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# A Marketing and Compliance Primer: Hiring Finfluencers to Engage with Young Investors

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Financial influencers on social media are attracting the attention of established financial firms eager to tap into an audience of young investors on platforms such as YouTube, TikTok, and Instagram. Although the rewards of collaborating with influencers are abundant, so are the potential risks.

Compliance officers at financial services firms can play a critical role in identifying and mitigating these risks to help ensure their colleagues in marketing build successful partnerships with influencers. Fostering a culture of compliance and responsible engagement is paramount for financial services firms that want to capitalize on influencer popularity.

This primer offers a starting point for senior marketing and compliance professionals whose firms are considering engaging influencers. Our report, "[The Finfluencer Appeal: Investing in the Age of Social Media](#)," provides a deeper understanding of current influencer practices and Gen Zs' attitudes toward financial information online. The report provides insights based on primary research and focus groups comprising young investors.

## Before Hiring Finfluencers

- Define the desired scope and audience for your influencers' activities on the firm's behalf.
- Identify the applicable regulators in the jurisdictions where the influencers will be deemed to be doing business. Depending on the jurisdiction, your influencers' activities may be regulated by multiple regulators. Ask yourself, "What are the consequences for the firm of working with influencers who fail to comply with regulatory requirements?"
- Consider whether the rewards of retaining influencers outweigh the possible reputational, regulatory, and financial risks and hidden compliance costs.
- Evaluate the size and composition of your influencers' audiences, as well as their reputations, expertise, credibility, and willingness to comply with compliance requirements.
- Establish policies and procedures governing the conduct of influencers, including the consequences of failing to abide by these policies.

## When Hiring a Finfluencer, Set Clear Boundaries

- Establish and reinforce the ethical and legal boundaries of your finfluencers' relationship with your firm. If your firm does not want its finfluencers to trigger licensing requirements, prohibit them from engaging in regulated activities such as making investment recommendations.
- Clarify up front the terms and conditions of finfluencers' contracts, including compensation structure, deliverables, and timelines.
- Inform your finfluencers that all content related to the firm requires review and approval prior to posting. Devote sufficient resources to making the approval process straightforward and swift to promote compliance.
- Be clear about the consequences your finfluencers will face for failing to meet the firm's compliance and conduct expectations. Inform your finfluencers that misconduct exposes the firm to regulatory fines, censures, and revocation of licenses.

## Educate Your Firm's Finfluencers about Their Compliance Obligations

- Help your finfluencers understand the products and services being promoted, including product features, benefits, and selling points.
- Compliance training should emphasize that your finfluencers' statements must be truthful, balanced, and accurate. Depending on the jurisdiction, finfluencers should be instructed on the need for affirmative disclosures about their activities.
- Teach finfluencers about their obligation to identify and avoid market misconduct, such as insider dealing, misuse of information, fraud, transmission of rumours, and market manipulation.
- Educate your finfluencers about jurisdiction-specific know-your-customer and anti-money laundering laws, including reporting obligations and channels. Provide training on data protection and privacy regulations if your finfluencers collect viewer information.
- Provide finfluencers with your firm's definition of conflict of interest and instruct them about their disclosure obligations to the firm and their viewers.
- Educate finfluencers about their responsibility to know their audience. Instruct your finfluencers not to promote complex investment products to the financially unsophisticated or target individuals under 18 years of age.

## Transparency and Disclosures: What to Demand from Your Finfluencers

- Conduct regular training with your finfluencers on the importance of transparency and the need for rigorous and accurate disclosures.
- Consider instructing your finfluencers to identify and provide links to the sources of information in their videos. If they are not financial professionals, request that they disclose this fact.
- Tell your finfluencers to state the sources, amount, and method for calculating monetary and non-monetary compensation for promoting products. Compensation can include sponsorships and brand and affiliate partnerships.
- Your finfluencers should be required to inform viewers about their location (i.e., which country or jurisdiction) and emphasize that the information provided is directed only to residents of that jurisdiction.

- They should provide investors with an explanation of the risks associated with investment products, including the potential for loss of principal.
- Your finfluencers must understand the "nuts and bolts" of clear and transparent disclosures. All disclosures should be prominent, in plain language, and made at the beginning and the end of a presentation.

## Your Ongoing Supervisory Obligations

- Stay current about regulatory requirements. The rapidly changing regulatory environment requires vigilance on the part of compliance personnel.
- Update and evaluate the effectiveness of compliance policies and procedures to reflect regulatory changes, market developments, and finfluencer activities. Compliance policies and procedures will not survive regulatory scrutiny if they fail to reflect practice in the field.
- Conduct regular compliance training for finfluencers that reinforces established policies and procedures and highlights regulatory changes.
- Monitor finfluencers' posts to ensure they are accurate, balanced, and comply with relevant regulations in the jurisdictions in which they are targeted. Document your monitoring activity.

Fostering a culture of compliance and responsible engagement is paramount for financial services firms that want to capitalize on finfluencer popularity. Continuous education, proactive monitoring, and a commitment to transparent communication and fulsome disclosure form the cornerstones of effective compliance strategies for finfluencers. As the financial industry and the finfluencer landscape evolve, staying vigilant, adaptable, and committed to regulatory compliance will safeguard finfluencers, their viewers, and your firm.

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