

Faculti Summary

<https://faculti.net/finfluencers-and-the-reasonable-retail-investor/>

This video video discusses the influence of social media and retail investors on stock market dynamics, highlighting how influencers can significantly impact stock prices through their online presence, even without explicit misinformation. It cites a securities fraud case involving Ryan Cohen, the founder of chewy.com and current CEO of GameStop, which raises questions about the responsibility and accountability of influencers in this evolving market environment.

The paper argues that existing securities laws, primarily focused on clear deceit and manipulation, struggle to address the "gray area" of influencer accountability, often leaving retail investors vulnerable. This video video notes a recent ruling in a case involving Bed Bath & Beyond, suggesting that courts are beginning to assess the impact of influencer behavior on the reasonable retail investor's perception, even when communications lack concrete information.

Cohen's social media actions, particularly a tweet with an emoji that his followers interpreted as a positive indication about stock performance, led to significant trading activity and profit from his stock sales. The court ruled against Cohen's dismissal motion, indicating that his tweet could be seen as misleading due to the context in which it was shared, thus opening pathways for future securities litigation against influencers.

The document posits that a focus on the reasonable retail investor could facilitate better protection against harmful influencer activities in the stock market, encouraging more informed investor participation and promoting accountability among influencers in their communications. Overall, it underscores the potential for adapting existing securities regulations to address the unique challenges posed by the influence of social media on trading.