial information. Although the focus group sample sizes are not large enough to make generalisations about Gen-Z investors as an entire demographic, the focus groups offer valuable insights into how and why some Gen-Z investors engage with finfluencers.

On the basis of these findings, we offer the following recommendations for the provision of financial education.

Recommendations for Educators and Financial Information Providers

- **Increase financial literacy initiatives.**
  Enhancing financial literacy may enable Gen-Z investors to identify when information provided online is inaccurate or unsuitable. Providers of financial education should emphasise that retail investors will not have access to consumer protections when acting on information from unregulated individuals or companies and should signpost databases to allow users to check whether a provider of financial advice is registered with regulatory authorities. Financial education should also include signposting of channels enabling the reporting of financial harm.

- **Strengthen Gen-Z individuals' ability to critically evaluate information.**

  Online investment content can provide benefits when it adheres to high standards, is factual, and offers engaging and informative insights. Therefore, consumers should be empowered to evaluate information received online through principle-based questions. Based on our research, we have identified three main types of questions that Gen-Z investors should use to evaluate finfluencer content:

  - **Motivations.** Does the person/source who has created this content have any financial motivation to do so? Does the individual clearly disclose such motivations?

  - **Qualifications.** Does the person provide any information about what qualifies him or her to have expertise on this topic? Can this be verified?

  - **Consistency.** Is the information provided consistent with the most up-to-date information when cross-checked with other sources?

- **Financial Advisers Should Consider How to Position Themselves to Attract New Generations of Investors.**

  Finfluencers are beginning to disrupt the financial advice industry. In general, Gen-Z investors in this study saw little utility in accessing a personal financial adviser. One of the main barriers they cited was cost. Financial advisers should think more long term regarding the value of their client base; many Gen-Z investors may not currently be viable clients but will most likely accumulate more wealth in the future. It is unclear whether they will seek out an adviser in the future, especially if they become more accustomed to managing their own finances, which also will likely be aided by future technological developments. The main differentiators of professional advisers are that the information they provide can be tailored and comes with assurances of quality, professional competency, and duty of care. Advisers must emphasise these elements in their value proposition if they are to stay competitive in an increasingly digitalised world.

7. CONCLUSION

Finfluencers can be an important and beneficial source for investors to access information on investing. Three factors are potentially driving this trend: insufficient exposure to formal financial education, limited interaction with regulated financial advisers, and a preference for obtaining information through digital platforms. Finfluencers are helping fill the gap in access to financial information. Our research shows that finfluencers are able to position themselves in ways that are more likely to appeal to Gen-Z investors by being present on digital platforms, by providing information for free, by creating content that is perceived to be engaging and informative and that can be accessed during leisure time, by being more relatable to a younger audience, and by being able to tap into the financial anxieties and desires of Gen-Z investors.

Social media platforms have adequate regulations for addressing financial promotions, but their approaches to addressing investment recommendations should be more explicit and would be bolstered by a common understanding—underpinned by a harmonised regulatory definition—of what constitutes an investment recommendation. This is even more important given the cross-border nature of social media content.

Our content analysis revealed examples of good practices, such as when finfluencers provided general guidance on when it would not be suitable to invest and demonstrations on how to conduct investment research. The majority of finfluencer content we sampled fitted into the category of investment guidance

and, in this sense, posed less risk to consumers. However, this research also identified potentially harmful practices in finfluencer content, such as providing unsuitable recommendations and a lack of marketing disclosures. Financial promotions were often not clearly disclosed, and the qualifications held by finfluencers were unknown.

Gen-Z individuals also expressed a reliance on disclosures to decide how much to trust finfluencer content. The lack of transparent disclosures suggests Gen-Z individuals are vulnerable to risks such as hidden marketing and acting on unsuitable recommendations. However, Gen-Z investors contended that they typically used multiple sources to supplement finfluencer investment information and trust finfluencer content only under certain circumstances, such as when they can assess a finfluencer's motivations. Gen-Z investors also placed a high degree of responsibility on themselves to conduct due diligence when assessing investment materials. Overall, it was unclear how much this self-directed behaviour might mitigate some of the risks finfluencer content poses.

Further research could examine in greater depth the weight assigned to social media content in investment decision making and the outcomes from investment decisions made in response to finfluencer recommendations. As social media and finfluencers grow in importance in fulfilling the needs of retail investors underserved by advice or formal education, the quality and reliability of their recommendations will merit greater scrutiny.

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APPENDIX 1. DEFINITIONS AND SEARCH INCLUSION AND EXCLUSION CRITERIA

Definitions Used for Content Categorisation and Analysis

Disclosures: Statements that provide transparency on factors that could affect an investment decision—for example, a statement that reveals content is sponsored by an investment company. The content creator may disclose that the content is sponsored in video content, in the caption, and/or in the comments of content.

Finfluencer: For the purpose of this project, a financial influencer, or finfluencer, is defined as a content creator whose content niche is personal finance, which often includes investing.

Guidance: Content in which a finfluencer does not recommend a specific course of action, such as what to buy. It may provide information that helps the user weigh different options. Guidance includes general information about different types of investments or contains general principles to consider before investing. For example, guidance may explain how investing in an index fund works but will not recommend that the user invest in an index fund.

Promotion: Content in which a finfluencer is paid to advertise an investment product or platform and/or to provide links to a promotional offer that the finfluencer stands to benefit from financially. Personalised affiliate links are an indication that the creator is benefiting financially from the sharing of a promotional offer. Affiliate links may also be included in the caption or comments with a message, such as "For a free share, sign up to XYZTrade using this link." The link will include a personalised web address that is likely to refer to the creator.

Recommendation: Content that recommends a specific course of action in relation to a specific investment or provider of an investment product or service—for example, a piece of content that recommends buying or selling a financial product, such as an ETF.

Search Inclusion and Exclusion Criteria

Inclusion Criteria

- Videos (or infographics on Instagram) on investing from a content creator who meets the definition of a financial influencer highlighted in the definitions section. This would exclude creators who do not have a content niche and creators who have a content niche that is predominantly outside of personal finance, such as fitness, but who post a video on investing.

- Videos or infographics that discuss investing. Investing may be discussed in addition to other topics related to personal finance.

- Joint accounts run by two individuals who act as finfluencers.

- On Instagram only, infographics that do not feature an individual but instead communicate concepts.

- If content fits within the rest of the inclusion criteria, it does not have to be produced by a creator domiciled in the same region the search is conducted or in the local language.

Exclusion Criteria

- Content that is unrelated to investing, including videos and infographics that discuss personal finance more generally, with no mention of investing.

- Videos in which an individual creator does not feature at all—for example, faceless channels that simply provide facts or use video clips of others to produce videos.

- More than one video per platform from the same finfluencer. For example, if you search "investing for beginners" and two videos by the same finfluencer appear, only the video that appears first is included.

- The same video that has appeared under a different search term if it was already used in the survey analysis.

- Videos longer than 30 minutes in total.

APPENDIX 2. SURVEY QUESTIONS

1. What country are you viewing this content from? [The survey provides options.]

2. What platform is this search conducted on? [The survey provides options.]

3. What search term did you use? [The survey provides options.]

4. Please insert the video link below.

5. How long is this video? Please include the unit of measurement.

6. Date of review in DD/MM/YYYY

7. Date content created in DD/MM/YYYY

8. Creator name

9. How many views does this video have? Insert the number of likes instead if this is an Instagram infographic.

10. If applicable, does the video or the creator's page provide any additional information about the creator? That is, are they verified by the platform? Does the video mention anything about their qualifications and/or their professional experience?

11. How many followers/subscribers does this content creator have?

12. Summarise this content in a few short sentences.

13. What type of investments does this video discuss? Select all that apply. [The survey provides options.]

14. Insert any important quotations from the content in the text box below.

15. Does the content include affiliate links? [The survey provides yes/no options.]

16. There are affiliate links for the following. [The survey provides options.]

17. Which of the following best describes the content you have viewed? Select all that apply. [The survey provides options.]

18. Where does the content creator signpost that this is an investment promotion? [The survey provides options.]

19. What recommendation does this creator make?

20. What examples of good practice have you seen in the video?

21. What examples of poor practice have you seen in the video?

22. Has the content creator made any disclosures? (Have they been transparent about factors that could impact an investment choice?) [The survey provides options.]

23. Select all of the relevant disclosures the creator has made, and write where each of the disclosures can be found in the corresponding box below. (For instance, are disclosures made in the caption, the video/infographic itself, and/or in the comments section? Disclosures can be made in more than one place.) [The survey provides options.]

24. Has the content creator made any disclaimers? (Statements intended to absolve the content creator of responsibility for any actions taken as a result of acting on any information in their content) [The survey provides options.]

25. Please select the type of disclaimer made in the content and state where it is made. For example, are disclosures made in the caption, the video/infographic itself, and/or in the comments section? [The survey provides options.]

26. Notable comments under the content if applicable

27. If applicable, what role does emotion play in this piece of content? For example, does the creator play on the idea of "financial freedom" or anxiety around finances?

APPENDIX 3. SAMPLE OF GEN-Z INVESTORS

UK Gen-Z Investor Focus Group

Investor	Sex	Age	Investments
Investor 1	Male	25	Cryptocurrency
			Non-fungible tokens (NFTs)
			Personal pension
Investor 2	Male	24	Individual stocks and shares
Investor 3	Female	23	Cryptocurrency
Investor 4	Male	24	Cryptocurrency
			ETFs
			Individual stocks and shares
Investor 5	Female	23	Index fund
			Pensions
			Individual stocks and shares
Investor 6	Male	19	Cryptocurrency
			ETFs
			Individual stocks and shares

US Gen-Z Investor Focus Group

Investor	Sex	Age	Investments
Investor 1	Male	22	ETFs
			Options trading (stock options)
			Pension [401(k) and IRA]
Investor 2	Female	22	Cryptocurrency
			Pension [401(k)]
			Individual stocks and shares
Investor 3	Female	23	Cryptocurrency
			ETFs
			Individual stocks and shares
			Options trading
			Pension [401(k)]
Investor 4	Female	25	Cryptocurrency
			ETFs
			Individual stocks and shares
			Pension [401(k)]
Investor 5	Male	18	Cryptocurrency
			Individual stocks and shares
			Mutual funds
			Pension [401(k) and IRA]
Investor 6	Female	19	Pension [401(k) and IRA]

Germany Gen-Z Investor Focus Group

Investor	Sex	Age	Investments
Investor 1	Male	24	ETFs
Investor 2	Female	19	Cryptocurrency
			ETFs
Investor 3	Female	20	ETFs
			Alternative investments
Investor 4	Female	24	ETFs
			Investment funds
Investor 5	Male	23	Individual stocks and shares
			Cryptocurrency
			ETFs
Investor 6	Male	25	Individual stocks and shares
			Cryptocurrency
			ETF
			Options
			Binary options
			Futures
			Alternative investments
			NFTs
Investor 7	Male	25	Individual stocks and shares
			ETFs
			REITs

France Gen-Z Investor Focus Group

Investor	Sex	Age	Investments
Investor 1	Female	19	Individual government or corporate bonds
			Individual stocks and shares
			Investment funds
			REITs
			Real estate for investment purposes
Investor 2	Male	22	Individual stocks and shares
			Cryptocurrency
			ETFs
			NFTs
			Alternative investments
Investor 3	Male	24	Cryptocurrency
			ETFs
			Real estate for investment purposes
Investor 4	Female	23	Individual stocks and shares
			Closed-end listed companies
			ETFs
			Alternative investments
Investor 5	Male	22	Individual stocks and shares
			Cryptocurrency
Investor 6	Female	24	Investment funds
			Structured retail products
			Alternative investments

Netherlands Gen-Z Investor Focus Group

Investor	Sex	Age	Investments
Investor 1	Male	20	Individual stocks and shares
			Cryptocurrency
			ETFs
Investor 2	Male	21	Individual stocks and shares
Investor 3	Female	18	Individual stocks and shares
Investor 4	Female	24	Individual stocks and shares
			Pension
Investor 5	Male	22	Cryptocurrency
Investor 6	Female	25	ETFs
			Alternative Investments
Investor 7	Male	25	Individual stocks and shares
			ETFs
			Cryptocurrency

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