

## ESMA's Statement on Investment Recommendations on Social Media

The European Securities and Markets Authority, the EU's securities markets regulator, explains the rules that apply in situations where someone, based in or outside the EU, spreads information proposing an investment decision about EU financial instruments (e.g. stocks or bonds), aimed at a broad audience. Spreading information would include sharing an opinion about the present or future price of a particular stock for example.

In EU law, this is called an investment recommendation.

**What is an investment recommendation?** EU law defines an investment recommendation as information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public. Distribution channels can be analyst reports, articles, the traditional media, or even social media.

**Who should read this Statement?** Anyone who recommends investments in some way or form via any platform and anyone who makes investment decisions based on investment recommendations done on any platform. This includes social media.

**What is the problem here?** The potential to mislead investors. Investment recommendations must be done in a specific – and transparent – way so that investors, before making any investment decision, can know and assess: 1) the credibility of the recommendation – and how objective it is; and 2) any interests of those making the recommendations. This way, everyone is free to express opinions without potentially harming others in the process.

**Who produces investment recommendations?** Usually, firms like banks and brokers but also financial analysts. However, other individuals who propose an investment strategy could be also thought to produce an investment recommendation when the proposal is intended for wider distribution. That would include posting on social media. On top of that, if one produces investment recommendations frequently, intends to reach a large audience, and presents him- or herself as having financial expertise, that may mean that one can be considered to be an expert. In such a case, more disclosures are required by the law.

**Where are the rules?** The rules are in the [EU Market Abuse Regulation](#). They require those making investment recommendation to disclose identities, present recommendations in an objective way, and disclose all relationships or circumstances that would impair objectivity. For experts, [additional rules](#) need to be followed.



**What happens if the rules are not respected?** EU Regulators proactively track conduct, orders and transactions by investors in the market. If there is reason to do so, they investigate. If the rules relating to investment recommendations are not adhered to, there can be fines or further supervisory actions, which may potentially include the referral to Public Prosecutors.