Social Media 101 for the Capital Markets

written by Tracy Weslosky | May 10, 2023

Why you ask? The real reason why social media is an absolute must is for emergencies. Social media is the only way to distribute news instantaneously and I have seen over the years, some extraordinary cases whereby the social media account may have saved the company. Misinformation is spread in real-time, and to counter these issues, one must be prepared.

Is Elon Musk turning Twitter's eagle into a turkey?

written by Stephen Lautens | May 10, 2023

With his takeover of Twitter, Musk has proven himself to be more of an agent of chaos than a disrupter. Disrupters have been celebrated as the innovators and drivers of the new economy, blazing new trails and finding new markets, but as Twitter users, employees and advertisers have discovered in the last few weeks there is a big difference between disruption and wholesale carnage.

Since his takeover of Twitter for $44 billion Musk has forgotten the cardinal rule of takeovers and senior management changes – don't do anything for a few months. Unless there is an absolute crisis, the best thing new management can do is nothing at all. In a buy-out, this is the time to learn about your new toy and reassure your clients and employees that all is well. From this base of stability and knowledge, changes and innovations can be slowly introduced without destroying the company.

This is not, however, Elon Musk’s way. On day one he posted a tweet of himself walking into Twitter HQ carrying a kitchen sink, saying: “Entering Twitter HQ – let that sink in!” He immediately began making untested changes to the platform, making major policy announcements in real time via tweet and then immediately reversing himself, firing and rehiring key staff, and generally trolling Twitter users and the world from his new platform. He fired CEO Parag Agrawal, CFO Ned Segal, and policy chief Vijaya Gadde in the first couple of weeks.

The result has been a rush for the door, both in long-time users and advertisers. Twitter has (or had) roughly 450 million monthly active users. In FY 2021 advertising services generated USD $4.5 billion for Twitter, or about 89% of its revenue. As a result of the chaos and criticism of Twitter’s rudderlessness, advertisers have canceled or “put on pause” their ad buys. To date these include General Mills, the Volkswagen Group, General Motors, Pfizer, United Airlines, Audi, Farvel, and Carlsberg. Their concerns are not just about a drop in Twitter users, but also “concerns about a rise in misinformation, hate speech, and other distasteful content under his watch.”

This is also a major concern for thousands of marketing specialists, investor relations professionals, journalists, media and others who support and report on the small to medium cap public markets. In a few years Twitter has become a cornerstone for companies getting their stories out to a wider audience through press releases, corporate updates, CEO interviews and presentations. Facebook and LinkedIn are also part of the social media ecosystem, but reach and serve different markets.

It is also not just about audience size. According to its public filings, Twitter:

"…creates tailored advertising opportunities by using an algorithm to make sure promoted products make it into the right users' timelines, search results, profile pages, and Tweet conversations. Advertisers have the ability to target an audience based on multiple criteria. Twitter provides ways for advertisers to build and grow an audience interested in the products or services they are offering. Advertisers also have the option to pay for ads that will appear at the top of the trending-topics list or timeline."

If Twitter crashes and burns companies and investor relations professionals will be faced with a fragmentation of their social media buys. Facebook has far more users than Twitter (with roughly 2.96 billion monthly active users as of Q3 2022) and uses its own ad targeting algorithms, but reaches a different audience than Twitter. For business, Twitter's value in the space is as an aggregator of users, particularly journalists and media outlets, and no other similar platform comes close to its audience. Mastodon and CounterSocial are popular destinations for people fleeing Twitter, but they are both small, ad-free, appeal to different demographics, and it will be a long while before they accumulate an audience or for companies to re-create their hard-won audience of Twitter followers.

It may well be, in the phrase often attributed to Mark Twain, that reports of Twitter's death are greatly exaggerated. The brand, the technology and the market are all valuable properties. Maybe not worth $44 billion by the time Musk is finished with his capricious vanity meddling, but a valuable property nonetheless. Musk may have put up a lot of money from the sale of his Tesla shares, but the financiers who put up the rest of the funding for the buyout will have something to say seeing their investment evaporate. Major banks, including Bank of America, Barclays, BNP Paribas, Mizuho, Morgan Stanley, MUFG, and Societe Generale committed to giving Musk $13 billion for the acquisition. Morgan Stanley alone has contributed nearly $3.5 billion for the acquisition. There will be a point when they demand that Musk stop running with scissors.

Companies and their marketers are holding their collective breath as they watch one of their most useful investment relations tools speed towards the cliff, wondering what they will replace it with.

In the words of Elon Musk in a tweet addressed specifically to his “Dear Twitter Advertisers” on October 27th who were jumping ship:

“Fundamentally, Twitter aspires to be the most respected advertising platform in the world that strengthens your brand and grows your enterprise… Let us build something extraordinary together.”

It may still be possible, if he can restrain himself for five minutes in his reckless campaign to tear it down.

Finfluencers beware – Australian investors have a new social media sheriff

written by Stephen Lautens | May 10, 2023

It will come as no surprise that there are people who try to take advantage of investors and the market in creative and sometimes illegal ways. Some are as old as co-ordinated “pump and dump” market manipulation campaigns that have been around since the earliest days of the Vanderbilts. Others are new, like predatory short selling.

One of the newest has attracted the attention of the Australian Securities and Investments Commission (ASIC). In 2021 the ASIC announced that its was undertaking a review of the growing number of online financial influencers to understand how they operated and how the financial services law applies to them. These “finfluencers” rose to prominence in 2020 when a group used the Reddit platform to deliberately drive up the price of GameStop to punish hedge funds that had shorted the company stock. These finfluencers have also proliferated on social media and other discussion board platforms, touting “hot stocks” and quick buck promises to the new generation of young investors who can effortlessly buy and sell shares online in their self-serve brokerage accounts.

In its review, the Australian Securities and Investments Commission found that apps like TikTok, Telegram and Twitter are increasingly being used by social media influencers who are being compensated for online buy recommendations directly by the companies they promote in cash or stock. Others engage in “dealing by arranging”, where finfluencers promote a link for their followers to access an Australian financial services (AFS) licensee’s trading platform to trade financial products. The finfluencer then receives a payment from the licensee for each click-through when buying the products through the link that accompanies a glowing buy recommendation.

As a result of their review of this increasing problem, this March the Australian Securities and Investments Commission published an information sheet (INFO 269) for social media influencers who discuss financial products and services online setting out how financial services laws apply them. It concluded that these types of online activities violate Australian securities laws, and violators can face stiff penalties including hefty fines and up to five years in jail.

Some of these finfluencers have brazenly flouted their wealth and luxurious lifestyles from their unlicensed online advice-giving, making them prime targets for the ASIC, which warns that it "monitors select online financial discussion by influencers who feature or promote financial products for any misleading or deceptive representations or unlicensed financial services." The new guidelines published in the ASIC's information sheet make it clear it also applies to Australian financial services (AFS) licensees who use an influencer, who may also be liable for any misconduct by the influencer.

How big a chill this will place on the vast world of social media influencers is unclear, as is how deeply the rules will apply to other providers of financial information. Australia's example seems to make a distinction between the providers of financial commentary and those recommending or touting stocks. As the ASIC explains:

"You can share factual information that describes the features or terms and conditions of a financial product (or a class of financial products) without giving financial product advice. However, if you present factual information in a way that conveys a recommendation that someone should (or should not) invest in that product or class of products, you could breach the law by providing unlicensed financial product advice."

Where does this leave legitimate reporters and other financial sector commentators? While the new ASIC interpretation bulletin casts a seemingly wide net, writers and publications who do not give investment advice, recommendations, or receive compensation for positive reviews or driving clicks to a trading site, do not appear to be the ASIC's intended target. Analysis and reporting on corporate news (provided that it is not misleading) is an important part of educating investors so they can make their own informed investment decisions. The ASIC's purpose is to protect investors and promote market integrity by controlling online influencers who profit from featuring or promoting financial products using aggressive, misleading or deceptive representations. The result will be that you may see fewer breathless "It's a buy!" quotes in financial reporting.

Australia is not the only jurisdiction concerned about the problem posed by social media tipsters, promoters, pumpers and finfluencers who have a direct financial interest in driving stock activity, commissions, or manipulating the market. Other security commissions are looking at the issue and making efforts to educate and curb the wild west of social media stock promoters, especially in the hot and overly-hyped areas of crypto and cannabis, and it may not be long before they too start to take a harder stance along the lines of Australia.

The web is a big place with lots of dark corners and bad actors, and has provided fast buck artists with the opportunity to reinvent and use old pump and dump or other market manipulation tricks on a whole new generation of young or gullible investors. It is overdue for a clean-up that separates financial information from naked and self-serving promotion by the so-called finfluencers.

Peter Clausi on social media and compliance for public companies

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“Compliance and social media is really easy. People get carried away because it is a new platform of communicating but the old rules (of compliance in communication for public companies) still apply.” States Peter Clausi, InvestorIntel’s Advisor stated in an interview with InvestorIntel’s Tracy Weslosky during PDAC 2020.

Peter went on to say that public companies report on Sedar through press releases, financial statements, material change statements, etc. If a piece of information is in those documents, is factually true and has been publicly disclosed, companies can share it on social media. He also said that public companies should not share any news on social media before they have made an official public announcement.

To access the complete interview, click here

Klip on how to be an online media influencer in the

resource sector

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March 14, 2018 — “Once you say something or you write a tweet you are responsible for that knowledge if you are sharing it, or for the action which you are thinking will be for the best benefit of shareholders of your own company,” states Kirill Klip in an interview with InvestorIntel’s Jeff Wareham.

Jeff Wareham: Kirill is really the number one online media influencer I think in this space today. Kirill you are all over social media. Our industry should probably give you a big thank you. What drove you to get so involved?

Kirill Klip: Thank you very much for this praise. It is a lot of very hard work. When I started my blog it was very interesting. What I found, of course, English is not my native language. But what was very interesting was, before you can write even a very short article, you have to really study the subject. Twitter is great in the sense that it disciplines your mind because you are communicating with very short messages, so you have to know your subject. You have to be there frequently, otherwise people will not be following you and you have to be interesting, otherwise people will get bored. I love this way of communicating, of explaining this education. It is very easy, but very hard when your investors can always hit you back and ask you questions about the company.

Jeff Wareham: You certainly are out there and accountable for what you have to say, are you not?

Kirill Klip: Exactly. You know what I found? Maybe the first time, 10 years ago, and then it became crystalized for me 5 years ago, why a lot of mining executives or executives are shy of this kind of public stance on a lot of things. Now I know because once you say something or you write a tweet you are responsible for that knowledge if you are sharing it, or for the actions which you are thinking will be for the best benefit of shareholders of your own company. Then shareholders or others can show you the tweet. Kirill you were talking about this, where is it? It is very, very interesting, this fear, when you have an almost immediate response from your core investors or participants in our industry.

Jeff Wareham: I have been on Twitter a long time, but LinkedIn not so long. I am amazed on how much information you get out on LinkedIn.

Kirill Klip: You know what is very interesting? Sometimes I do not know 100% about a particular subject. For example, I am quite good about lithium, lithium batteries, electric cars. But, for example, I do not have a clue how many electric buses are sold in China. I can just fly one question out and I will receive, like, 10 top experts tweeting me back. Then I can check the source, and within half an hour I know the best knowledge maybe from another person all across the world. It is fascinating how social media really opens us in the sense, that we can not only educate other people with our knowledge, but also we can gain and crystalize the knowledge in the industry very fast…to access the complete interview, click here.