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Headline: Time to regulate influencers who tell you where to put your money

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Financial scandals elsewhere have shown that 'finfluencers' do not always act in good faith and can mislead their followers.

Patricia Lui

Hong Kong police displaying in September the cash and equipment seized during the investigation into Jpex which defrauded investors of HK$1.5 billion (S$257 million). The fraud highlights the risk of inadequate supervision of financial influencers who promote crypto on an unlicensed platform, says the writer. PHOTO: AFP

For financial management, the baby boomer and Gen X generations relied on bankers and brokers. The digital age has opened up more avenues for a new breed of individuals, known as "financial influencers", to drive changes and reshape how younger people acquire financial knowledge and manage their finances.

This is an exciting development, but also a worrying one. It makes it easy for anyone to acquire financial knowledge from anyone else, but these "finfluencers" shoulder very little accountability for the advice they dish out.

Worse still, it's hard for the public to know if these online advisers have an axe to grind or whether they are really acting in good faith.

THE RISE OF FINFLUENCERS

Don't get me wrong. Many financial influencers do a good job educating social media users without a strong finance background on money matters and encouraging more to grow what wealth they have.

Finfluencers provide an easy gateway into the often confusing and opaque world of personal finance and investing. Targeting millennials and older Gen Z, many established financial influencers in Singapore, like Budget Babe and Darryl Yong, skilfully use Facebook, Instagram, X, YouTube, blogs, or websites to seed in-depth financial discussions.

Budget Babe, who has 14,300 Instagram followers, discusses everything from savings and insurance to investments and family finances. These financial influencers typically address issues after thorough research and offer expert commentary.

On the other hand, younger Gen Z prefer TikTok. According to Statista's "Influencer Marketing Worldwide" report 2023, micro-TikTok influencers (with 10,000 to 50,000 followers) had an incredible 12.4 per cent engagement rate, 12 times higher than micro-Instagram influencers' 1.04 per cent.

This high engagement rate suggests that TikTok financial influencers, such as The Weeblings, with over 32,000 followers, have built a closely knit community. Through entertaining, captivating, bite-sized videos, they frequently share a wide range of content, from beginner-level investment tips to complex topics like cryptocurrency and index funds.

Early exposure to financial topics can help young followers gain knowledge. Still, concerns arise about the accuracy of the information and recommendations furnished, as well as the potential harm of providing inaccurate or false information that could result in financial loss.

Only some, such as Darryl Yong, an actor-turned-financial planner with 19,600 Instagram followers, have real-world working experience in the financial services sector. Many of them, particularly TikTokers, lack the credentials and training to offer financial advice.

THE DARK SIDE OF FINANCIAL INFLUENCING

The recent Jpex fraud in Hong Kong highlights the risk of inadequate supervision of financial influencers who promote crypto on an unlicensed platform. Five high-profile influencers were arrested, but not before hundreds of people had been burnt.

The tactics were straightforward enough. An army of influencers and celebrities lured people to invest through Jpex. Some influencers started flaunting their own lavish lifestyles and claimed their followers, too, could get rich by putting their money in Jpex. One influencer, Clement Chan, claimed that Jpex's yield could reach up to 100 per cent, persuading his followers to attend free crypto courses and offering promo codes and discounts for investing with Jpex.

However, after many had parked their cash in the unlicensed platform, it started imposing curbs on withdrawal limits and significantly hiked withdrawal handling fees. This left customers unable to withdraw their virtual assets, police said. Many lost their money.

The root of the problem lies deeper. Currently, there are no specific regulations governing content created by financial influencers in Hong Kong and in many parts of the world.

Some may argue that most financial influencers in Singapore focus on soft topics such as how to save money, choose credit cards, or FIRE (financial independence, retire early). On the face of it, this is not a threat to the public.

But should we wait for a similar incident to take place here before we act? Instead, it is important for Singapore to have regulations in place to supervise, manage and monitor financial influencers and their sponsors, if any, so that Jpex-style sagas can be averted here altogether.

ASSESSING THE REGULATORY LANDSCAPE

Currently, the Monetary Authority of Singapore (MAS) is looking into measures to raise industry standards and tighten controls on financial marketing activities, including over social media. However, the proposed measures mainly target financial institutions – how they should advertise on social media, for example, and what should be considered sponsored content.

Existing legislation does not cover finfluencers. The Infocomm Media Development Authority (IMDA) oversees social media activities. Its Internet Code of Practice covers "prohibited material" related to violence or cruelty.

Other laws in Singapore, including the Personal Data Protection Act (PDPA), consumer protection laws, intellectual property laws (copyright), defamation, and promoting enmity, support the IMDA's regulatory functions. However, these regulations do not directly govern content put out by finfluencers.

What may seem most relevant is the set of Singapore Guidelines the Advertising Standards Authority of Singapore (ASAS) issued in 2016 to regulate advertising on social media, which forms part of the Singapore Code of Advertising Practice. Influencers must publicly disclose business deals and are not allowed to disguise paid product promotions or sponsored brand reviews as organic content.

That said, the Singapore Guidelines are not legally binding, and any influencer who does not comply simply faces industry sanction concerning advertisements.

TIME TO REGULATE FINANCIAL INFLUENCERS

The broader content created by financial influencers and the way they deliver their messages are not actively monitored and supervised. In fact, they are left to operate freely, despite having a clear profit motive.

The consistent production and sharing of content on specific financial topics, such as investment strategies like fixed deposits, choosing the right credit cards and providing guidance on achieving financial independence and early retirement, resemble a business that aims to attract collaborations and business opportunities.

The primary goal of many influencers is to gain views, engagement, and followers, with the potential for monetisation through various channels, including sponsored posts, advertisements, and affiliate marketing. What they say in their posts – compensated for or otherwise – holds sway and can tilt the balance for someone deciding to invest in a high-risk and relatively unknown product.

MAS should hence consider extending its supervision beyond financial institutions to financial influencers who directly discuss financial products and services. It may also be time to make the Singapore Guidelines legally binding, particularly in areas like disclosure of sponsorship and commissions. The law should have teeth and penalties should be in place if it is violated.

There is also the matter of expertise. Advice to the public on certain financial topics, for example, is best left to experts licensed to do so. Self-styled financial influencers should not be allowed to create posts and videos persuading their audiences to part with their hard-earned money for questionable investments.

A related area requiring regulation is what the financial industry calls the arranging of deals and investments. Rules should govern URL links to financial products or services shared by financial influencers, with an eye on lining their own pockets.

Without a doubt, misleading or deceptive information related to financial topics must also be addressed, requiring that financial influencers provide verifiable, accurate, and truthful information. They should not intentionally give the impression that the investment is safe and mislead the public; for example, through promoting products by flaunting their own supposedly successful investments in which they inflate returns and profit margins.

Here too is where education is crucial in ensuring that financial influencers comprehend the regulations and their ethical and social responsibilities, even when regulations specify minimal standards.

In Australia, the Australian Securities and Investments Commission has published an information sheet (called Info 269) for influencers concerning the discussion of financial products and services online. It provides influencer case studies to illustrate what responsible operations look like while highlighting penalties for legal violations.

Perhaps in the long run, what we need here in Singapore is a structured training programme leading to certification for influencers. This will not only make it a viable career option, but also safeguard the public interest.

While we have regulations in various industries offering services to the public, such as insurance and real estate, it's time to look at social media and the financial agents of influence there.

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