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Via Email

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

RE: University of Pittsburgh Securities Arbitration Clinic’s response to “Social Media-Influenced Investing” request for comment.

By: Professor Alice L. Stewart,* Professor Rachael T. Shaw,* Logan Russell,* Rece Shelly,* and Tristan McClelland.*

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Dear Ms. Mitchell,

The University of Pittsburgh School of Law's Securities Arbitration Clinic ("The Clinic") is grateful for the opportunity to comment on *Social Media-Influenced Investing*. The following comment is written on behalf of the Clinic, which advocates for small, retail investors, particularly older individuals with limited financial resources. FINRA's attention to the growing phenomenon of social-media driven investing is a welcome development. Social media has immense potential to both inform and mislead individuals who are likely to seek legal help from the Clinic's staff attorneys and students. The ensuing comment will highlight areas of concern which we have both seen in our work and foresee will continue to be reasons our clients come to us. In this comment, we will focus on how social media-influenced investing could affect elderly individuals and individuals of limited financial means.

I. SOCIAL MEDIA INVESTING

A. Issues and Solutions in Social Media-Driven Pump-and-Dump Schemes

1. Social Media-Driven Fraud on the Market and Pump-and-Dump Schemes Involving Securities

One of the chief issues regarding social media-driven investments which clinics like ours are facing, and identified by FINRA's request for comment,¹ are allegations of fraud perpetrated through social media-driven pump-and-dump schemes. "According to the SEC, market manipulation, commonly known as a pump-and-dump scheme, occurs when investors circulate misleading information to create a 'buying frenzy.' This artificially increased trading volume has the consequence of artificially inflating the price of the targeted security (the 'pump'), which is

¹ FINRA, SOCIAL MEDIA-INFLUENCED INVESTING 6 (2025)

quickly sold off by the fraudsters into the inflated market (the ‘dump’).”² These sorts of schemes are occurring more frequently today with unregulated cryptocurrency markets through hyped up social media posting and reporting.³ But these schemes can and do occur within securities markets as well and threaten the financial livelihoods of retail traders,⁴ many of which are lower-income and lack access to comprehensive information. There are also various troubles facing regulators under the current securities regime which hinder their ability to protect retail investors.

The tools social media offers to engage in market manipulation are myriad. The unique parlance of social media often allows financial influencers, or worse, criminal fraudsters, to easily manipulate market prices of securities without expressing clear or concrete intent to do so.⁵ The vast reach of social media posting and websites enable bad actors to cheaply and efficiently reach the attention of their victims to perpetrate their securities fraud schemes.⁶ Messaging platforms and chat rooms allow fraudsters to contact retail investors directly and create an impending sense of urgency which drive retail investors to buy securities when they otherwise might not.⁷ The ease of social media advertising further enhances the effectiveness of mass promotions to drive up stock

² Boutros Imad, *The Meme Stock Bidding War Viewed from the Lenses of the American and Canadian Securities Regulators*, 48 U. DAYTON L. REV. 193, 211 (2023)

³ Commodity Futures Trading Commission, *Customer Advisory: Beware Virtual Currency Pump-and-Dump Schemes* (last accessed Mar. 16, 2026), https://www.cftc.gov/sites/default/files/2019-12/customeradvisory_pumpdump0218.pdf.

⁴ *In re Bed Bath & Beyond Corp. Securities Lit.*, 687 F. Supp. 3d 1, 7–8 (D.D.C. 2023) (involving Bed Bath & Beyond investor with a considerable social media following tweeting out a moon emoji, inflating the stock price, and then he sold, making tens of millions).

⁵ *See id.* (finding the moon emoji in a tweet was enough to inflate the stock price, although in this case that was enough to find intent in the pump-and-dump scheme).

⁶ SEC Office of Investor Education and Advocacy, *Investor Alert: Social Media and Investing – Avoiding Fraud* (2012), <https://www.sec.gov/investor/alerts/socialmediaandfraud.pdf> (“Social media, and the Internet generally, offer a number of attributes criminals may find attractive. Social media lets fraudsters contact many different people at a relatively low cost”).

⁷ Federal Bureau of Investigation, *Fraudsters Target US Stock Investors Through Investment Clubs Accessed on Social Media and Messaging Applications* (2025), <https://www.ic3.gov/PSA/2025/PSA250703> (“The FBI warns the public about criminals targeting US stock investors through social media platforms and messaging service applications (apps). The scheme, known as a “ramp-and-dump” stock manipulation, targets US investors through online engagement, often via social media advertisements or messages promoting an “investment club” of fellow investors, some of which may be bots or fake accounts.”)

prices: the “pump” phase of a pump-and-dump scheme.⁸ Even more frightening, perpetrators might “impersonate legitimate brokerage firms or well-known stock analysts” to add a veneer of legitimacy to their schemes and encourage retail investors to invest in the inflated stock for weeks or months.⁹ All of this serves to dramatically increase the effectiveness of the opening phases of a pump-and-dump scheme, rendering the eventual losses to retail investors after the schemers dump their highly valuable, inflated stock back onto the open market.¹⁰

This is a worsening issue, and social media has a lot to do with it. The FBI has reported a three-hundred percent increase in complaints of pump-and-dump stock schemes, again many of these driven by social media marketing and fraudulent targeting.¹¹ Even regarding those acting without fraudulent intent, empirical studies have shown that social media financial influencers do more harm than good to retail investors.¹² Our experience, along with the data and information from law enforcement and regulatory authorities, shows that social media-influenced investing can and does have dramatic, negative consequences for retail investors we represent in our clinic.

2. Regulatory Solutions to Social Media-Influenced Security Pump-and-Dump Schemes

The rising prevalence and danger of market manipulation through social media-influenced investing necessitates a regulatory response. As of now, much of the available literature and advice, from private entities and government regulatory bodies alike, focuses on individualized solutions. These solutions focus especially on individual education and weariness of online investment

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* (“Once the price is artificially elevated, the criminals sell off (“dump”) their shares at a profit, leaving unsuspecting investors with significant losses as the stock value collapses”).

¹¹ *Id.*

¹² Sonja Warkulat & Matthias Pelster, *Social Media Attention and Retail Investor Behavior: Evidence from r/wallstreetbets*, INT’L REV. OF FIN. ANALYSIS 96, at 15 (2024)

advice. Retail investors are warned to “be an educated investor”¹³ and “be wary of receiving financial advice, specifically stock tips, in encrypted chat groups” and “independently research any investments recommended to” them.¹⁴ While these solutions are assuredly true, pump-and-dump schemes and social media investment scams depend on investors who do not or cannot adequately inform themselves and investors motivated by emotions or fear of missing out.¹⁵ Private litigation against the perpetrators is also an option and it can be successful.¹⁶ However, such litigation can be expensive and when the schemers are cross border actors, it is almost impossible. For these reasons, greater judicial and regulatory controls are essential.

Solutions range from the simple and minimal to the extensive and complex. One simple solution, advocated by a securities regulator in Massachusetts, is for a 30-day trading halt for retail investors to prevent reckless risk-taking in response to fear of missing out.¹⁷ While the elegance of this and like solutions is rooted in simplicity, it is likely to be opposed by retail investors motivated by the prospect of short-term gains. Another, simple solution would be to increase the transparency of short-selling called for under the Dodd-Frank Act, which may allow regulators to better track the market dynamics at work in market manipulation.¹⁸ While these solutions are workable within existing law, it is unclear how effective they’ll be and the extent to which investors, both large and small, may oppose them.

More extensive solutions are discernable from other countries’ regulatory schemes. In Canada, one securities regime permits regulators to hold individuals accountable even if they had

¹³ SEC Office of Investor Education and Advocacy, *Investor Alert: Social Media and Investing – Avoiding Fraud* (2012), <https://www.sec.gov/investor/alerts/socialmediaandfraud.pdf>.

¹⁴ *Investor Alert: Social Media ‘Investment Group’ Imposter Scams Continue to Rise*, FINRA (December 9, 2025), <https://www.finra.org/investors/insights/investment-group-imposter-scams>.

¹⁵ Warkulat & Pelster, *supra* note 12, at 2–3, 15.

¹⁶ *In re Bed Bath & Beyond Corp. Securities Lit.*, 687 F. Supp. 3d 1, 11–12 (D.D.C. 2023).

¹⁷ *Id.* at 2–3.

¹⁸ Imad, *supra* note 2, at 209.

no intention of inducing a pump-and-dump scheme. The regime adopts a somewhat negligence framework toward securities fraud where liability is found if the person or company “reasonably ought to know” that the conduct they’re engaged in could lead to market manipulation.¹⁹ Such a solution would both capture a greater number of financial influencer fraudulent activity on social media and lower the bar regulators would need to meet to hold such actors accountable. Additionally, Canadian regulators have a special, “public interest jurisdiction” tool at their disposal, allowing them to utilize the powers of regulatory intervention even where a specific regulatory violation has not occurred.²⁰ These are powerful tools currently unavailable in American securities regulation regimes, but any manner in which rule promulgation or new legislation may make these tools available should be explored. More than anything, the cross-border nature of these issues²¹ necessitates international cooperation among regulators.

In conclusion, social media-influenced investing has brought a host of challenges that individual education or remedies are simply not sufficient to confront. Various solutions are available to empower regulators to act and protect small investors and should be pursued.

B. Misinformation and Lack of Transparency on Social Media Leads to Investors, Especially Retail Investors, Taking Far Riskier Investments.

Influencers on social media have fast become a “key vehicle to promote products and services, including in the financial services sector.”²² Financial influencers—colloquially referred to as “finfluencers”—provide a vast array of information to their viewers, many of whom are young retail investors.²³ In fact, up to “60% of investors aged 18–34 use social media to source

¹⁹ *Id.* at 214.

²⁰ *Id.* at 216–17.

²¹ *Id.* at 210.

²² Serena Espeute & Rhodri Preece, *The Finfluencer Appeal: Investing in the Age of Social Media*, CFA INST. RSCH. POL’Y CTR., 1 (2024), <https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/industry-research/finfluencer-report.pdf>.

²³ *Id.*

their investment information.”²⁴ The information influencers provide their audiences range from simple explanations of how trades work to full blown hyping of fraudulent pump-and-dump schemes.²⁵ However, there are several issues with influencers that may lead unsophisticated retail investors to engage in uninformed, misinformed, or risky investments.

1. Many Influencers are Not Regulated by Any Body of Government.

Current regulatory frameworks fail to adequately cover the broad range of behaviors that influencers engage in because regulations hinge on formal, defined categories.²⁶ Traditional “investment advisors” must follow SEC regulations, obtain qualifications, and comply with fiduciary responsibilities to their clients.²⁷ Under U.S. law, to be classified as an “investment adviser,” and thus subject to the registration requirements and fiduciary duties, a person must (1) receive compensation in exchange for securities-advice; (2) engage in advising as a business activity; and (3) provide advice relating to securities values or investment decisions.²⁸

However, influencers do not neatly fall under this definition because their content and advice is usually free for their audience,²⁹ thus allowing influencers to operate as informal, quasi-investment advisers.³⁰ Influencers are able to avoid consequences from the SEC through several means.

²⁴ Serena Espeute & Rhodri Preece *supra* note 22, at 10.

²⁵ See Isabella Kwai, *Financial Advice on Social Media is Growing. And Risky*, THE NEW YORK TIMES (Jan. 25, 2025), <https://www.nytimes.com/2025/01/25/business/financial-advice-social-media-influencers.html>.

²⁶ See, e.g., 15 U.S.C.A. § 80b-2 (West) (defining “investment adviser” as “means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities).

²⁷ Madeleine Streets, *Influencers: A Guide to Personal Financial Content Creators*, TECHTARGET (May 6, 2025), https://www.techtargget.com/whatis/feature/Influencers-A-guide-to-personal-financial-content-creators?utm_source=chatgpt.com.

²⁸ 15 U.S.C.A. § 80b-2 (West).

²⁹ Madeleine Streets, *supra* note 27.

³⁰ See *Investor Alert: Social Media and Investing – Avoiding Fraud*, SECURITIES AND EXCHANGE COMM’N 3 (Jan. 2012), <https://www.sec.gov/investor/alerts/socialmediaandfraud.pdf>.

First, finfluencers can appeal to the “publisher’s exemption.”³¹ The publisher’s exemption excludes individuals that receive compensation for providing investment advice from the usual requirements of current U.S. law.³² To meet the publisher exemption, individuals should provide impersonal, untailored, “bona fide advice without fraudulent intent.”³³ Many finfluencers neatly fall under this exemption and can avoid regulatory action against them.

Second, the nature of finfluencers’ behavior means that they speak to a general audience. In other words, finfluencers’ content “remains entirely impersonal” and generally consists of “factual information about past transactions and market trends.”³⁴ Even in cases where finfluencers directly pitch a stock to their audience, they still have a strong shield from liability because they do not render “personalized investment advice.”³⁵

Third, finfluencers avoid classification as an “investment adviser” because their content is typically free for their audience.³⁶ Therefore, finfluencers are not receiving compensation *in exchange for their advice*, a critical element under current U.S. law.³⁷ Because their primary means to generate revenue are through “advertising, brand partnerships and platform creator funds,” as opposed to being paid directly for their advice, finfluencers fall outside the definition of investment adviser.³⁸

One of the most famous examples of this gap in the current regulatory scheme and influencer behavior is Keith Gill, AKA “Roaring Kitty,” who orchestrated the GameStop short

³¹ Paul Hoffman, *Finfluencer Accountability: Regulators Tackle Disclosure and Oversight*, NASDAQ (June 7, 2024, at 1:20 pm EDT), https://www.nasdaq.com/articles/finfluencer-accountability-regulators-tackle-disclosure-and-oversight?utm_source=chatgpt.com.

³² *Id.*

³³ *Id.*

³⁴ *Lowe v. SEC*, 472 U.S. 181, 210 (1985).

³⁵ *Id.*

³⁶ Madeleine Streets, *supra* note 27.

³⁷ 15 U.S.C.A. § 80b-2 (West).

³⁸ *Id.*

squeeze in 2021.³⁹ Throughout the craze, Gill shared information that could constitute securities advice or investment decisions, such as detailed analysis on why GameStop's stock was undervalued.⁴⁰ Yet, despite the substantial impact Gill had on both retail and institutional investors alike, Gill faced no enforcement action by the SEC and was not required to register as an investment adviser.⁴¹

The GameStop short squeeze is one of the most extreme examples that exists. However, finfluencers come in all sizes, ranging from millions upon millions of followers to less than a thousand. If one of the most publicized finfluencer events of all time avoids SEC enforcement action, finfluencer behavior on a far smaller level, yet just as potentially damaging to unsophisticated investors, has an even greater chance to fly under the radar. Considering that 60% of young investors use social media to source their investment information and nearly 40% cite social media as a primary driving factor in making investment decisions, finfluencers have massive potential to wreak havoc on young investors with little to no governmental oversight.⁴²

2. The Average Investor Attributes a High Follower Count to Credibility, Incentivizing Misleading Behavior from Finfluencers.

Those who consume finfluencer content, mainly young retail investors,⁴³ generally attribute a greater follower count to higher levels of credibility.⁴⁴ This creates incentive structures for finfluencers to use “fake accounts and social media messages driven by bots” to artificially

³⁹ See Shreyas Sinha, *Who is Roaring Kitty, the Reddit Trader Behind GameStop's Stock Mania?*, OBSERVER (May 4, 2024, at 2:36 PM), https://observer.com/2024/06/who-is-roaring-kitty-keith-gill-gamestop-stock/?utm_source=chatgpt.com.

⁴⁰ Madeleine Streets, *supra* note 27; see also Keith Gill (u/DeepFuckingValue), REDDIT, <https://www.reddit.com/user/DeepFuckingValue/> (posts with the title “GME YOLO update” track the entire saga).

⁴¹ See Seana Smith & Madison Mills, *What Keith Gill Could do to Avoid Scrutiny: SEC Defense Lawyer*, YAHOO! FINANCE (June 6, 2024), <https://finance.yahoo.com/video/keith-gill-could-avoid-scrutiny-155249131.html?guccounter=1> (describing that although Gill has faced “regulatory scrutiny,” no official action has been taken).

⁴² Serena Espeute & Rhodri Preece, *supra* note 22, at 11–12.

⁴³ See *id.*

⁴⁴ *Id.*

inflate their follower count and channel engagement.⁴⁵ Artificially inflating their account metrics generates more credibility to the average, uninformed investor and provides algorithmic traction for their profile.⁴⁶ The problem is that real financial expertise is not gained by inflating follower counts, allowing uninformed or malicious individuals to spread misinformation quickly.

For example, from 2021 to 2022, influencer Kevin Paffrath promoted a company called BlockFi to over one million followers.⁴⁷ Many of his videos contained affiliate links and promotional material for the company.⁴⁸ Mr. Paffrath was not a registered investment advisor at the time of these promotions.⁴⁹ However, Mr. Paffrath routinely provides investment recommendations, market updates and analysis, and other financial information on his channel.⁵⁰ Unfortunately, BlockFi filed for Chapter 11 bankruptcy in 2022, costing investors millions.⁵¹ Many of these investors were young retail investors who relied on influencers' promotion of the company, especially large influencers such as Mr. Paffrath, when investing thousands of dollars of their own capital.⁵²

While there is no evidence that Mr. Paffrath has artificially inflated his follower count, the incentives are still there. Mr. Paffrath not only made a lot of money through his affiliate links and promotion of BlockFi,⁵³ which he earned because of his high follower count, but he also received

⁴⁵ See Sivanath Ramachandran, *Fun and Games: Investment Gamification and Implications for Capital Markets*, CFA INST., 2, <https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/industry-research/investment-gamification-implications.pdf> (last visited Mar. 27, 2026).

⁴⁶ See *id.*

⁴⁷ Kwai, *supra* note 25.

⁴⁸ See MEET KEVIN, *BlockFi JUST Filed for Bankruptcy | Ridiculously *BAD* Cash BALANCE!* (YouTube, Nov. 28, 2022), <https://www.youtube.com/watch?v=FqGcfpJDKQY> (comments referencing relying on Mr. Paffrath's promotion of BlockFi, leading to the loss of their money).

⁴⁹ Kwai, *supra* note 25; see also *Investment Adviser Public Disclosure*, SEC. AND EXCH. COMM'N, <https://adviserinfo.sec.gov/individual/summary/7493981> (last visited Mar. 27, 2026).

⁵⁰ See Kevin Paffrath (@Meet Kevin), YOUTUBE, <https://www.youtube.com/@MeetKevin>.

⁵¹ Kwai, *supra* note 25.

⁵² *Id.*

⁵³ "Contracts for YouTubers to push FTX [and consequently, BlockFi] ranged from \$50K per month upwards to hundreds of thousand per month and/or around \$2,500 a video." Chris Norlund, *How Social Media Influencers Fed Bankman-Fried's Cult of Personality*, COINDESK (June 14, 2024, at 6:57 p.m.),

massive amounts of free press.⁵⁴ This publicity allowed him to further promote his social media accounts (which now total over two million on YouTube alone—), investing course, life insurance company, real estate company, and more.⁵⁵

The lucrative nature of such content could easily lead others to try and recreate the success of Mr. Paffrath, either through legitimate means or by artificially inflating their follower counts, notwithstanding their financial knowledge or credentials—or lack thereof. Through a large follower account, accounts earn more up-front credibility, leading to more algorithmic traction and more “buzz” surrounding the account. This buzz makes it more likely the account is noticed by companies in need of promotion, those promotions are now known to be extremely lucrative, and such income inevitably leads to more content that may or may not be misinformed, inaccurate, or misleading. The possibility of misinformed or malevolent individuals taking advantage of these incentives could lead many young investors to make uninformed investment decisions without a proper means of recourse when the investment inevitably fails.⁵⁶

3. Finfluencers Routinely Hide Conflicts of Interest in Relation to Their Compensation for Promoting Products and Services.

Finfluencers routinely hide or fail to disclose that they are paid directly by the companies they promote, rather than making a profit on actual trades or investments. Finfluencers can post their “profits” on their “trades” to their followers, inducing their followers to invest their own money into whatever the finfluencer is promoting. Although the SEC has started to crack down on

<https://www.coindesk.com/opinion/2023/01/18/how-social-media-influencers-fed-bankman-frieds-cult-of-personality>.

⁵⁴ *See id.*

⁵⁵ *See* Kevin Paffrath (@Meet Kevin), *supra* note 50.

⁵⁶ *See* Serena Espeute & Rhondri Preece, *supra* note 22, at 38.

public personas or large influencers who outright fail to disclose the fact that they received compensation in exchange for promotion,⁵⁷ the real problem lies in the gray area.

One of the clearest examples of this gray area comes from Graham Stephan, one of the largest personal finance influencers on YouTube with over five million subscribers.⁵⁸ Many of his videos contain affiliate links, referral bonuses or commissions, or partnerships with financial platforms.⁵⁹ Those same companies that are linked in the description of his videos are often clearly promoted in the video itself.⁶⁰ Mr. Stephan frequently fails to address the sponsorship, or even claims to not be sponsored at all while simultaneously having a referral link.⁶¹ However, since Mr. Stephan's channel is framed as personal experiences and opinions, he could be shielded against potential action by the SEC.

Appearance of genuine investment success builds credibility and trust with influencers' audience of young retail investors.⁶² The recommendations of platforms, assets, or securities from influencers are often tied to affiliate revenue or platform partnerships but may not be emphasized proportionally to the strength of the recommendation. This can lead to retail investors making investment decisions under the assumption that what they are purchasing is more profitable or financially sound than the investment really is.

⁵⁷ See, e.g., Michael Torres, *SEC Charges Crypto Influencer with \$48M Securities Fraud Over Token Promotion*, BLOCKLR (Feb. 27, 2026), https://blocklr.com/news/sec-charges-crypto-influencer-fraud/?utm_source=chatgpt.com (describing the SEC charging a influencer who promoted 17 crypto assets without disclosing that he was directly compensated by the companies); Press Release, Sec. and Exch. Comm'n, *SEC Charges Kim Kardashian for Unlawfully Touting Crypto Security* (Oct. 3, 2022) (on file with author) ("The Securities and Exchange Commission today announced charges against Kim Kardashian for touting on social media a crypto asset security offered and sold by EthereumMax without disclosing the payment she received for the promotion.").

⁵⁸ Graham Stephan (@GrahamStephan), YOUTUBE, <https://www.youtube.com/@GrahamStephan>.

⁵⁹ See generally *id.* (description of his videos contain links to various businesses)

⁶⁰ See GRAHAM STEPHAN, *I Found the Best Bank Accounts of 2020*, at 5:41–7:54 (YouTube, Aug. 10, 2020), <https://www.youtube.com/watch?v=cNV--R8MiFE>.

⁶¹ See *id.* (stating that "none of this [the promotion of Ally Bank in the video] is sponsored" by Ally Bank, despite a referral code for Ally Bank being present in the video description while none of the other banks mentioned have a similar link).

⁶² See Serena Espeute & Rhondri Preece, *supra* note 22, at 10.

C. Cryptocurrency Markets Exacerbate the Risks of Social Media-Influenced Investing

The risks associated with social media-influenced investing are further magnified in the context of cryptocurrency markets, which operate with limited regulatory oversight and heightened susceptibility to speculative behavior. Unlike traditional securities markets, cryptocurrency markets often lack the same degree of disclosure requirements and market surveillance, creating an environment in which social media can exert outsized influence on asset prices. As a result, digital assets are particularly vulnerable to rapid price fluctuations driven by viral content, influencer promotion, and coordinated online activity. In such markets, price movements are frequently divorced from underlying fundamentals and value, instead reflecting shifts in investor sentiment through social media platforms.

Social media's role in cryptocurrency investing is not merely incidental; it is often central. Investors frequently rely on online communities, influencers, and real time discussions to identify emerging tokens, evaluate projects, and make trading decisions. This dynamic is compounded by the speed with which information spreads on social media, allowing narratives to form and evolve in a matter of days or even hours. In this environment, early promoters of a cryptocurrency can generate significant momentum before more accurate or corrective information becomes available, creating opportunities for manipulation.

These characteristics have contributed to the proliferation of pump-and-dump schemes within cryptocurrency markets. As discussed in Section A, such schemes involve artificially inflating the price of an asset through misleading or exaggerated promotion, followed by rapid selloffs by insiders. Cryptocurrency markets are particularly susceptible to these schemes due to their lower barriers to entry, relative anonymity of participants, and the absence of oversight mechanisms. Social media platforms facilitate these schemes by enabling fraudsters to reach large

audiences quickly and at minimal cost, often through coordinated campaigns that create the illusion of widespread interest and legitimacy. Moreover, the role of “crypto influencers” further accelerates risk. Like influencers in traditional markets, crypto influencers may promote specific tokens or projects to large audiences, sometimes without disclosing financial incentives or conflicts of interest. In some instances, influencers have been compensated to promote tokens that ultimately collapse in value, leaving investors with substantial losses. Even where no compensation exists, the incentive structure of social media, where engagement and visibility are rewarded, encourages the promotion of attention-grabbing content, rather than balanced analysis.

D. Overreliance on Social Media and Behavioral Biases Undermines Rational Investing

While fraud and misinformation present significant concerns, an equally important risk identified within the report is the behavioral impact of social media on investor decision making. Even where information is not outright false or deceptive, the structure and dynamics of social media platforms can lead investors to make irrational and high-risk investment decisions because they want to follow the crowd and the influencer. As FINRA notes, investors who rely on social media for financial advice are significantly more likely to make risky investments, with one study finding that such investors exhibited a 72% likelihood of pursuing higher-risk opportunities. This phenomenon is not necessarily the result of fraud or bad actors, but rather the product of cognitive biases amplified by social media. Platforms are designed to reward engagement and virality, which often leads to the amplification of sensationalized or overly optimistic investment narratives. As a result, investors may be driven by fear of missing out (“FOMO”), herd behavior, or confirmation bias, rather than sound investment metrics and advice.

This issue is particularly acute among younger and less experienced investors, who are more likely to rely on social media as a primary source of news and financial information. FINRA

reports that approximately 24% of investors obtain investment information from social media, with 35% of individuals under the age of 30 relying on it for the same information. The interactive nature of social media (likes, comments, reactions, reposts) creates the illusion of consensus or credibility, even where none such consensus exists. In effect, repeated exposure to a particular investment narrative can create a feedback loop in which perceived popularity is mistaken for legitimacy. Moreover, the rise of “copy trading” and community-based investment forums further encourages investors to mimic the behavior of others without conducting independent financial analyses.

Importantly, these behavioral risks fall outside the traditional scope of securities regulation, which is primarily designed to address fraud, disclosure, and market manipulation. As a result, even a perfectly functioning regulatory system may be insufficient to protect investors from the structural incentives and psychological pressures embedded within social media platforms. This suggests that any meaningful regulatory response must move beyond policing bad actors and instead consider how platform design, information presentation, and investor psychology interact to influence market behavior.

E. Conclusion

The discussion above highlights the primary issues encountered by our clinic. While social media-driven investing expands access to information and trading tools, it also introduces significant risks for many small investors. We urge FINRA to take proactive steps to ensure that the evolution of financial information and influencers on social media does not come at the expense of investor protection. We appreciate the opportunity to comment on this important issue and welcome further dialogue on safeguarding vulnerable investors in an increasingly social media-driven economy.



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