SUBMITTED VIA SURVEYS

To whom it may concern,

Re: The IOSCO Roadmap to enhance Retail Investor Online Safety: Consultations on Finfluencers, Copy Trading, and Digital Engagement Practice

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been written and submitted on behalf of the GDF board.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail should that be beneficial as IOSCO continues its work.

Yours faithfully,
Elise Soucie – Executive Director, Board Member – GDF

Response to the Public Consultations: Executive Summary

GDF was grateful for the opportunity to engage with IOSCO through their consultations as well as through our membership of the IOSCO AMCC.

Overall, GDF is supportive of the aim of the proposals within the three consultations on Finfluencers, Copy-Trading and Digital Engagement Practices (DEPs). GDF developed this response on behalf of our board and board advisors as part of our ongoing commitment to supporting the work of IOSCO, as well as the GDF mission to support the development of best practices and governance standards across the digital finance industry.

The following letter summarises the responses submitted in the respective surveys, and highlights the key points of feedback that the board would wish to provide to IOSCO. The executive summary concisely sets out our key points of feedback on the package of proposals, and the following sections set out the key survey questions responded to by the board. Our overarching feedback is as follows:

1. **We strongly support technology neutral and future-proof guidance from IOSCO vs special regimes;**
2. **We support IOSCO in leveraging existing principles in a proportionate approach to new market phenomenon;**
3. **We would encourage proportionality in the approaches taken to meet regulatory objectives;**
4. **As the market is still evolving, we would caution IOSCO against defining nuanced areas too prescriptively; and**
5. **Regarding finfluencers specifically, we believe this is an area that goes beyond financial services.**

Key Responses to Questions from Each Survey

Finfluencers

Q1: Do you agree with the potential benefits and risks stemming from finfluencers' activities identified in this Consultation Report? Please elaborate.

While we agree with some of the risks and benefits set out, we would note that many of these areas go beyond financial services and may overlap with more general consumer protection, media and marketing risks. For example, impersonation, misrepresentation, fraud, scams, and celebrity influence are all areas that have existed for many years in both financial services and other markets.

Q2: Should IOSCO propose a definition of finfluencers?

No, GDF does not believe this is a necessary approach from IOSCO. First, as the market is still evolving, we would caution IOSCO against defining nuanced areas too prescriptively. To define finfluencers may prevent jurisdictions from applying their specific marketing rules, and could also limit the evolution of future regulatory frameworks.

Second, some so called finfluencers may also be influencers in broader categories as well. For example influencers promoting some financial products may also promote extreme weight loss drugs such as Ozempic which may cause significant harm, have much wider reach than financial services (and would likely be an issue for bodies the World Health Organisation). For that reason, we feel that if IOSCO defines and isolates finfluencers within a special regime this would likely only solve a small part of the challenges arising across various markets.

Third, as many jurisdictions are already developing marketing guidance as well as their own definitions which are often, and historically jurisdiction specific, a global definition will likely be difficult to enforce. As noted in the proposal itself, "there are already divergences in regulatory approaches due to differing market conditions, regulatory priorities, legal and regulatory frameworks, or the perceived scope and impact of finfluencers in specific regions or industries."

Finally, in reviewing the many definitions posed, we are also concerned that the scope will capture many normal individuals working in financial services. For example, many use social media websites like Linkedin and Twitter to discuss market behviour, industry developments (e.g., mergers), and financial services developments including new regulation, new products, and innovations. If IOSCO defines finfluencers and encourages member jurisdictions to then create subsequent specific regulation it will likely capture a very wide scope of individuals.

Q3: Do you have any comments on the regulatory regime and the supervisory approaches currently adopted by IOSCO jurisdictions in relation to finfluencers and market intermediaries using finfluencers? In your view, should there be a specific legislative or regulatory regime for finfluencers?

No, GDF does not support developing a specific regulatory regime for finfluencers. Instead we strongly support technology neutral and future-proof guidance from IOSCO vs special regimes. For example, we would instead encourage IOSCO to leverage existing principles in a proportionate approach to new market phenomenon.

Where finfluencers or influencers cross over into providing investment advice or offering financial products then the appropriate financial regulation and marketing requirements (as per the applicable jurisdiction) should apply.

However, we believe that there may be challenges with developing a specific legislative regime for finfluencers including:

- This is likely to not be future proof in a rapidly evolving market (and even more rapidly changing social media platforms);
- This would likely be very difficult to enforce given both the global reach of social media platforms, the multi-jurisdictional aspect of the platforms themselves, as well as the potential difficulties in locating the individual in question; and
- As set out above (as well as in the proposed 'Good Practices' from IOSCO, we believe that existing requirements around marking and financial services could instead be applied as appropriate and in a proportionate manner so as not to place an outsized compliance burden on individuals who may indeed have influence but are not offering

financial products or advice (e.g., many individuals in financial services who write about market developments on LinkedIn as well as bloggers, podcasters etc.)

Q4: Do you have any comments related to the current supervisory and enforcement approach, including international cooperation, that you believe could be relevant to IOSCO's consultation process? Please provide details that could enhance or complement the insights presented in this Consultation Report.

As noted in the proposal itself, "divergence in regulatory approaches could be attributed to factors such as differing market conditions, regulatory priorities, legal and regulatory frameworks, or the perceived scope and impact of finfluencers in specific regions or industries." Given that this divergence already exists, and as set out in our response to Q2, many of these issues go beyond financial services and will likely need to be regulated as part of broader social media regulatory frameworks we would encourage that regulations continue to be jurisdiction specific and aligned to the needs and developments within individual jurisdictions. This is in line with 'Good Practice 4' in the proposal.

Q5: Do you have any comments related to the investor and finfluencers education initiatives that you believe could be relevant to this Consultation Report? Please provide details that could enhance or complement the insights presented in this Consultation Report.

GDF agrees that good education, supported by a cooperative public and private sector, should be a priority. However, this education should start as part of school curriculum from early years. This can contribute to Financial Inclusion – because the best way to protect prospective investors is to inform them.

While it is important to consider how to implement retail investor protections, we would also note that individuals consume a wide array of information from social media platforms every day in our modern society. Instead of bespoke regimes, as noted above, instead it would likely be beneficial for regulators to consider the Big Tech industry as a whole and what additional protections may be needed with relation to algorithms, social media addition, radicalisation, and many other challenges that have arisen over recent years. As stated, we firmly believe this is an area that goes beyond financial services.

Q6: Are we missing any key Good Practices for regulators, for market intermediaries using finfluencers and for finfluencers to consider? Please elaborate.

We are particularly supportive of 'Good Practice 2: Where existing regulatory frameworks cover the activities of finfluencers, regulatory authorities could consider setting out further guidance explaining how these regulatory frameworks apply to the activities of finfluencers' as well as 'Good Practice 4:Consistent with their respective mandates, regulatory authorities could consider whether laws and applicable rules within their remit appropriately address the actual and potential conflicts of interest associated with the activities of finfluencers and the use of finfluencers by market intermediaries.'.

Q7: Do you agree with the tips envisaged for retail investors? Are we missing any key ones? Please elaborate

We are supportive of the tips suggested.

Copy Trading

Q1: Do you see merit in distinguishing among copy trading, mirror trading and social trading? Please elaborate. How would you define each individual practice? What should the scope of these definitions cover?
As the market is still evolving, we would caution IOSCO against defining nuanced areas too prescriptively and believe that at the moment it may not be necessary to delineate between the three.

Q4: Do you expect use cases copy trading or other online imitative trading strategies (like mirror trading and social trading) to evolve in the future? If yes in which direction? What would be the regulatory implications?
As noted, the market is still evolving rapidly. For example, even communication channels to facilitate these practices (such as via X, Discord, Signal and Reddit) have been rapidly changing in the past few years. As with our response to the finfluencers consultation, we strongly support technology neutral and future-proof guidance from IOSCO vs special regimes.

This will enable IOSCO to develop more future proof principles while also leveraging existing frameworks and guidance where applicable.

Q6: In your opinion, which measures would ensure to harness the potential benefits of copy trading or other online imitative trading strategies for investor protection and education purposes?
Measures could be taken such as implementing risk warnings, licensing of platforms that meet regulatory objectives, and also ensuring greater transparency and accountability and implementing standards and guidance such as disclosures around details on the traders being copied, their trading history, risk levels, and strategies.

If platforms were licensed there could be limits on leverage or products until investors had more experience or an appropriate level of financial literacy. This could protect inexperienced investors from taking excessive risks.

Simulated copy trading accounts could also be used as an educational resource to teach retail investors. These type of demos could serve as an educational tool without putting retail investors money at risk. Coupled with community engagement, social features such as peer learning and forums could enable retail investors to discuss strategies and share lessons learned.

Digital Engagement Practices

Q1: How would you define DEPs? What should the scope of this definition cover?
GDF is supportive of the general definition proposed by IOSCO, however as noted under the finfluencer and copy trading surveys, the digital markets are still evolving rapidly. As such we would caution IOSCO against defining nuanced areas too prescriptively in order to develop future proof principles.

Q4: How do you expect DEPs use cases to evolve in the future? What would be the regulatory implications?
As noted, the digital markets are still evolving rapidly. Digital engagement in general, across all markets, social medial platforms and the ways that humans engage with them have been changing ever more rapidly in the past few years. As with our response to the finfluencers and

copy trading consultations, we strongly support technology neutral and future-proof guidance from IOSCO vs special regimes.

This will enable IOSCO to develop more future proof principles while also leveraging existing frameworks and guidance where applicable.

Q5: What additional risks or benefits of DEPs should be considered? In your opinion, does the existing regulatory framework sufficiently address these risks, or are new measures needed?

Yes, as set out previously we support IOSCO in leveraging existing principles in a proportionate approach to new market phenomenon. If regulators can first identify the regulated financial service or product, then the respective marketing or engagement practice attached to it, they can then apply the appropriate regulation in a proportionate manner.

Q7: How can market intermediaries maximize the potential benefits of DEPs to improve investor outcomes and enhance financial literacy? How should regulators effectively leverage DEPs to advance regulatory goals, such as investor protection and education? In your opinion, how can potential benefits of DEPs be achieved for better investor outcomes and investor education purposes? How should regulators best leverage from the use of DEPs for regulatory objectives?

We support regulators actively using DEPs to educate retail investors, as well as regulators using DEPs to share information to the markets on consultations and regulatory developments. As this is the way that much of the world now consumes information, it can be a very effective tool to leverage for both regulatory updates, as well as targeted engagement.