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Why EMF Financial Products LLC. Should Embrace Social Media

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Abstract

Social media is an increasingly important communications platform. On average, Americans spend 27% of their time online on social media sites. Social media is relevant to business and financial advisory because it is a great tool for sharing knowledge, demonstrating value and improving credibility. Businesses need to begin to recognize and adapt to the changing communications and social landscape. This paper will outline ways for EMF Financial Products LLC and other similar financial advisory firms to adopt social media strategies. The financial sector is heavily regulated, so the paper will address ways firms can use social media tools within the confines of the law. The paper will focus on strategies for Twitter, a real-time information social network, and YouTube, an online video community for creating and sharing content. Companies can gain attention and credibility on these platforms by creating original content and contributing to the existing conversations.

Executive Summary

Social media is not a fad; it's here to stay. On average, Americans spend 27% of their time online on social media sites. Social media is for more than just sharing pictures, spreading news and promoting brands, it is also a great tool for sharing knowledge, demonstrating value and improving credibility. Investment advisers would be wise to pay attention to what is happening in social media. Social media and the financial sector are becoming increasingly linked, from the SEC issuing advice on social media behaviors to Twitter affecting the markets and hedge fund holdings. EMF Financial Products, LLC has the opportunity to become a leader in this emerging trend and develop credibility as a

premier thought leader on alternative markets. EMF can publish original content and commentary on sites like Twitter and YouTube to build an audience and recognition.

EMF Financial Products, LLC

EMF Financial Products, LLC is a New York based financial investment advisory firm. The firm manages three accounts with an estimated \$13 billion assets under management.¹ The firm has between five and nineteen employees and has annual revenue that exceeds \$100 million.² The firm primarily invests in alternative markets in the United States, specifically commodities and futures.³

Why use social media?

Social media is a growing marketing and corporate intelligence tool. While not traditionally associated with highly conservative and heavily regulated industries like financial investment, with the correct leadership, strategy, and attention, these tools can aid in increasing brand recognition and market understanding.

The financial industry has realized the power of social media, particularly tools like Twitter and YouTube. There have been a number of developments that the financial industry has been forced to react to in the wake of social media. Social media has affected

¹ Wall Street Oasis, "EMF Financial Products." Accessed April 21, 2013.
<http://www.wallstreetoasis.com/company/emf-financial-products>.

² Ibid

³ InsideView, "EMF Financial Products, LLC." Accessed April 21, 2013.
<http://www.insideview.com/directory/emf-financial-products-llc>.

the way the government regulates financial advising and financial disclosures. It has even changed the way people interpret the market and make financial decisions, which has led to dramatic changes in the market. Social media has revolutionized the way companies gather real-time information and sentiment surrounding their brand.

Many people assume that social media will be a distraction and lead to decreased productivity from employees, but a recent study from Joe Nandhakumar, an information systems professor at Warwick Business School in the UK, discovered that social media actually leads to an increase in productivity. Nandhakumar conducted a two-year study at a large European telecommunications company and he learned that the use of tools like Skype, Facebook, and Twitter led to faster response times and a more collaborative work environment.⁴ He attributes this productivity boost to the “theory of virtual co-presence,” which is the idea that these tools enable quick collaboration over long distances, so that teams can work together to quickly solve problems or meet goals.⁵ This is not as relevant to EMF, which is a small financial advisory company that deals very little in customer relations, but it shows that social media is more than just a distraction, it is a collaboration tool.

The other reasons many companies steer clear of social media tools like Twitter and Facebook is because they pose huge risks; employees can get distracted, disclose private information, or even potentially conduct illegal activities like insider trading or fraud. The Raj Rajaratnam insider trading case, the largest insider trading scandal at hedge funds in US history, was the first case to make extensive use of wiretaps to catch the guilty parties; it

⁴ Warner, Bernhard. "When Social Media at Work Don't Create Productivity-Killing Distractions." *Bloomberg Businessweek*, April 01, 2013. <http://www.businessweek.com/articles/2013-04-01/when-social-media-at-work-dont-create-productivity-killing-distractions>

⁵ Ibid

is not difficult to imagine conspirators sharing information using social media.⁶ The FBI is aware of these risks and monitors these platforms, which also means that financial advisers must be cognizant of the law and make sure they are careful with what they say.⁷ EMF must implement a social media strategy and policy so employees understand how best to use these platforms and reduce risk for themselves and the company. While there is an inherent risk in creating social media accounts, strong leadership and a concentrated policy can minimize risk and deliver a real value to the company.

Government Reaction to Social Media

In 2012, the Office of Compliance Inspections and Examinations, an office within the Securities Exchange Commission, released the "Investment Adviser Use of Social Media" because of the tremendous growth in social media use and its increasing overlap with financial investments. Many registered investment advisers (RIAs) are using social media to communicate with the existing and potential clients.⁸ When advisers use social media tools in their personal lives or discuss financial matters, there is a risk to the company and the individual. Therefore, in order for financial advisers to appropriately communicate

⁶ Hurtado, Patricia. "Raj Rajaratnam's Brother Charged With Insider Trading." *Bloomberg*, March 22, 2013. <http://www.bloomberg.com/news/2013-03-21/raj-rajaratnam-s-brother-charged-with-insider-trading.html> (accessed April 22, 2013).

⁷ Fox, Lauren. "Facebook and Twitter Cause Insider Trading Headaches for the SEC." *US News*, February 22, 2012. <http://www.usnews.com/news/blogs/washington-whispers/2012/02/22/facebook-and-twitter-cause-insider-trading-headaches-for-the-sec> (accessed April 22, 2013).

⁸ Office of Compliance Inspections and Examinations, "Investment Adviser Use of Social Media." Last modified January 04, 2012. Accessed April 22, 2013.

with clients, they must understand what they can and cannot say on these platforms. EMF can mitigate potential risks from fraud, insider trading, and government intervention by training employees on how to use these tools within the legal framework as well as how to leverage them in their everyday jobs.

The SEC recently ruled that social media is an acceptable platform for companies to make financial announcements so long as investors have been alerted about which social media sites will be used. This is a major turning point for the SEC because it required that the government change the Regulation Fair Disclosure Act, the regulation that determines how companies are allowed to disclose financial information.⁹ The ruling is significant because the SEC had previously launched an investigation into Netflix and CEO Reed Hastings after Hastings posted about the number of Netflix viewers on his personal Facebook account back in July 2012.¹⁰ The announcement means that the SEC has recognized social media as a viable communications platform on par with the likes of a company website or press release. If the government is going to allow companies and individuals to disclose financial information on social media sites, financial advisers must be aware of what they can and cannot post to prevent potential litigation or government intervention.

Relevant Regulation for Social Media

⁹ Securities and Exchange Commission, "SEC Says Social Media OK for Company Announcements if Investors Are Alerted." Last modified April 02, 2013. Accessed April 22, 2013.

¹⁰ Brown, Abram. "Netflix CEO Reed Hastings' Facebook Flap Forces SEC Into 21st Century." *Forbes*, April 02, 2013. <http://www.forbes.com/sites/abrambrown/2013/04/02/sec-enters-21st-century-approves-twitter-and-facebook-for-official-disclosures/> (accessed April 22, 2013).

The financial services industry is highly regulated. Conversations with clients and companies must be monitored to prevent fraud and protect customers. Communications via social media are regulated just like all other client conversations and are subject to the Securities Act of 1933, which means: "it is illegal for investment advisers to employ any device, scheme or artifice to defraud, or to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser."¹¹ This is significant because it means that investment advisers are allowed to advise clients or potential clients on investments via social media, so long as they are not in some way defrauding the client.

The SEC also stipulates that it can impose limits on traders to prevent fraud and manipulation.¹² This means that should the SEC feel that traders are manipulating the market or are attempting to defraud clients, the SEC would have the power to impose limits on traders and regulate what is being held in a portfolio. This might occur if an investments adviser was using social media to drive purchases of a stock or commodity, only to dump that stock or commodity after it grew in value.

The other major restriction placed on investment advisers is that they must make and keep records of their trades and advice.¹³ Investment advisers must record all of their trades and correspondence with clients that lead to trades to prevent claims of fraud,

¹¹ Securities and Exchange Commission, "Securities Act of 1933." Accessed April 24, 2013. <http://www.sec.gov/about/laws/sa33.pdf>.

¹² Securities and Exchange Commission, "Securities Exchange Act of 1934." Accessed April 24, 2013. <http://www.sec.gov/about/laws/sea34.pdf>.

¹³ Securities and Exchange Commission, "Investment Advisers Act of 1940." Accessed April 24, 2013. <http://www.sec.gov/about/laws/sa33.pdf>.

insider trading or imposed limits. This means that so long as investment advisers are rigorous in their recordkeeping and do not attempt to defraud clients, they should be able to openly discuss their investments and positions, just as they might in a public forum such as a television investment show or newspaper article. For example, if an investment adviser guided a client through a trade or suggested a trade via social media, they would need to record all relevant information.

Just this month the SEC released updated guidelines for how chief executives can use social media platforms like Twitter and Facebook. The news came following a Facebook status update in which Netflix CEO Reed Hastings announced that Netflix had exceeded one billion hours of video watched in a single month.¹⁴ The SEC created new disclosure rules which allow companies to use social networks to disseminate information, provided they meet certain requirements including filing the information with the SEC at the same time as the announcement. The SEC ruled that disclosures of this kind must be made available to all investors at the same time under the Regulations Fair Disclosure Act and companies must make it clear which social media outlets they will use for such announcements.¹⁵

Business People Are Taking Notice of Social Media

Bloomberg L.P. the provider of Bloomberg terminals and the company behind Bloomberg Professional, an important service that enables business people to monitor and access financial market data in real-time, recently decided to integrate Twitter streams into

¹⁴ De La Merced, Michael. "S.E.C. Sets Rules for Disclosures Using Social Media." *Deal Book* (blog), April 02, 2013. <http://dealbook.nytimes.com/2013/04/02/s-e-c-clears-social-media-for-corporate-announcements/> (accessed April 24, 2013).

¹⁵ Ibid

their trading desk terminals.¹⁶ The integration enables traders to follow what is being said about companies in real time. Bloomberg decided to incorporate Twitter into its terminals because there was a demand from traders who wanted to be able to follow news about companies that could affect the markets.¹⁷ News often breaks on Twitter, so in order to stay ahead of the curve and act on breaking news, traders must be able to know what is happening. The integration will not enable traders to view all Twitter users or compose tweets, but will instead focus on organizing tweets around key executives and companies of interest. This is significant because it shows that a premier finance tool has acknowledged the importance of social media and that the ability to follow news in real time is critical for people working at trading terminals

In today's world of immediate breaking news and celebrity, single tweets can have major impacts on the market. On April 23, 2013, the Associated Press Twitter account was hacked by the Syrian Electronic Army and it led to a change in the markets, when a rogue tweet announced that a bombing had injured President Obama. The single tweet caused the Dow Jones Industrial Average and Standard & Poor's 500 Index to drop by 1% prior to rebounding after it was announced that the Twitter account had been hacked.¹⁸ In this instance a single tweet from an influential news company caused the markets to drop. The CBOE Volatility Index (VIX), the fear gauge for the US stock market, saw a dramatic increase as people were sent into a frenzy over the news that the President had been injured.

¹⁶ Alden, William. "Twitter Arrives on Wall Street, Via Bloomberg." *The New York Times*, Web edition, sec. Dealbook, April 04, 2013. <http://dealbook.nytimes.com/2013/04/04/twitter-arrives-on-wall-street-via-bloomberg/> (accessed April 22, 2013).

¹⁷ Ibid

¹⁸ Lee, Edmund. Bloomberg, "Associated Press Falls Victim to Hacking in Market-Moving Error." Last modified April 23, 2013. Accessed April 24, 2013. <http://www.bloomberg.com/news/2013-04-23/dow-jones-drops-recovers-after-false-report-on-ap-twitter-page.html>.

Warren Buffett, one of the most influential people in business and investments, joined Twitter on May 2, 2013.¹⁹ Buffett joining Twitter is a signal that these platforms must be taken seriously by people working in business and investments. Buffett used Twitter to promote his essay in *Fortune* magazine explaining why America's prosperity is tied to women. Within the first 24-hours of creating his Twitter account, Warren Buffett had amassed over 200,000 followers, a clear sign that when an influential business leader speaks, the masses are willing to listen. It remains to be seen how Buffett will use Twitter going forward, but when Buffett does something other business leaders tend to follow. EMF has the opportunity to become a part of the movement to these social platforms and become a leader in the alternative markets.

Others like influential rapper 50 Cent have already used social media to drive buying behavior. 50 Cent promoted his ownership in a small Florida based marketing company, which led the stock price to increase by 290%, resulting in a paper profit of nearly \$5.2 million for 50 Cent.²⁰ The stock came back down by 25% once the rapper stopped commenting, but overall the stock grew and money was created on the back of a tweet.²¹ This shows that these platforms can directly affect buying behavior, which can lead to changes in the market.

Some investors have noticed that Twitter can affect the markets and have tied their portfolios directly to Twitter. Researchers at Indiana University discovered that Twitter

¹⁹ Leahey, Colleen. "Warren Buffett joins Twitter." *Fortune Magazine*, May 2, 2013. <http://tech.fortune.cnn.com/2013/05/02/warren-buffett-joins-twitter/> (accessed May 2, 2013).

²⁰ Perpetua, Matthew. "Is 50 Cent Using Twitter to 'Pump and Dump' Stock?." *Rolling Stone*, January 12, 2011. <http://www.rollingstone.com/music/news/is-50-cent-using-twitter-to-pump-and-dump-stock-20110112> (accessed April 24, 2013).

²¹ Perpetua, Matthew. "Is 50 Cent Using Twitter to 'Pump and Dump' Stock?." *Rolling Stone*, January 12, 2011. <http://www.rollingstone.com/music/news/is-50-cent-using-twitter-to-pump-and-dump-stock-20110112> (accessed April 24, 2013).

sentiment on companies and stocks could predict whether stocks would go up or down three or four days ahead of the Dow Jones, it was 87.6% accurate.²² This immediately sparked the interest of Paul Hawtin, the founder of Derwent Capital Markets a UK-based hedge fund renowned for pioneering the social media hedge fund and the use of Twitter sentiment for investing. Hawtin asked the Indiana University researchers to create a program to track Twitter market sentiment and he has since launched a \$40 million fund that trades based on how people are feeling on Twitter.²³ In the demo operation the fund returned 7.2%. Despite beating both the Dow Jones and the S&P 500, Derwent closed the fund, because they wanted to make their service and the ability to analyze the markets via Twitter more accessible.²⁴

Social Media Strategy – Tools to Analyze Market Social Media Sentiment

There is no such thing as the perfect tool, but by testing and applying a number of different tools, companies can gain lots of information to make more effective decisions. In this section I will suggest some tools EMF can use to analyze the markets and gain information on their portfolios from the social media sphere.

TweetTrader.net is a website that allows individuals to search stocks and markets for sentiment analysis. TweetTrader aggregates tweets about markets and companies to see which ones are being the most talked about. If a company is actively being talked about on social media, this can be an indicator that traders should be watching that company.

²² "Twitter - Tweet returns." *The Banker*, August 01, 2011. (accessed April 22, 2013).

²³ "Ibid

²⁴ Clark, Patrick. "Tweet the Market: Hedge Fund That Traded Twitter Sentiment Relaunched for Mass Use." *BetaBeat* (blog), January 11, 2013. <http://betabeat.com/2013/01/tweet-the-market-hedge-fund-that-traded-twitter-sentiment-relaunches-for-mass-use-2/> (accessed April 24, 2013).

TweetTrader also analyzes each tweet for sentiment, based on its algorithm the tool can analyze whether the individual has a positive or negative outlook on the market or company. For example, an individual who is interested in buying stock in Apple Inc. (AAPL) could search TweetTrader and see that there is a lot of buzz around the company because of its upcoming earnings call and that the sentiment towards AAPL is positive. This positive sentiment shows that TweetTrader is bullish on the stock, predicting a growth in stock price.²⁵ While EMF does not focus on stocks, this tool can be useful for analyzing the overall sentiment of the markets.

TweetTrader was created by StockPulse, a German company founded in 2011 by Jonas Krauss and Stefan Nann, to follow online conversations about stocks and markets.²⁶ The two co-founders recognized that conversations around stocks and companies occurring on the web could have just as much, if not more, impact on the market than those occurring on trading floors. "StockPulse identifies moods, rumors, and market-moving trends and provides valuable trading ideas and signals. The social media trend analysis can be applied to develop investment and trading strategies."²⁷ StockPulse believes that organizing and aggregating these communications around stocks and companies can lead to meaningful solutions and aid in trading decisions. Obviously, all products have their limitations and it is difficult for computers to interpret sentiment, but StockPulse has tested their product at Massachusetts Institute of Technology (MIT) and University of Cologne to ensure reliability and quality in its sentiment analysis. EMF can use tools like TweetTrader

²⁵ TweetTrader.net (Appendix F)

²⁶ StockPulse, "About StockPulse." Accessed April 22, 2013.
<https://www.stockpulse.de/en/company/management/>.

²⁷ StockPulse, "Market Psychology." Accessed April 22, 2013.
<https://www.stockpulse.de/en/company/method/>.

and StockPulse to analyze sentiment and to see what exactly is being said, because this information can contribute to better decision-making.

Paul Hawtin and Derwent Capital Markets created their own web-based platform, called DCM Dealer, for trading stocks that use social media to help traders make moves. Their platform is focused more on day traders and includes a mobile app for tracking stock social media sentiment.²⁸ The platform measures and displays stock sentiment from Facebook and Twitter and rates the stock on a scale of 0 to 100, where zero is very negative and 100 is very positive.²⁹ While sentiment is not the only thing that should be used when making trading decisions it is linked to future stock performance and can assist traders in their decision making.

One other potential tool for EMF to consider using is HedgeChatter. HedgeChatter is similar to the aforementioned stock social media sentiment analyzers, but it has the unique ability to track key influencers, the individuals who are driving conversations- who affect the market.³⁰ The ability to track influencers and people who are affecting the markets can be useful for EMF as they look to build credibility and engage with leading financial advisers. Additionally, this is a good way for EMF to track its influence and see if it is driving trading behavior on social media.

Social Media Strategy – Developing a Social Media Policy & Employee Training

²⁸ Bryant, Martin. The Next Web, "Social trading: DCM Dealer uses Twitter and Facebook sentiment to help traders make investment decisions." Last modified January 14, 2013. Accessed May 4, 2013. <http://thenextweb.com/apps/2013/01/14/dcm-dealer-uses-social-media-sentiment-to-help-traders-judge-investment-decisions/>.

²⁹ Ibid

³⁰ HedgeChatter, "HedgeChatter FAQ." Accessed May 5, 2013. <http://www.hedgechatter.com/faq/>.

EMF should start by hiring a social media consultant to come in and audit their employees' current capabilities and to help develop a company social media policy. EMF Financial should adopt a conservative social media policy to gain comfort with the social media landscape and avoid unwanted risk.

The social media policy is important for notifying employees of how they can use these platforms for both professional and personal use. The policy will outline acceptable conduct on the platforms and explain what employees can and cannot say on platforms related to their work and portfolios. The guidelines will update employees on relevant regulations and explain EMF's policies moving forward.

The document will outline that investment advisers are allowed to tweet their positions, given they are not defrauding clients or prospective clients, have adequately recorded the trade advice and have disclosed in their profile that it is their advice and not that of the company. EMF will suggest that all advisers using social media include a short disclosure in their Twitter bio that states, "Advice and views are my own and do not represent EMF Financial." While this sounds excessive, this helps protect the investment adviser and the company from unwanted risk and potential intervention from the SEC. The benefit of an individual attaching their name to the investment advice is that they will gain the credibility and recognition for their hard work and research, just as they would in any media appearance.

The social media consultant will also train EMF employees on how to use Twitter and YouTube to effectively promote themselves and EMF. The training will cover the new company social media policy, the process for tweeting from the EMF Twitter account, how to compose an effective financial tweet, how to use YouTube, how to create an effective

financial video, and any additional training the social media consultant and EMF managers deem necessary. The benefit of the social media consultant and the social media audit is that the consultant can segment the staff into groups based on familiarity with the platforms and tools and provide assistance depending on need.

Social Media Strategy – Twitter

Twitter will be one of the the most important platform for EMF to use. Twitter describes itself as. “Twitter is a real-time information network that connects you to the latest stories, ideas, opinions and news about what you find interesting. Simply find the accounts you find most compelling and follow the conversations.”³¹ EMF can leverage Twitter to engage influential financial advisers, thought leaders and prospective or current clients.

The first step for EMF will be to create a Twitter handle, “@EMF_Financial.” This account will serve as the central point of their social media activities and it will enable them to participate in and listen to Twitter conversations. Until the members of the team become comfortable with the Twitter landscape I would encourage the team to focus more on listening, then begin talking once they see an opportunity to add value to the conversation or offer a unique perspective.

With an emphasis on listening, EMF should make sure they are following the right people and companies. Some of the corporate accounts @EMF_Financial would follow would be: @MarketWatch, @FactSet, @WSJ, @FinancialTimes, @Forbes, @Bloomberg, @FTcommodities, @ReutersCommod, @TheStreet, and other major commodities and

³¹ Twitter, "About Twitter." Accessed April 22, 2013. <https://twitter.com/about>.

alternative markets publications. The account should also follow key financial investment advisers and influencers, including: @SEC_Investor_Ed, @SEC_News, @WhiteHouse, @BarackObama, @WarrenBuffett, and Myra Saefong (@mktwsaefong) just to name a few. The idea is that by following these influential companies and people EMF will have the opportunity to hear news as it breaks and interact with these investors. One of the key features of Twitter is search and the ability to follow a hashtag or topic. EMF could track key company or commodity hashtags that are relevant to potential trades and their portfolio holdings. For example, at any given time someone might be tweeting about their stance on buying a commodity or their market outlook, EMF can comment on other people's opinions and offer their own insights.

Recently, EMF Principal David Gottlieb did a segment on CNBC about long-maturity bonds, these conversations are happening daily on social media and have the power to garner more attention than a TV show ever could.³² Twitter enabled its users to participate in dialogue, whereas television just broadcasts a message. The power of social media is that it can activate an audience to act and unlike TV it is possible to see and track an individual's behavior.

Traditionally, the financial services industry has not been open in disclosing information, but recently society has begun to demand transparency from business and government. EMF has the opportunity to get out in front of the curve. EMF will not be tweeting out company secrets or illegal information, but sending a steady stream of tweets related to their outlook on different markets or news items can provide value to people

³² Gottlieb, David. "CNBC" Recorded February 14 2013. CNBC. Web, <http://www.bing.com/videos/watch/video/beware-long-maturity-bonds-gottlieb/3xd1d3tz>.

using social media. For example, EMF could tweet out a link to David Gottlieb's segment with additional commentary or ask for followers to comment. This allows EMF to leverage the segment into real conversations and potential action by clients. EMF can also use its Twitter account to answer financial questions from clients or perspective clients, so long as the account continues to operate within the guidelines set forth by the SEC. The benefits of engaging users of social media are twofold: it can improve relationships with existing clients and it can lead to new business with prospective clients.

In order to remain in compliance with the SEC and ensure the company is safe from litigation, the company will appoint a single member of the staff to run the social media account each week. By rotating who is responsible each week it minimizes the amount of work each person has to put into the social media efforts and enables everyone to learn and experiment with Twitter. If there is a member of the team that cannot allocate the necessary time, the role can be passed on to another employee. The role of social media manager will be rotated through the staff until EMF decides to hire a full time social media analyst/trader, who will work at the trading desk and also manage the social media accounts.

Social Media Strategy – Tools to Help with Twitter

One of the major benefits of Twitter is all of the supplementary tools and platforms that exist to make the platform easier to use and easier to measure. There are tools like HootSuite that can help teams manage multiple Twitter accounts and track key hashtags and search terms. For example, EMF could create a list of financial advisers they want to engage to share about their portfolio or state their opinion on the market. EMF could sign

up for a Pro account that will enable them to get advanced analytics reports and add multiple accounts and users to those accounts. The social media consultant can teach the team members the ins-and-outs of HootSuite so they all feel comfortable using the platform for the week they are managing the EMF Financial account.

I would also recommend using SocialBro, a Chrome web extension and social media dashboard, to track follower growth and conduct audience analysis. SocialBro is a great product that helps companies segment their audience by a variety of different traits such as influence, followers, lists, account age, follower/friend ratio, tweets per day, and time since last tweet.³³ This ability to segment the audience can help EMF analyze how effective its social media strategy has been and find new people to engage as potential clients or influencers. SocialBro has both free and paid offerings, but I would recommend using the Pro version because it can integrate with HootSuite, offers great features for audience analysis, and it optimizes the best time to tweet so the social media manager can schedule tweets.

The third tool I would recommend would be Twitonomy, which is a great tool for analyzing tweets and their. It is a good tool for analyzing who is mentioning and re-tweeting an account on Twitter and to find what topics particularly resonate with an audience.. The premium version also allows the user to search hashtags and accounts to conduct searches to find who is tweeting different terms and who is the most influential around a given topic. This could be useful to find people to engage for different topics such as markets, commodities or portfolios.

³³ SocialBro, "SocialBro Dashboard." Accessed April 22, 2013. <https://dashboard.socialbro.com/>.

Social Media Strategy – YouTube Channel

Creating a YouTube channel for EMF will be more difficult and time-consuming than the creation of the Twitter account, but it has the potential to make EMF a credible thought leader on financial matters and demonstrate knowledge related to alternative markets.

“YouTube allows billions of people to discover, watch and share originally-created videos. YouTube provides a forum for people to connect, inform, and inspire others across the globe and acts as a distribution platform for original content creators and advertisers large and small.”³⁴ This is relevant to EMF because EMF can and should begin producing original video content to promote its portfolio and services. Videos are more engaging than static content like blog articles and allow the user to see the people behind the company.

The videos EMF would be creating would be similar to those of content creators, like Forbes, the Wall Street Journal, and Bloomberg Businessweek, except it would emphasize EMF’s core competencies and thought leadership rather than just simply reporting the news. It might seem unusual for a financial advisory firm to be creating video content, but this a great way for the company to market itself and gain credibility. As previously mentioned EMF has increased its profile recently with TV appearances by its Principal David Gottlieb, but having a video series on YouTube related to EMF’s core business and outlook on the market and trends could prove equally successful.

The social media consultant would teach the team about the keys to content creation particularly producing engaging video content. The videos can be as simple as teaching people how to use Bloomberg or as complicated as EMF’s outlook on the

³⁴ YouTube, "About YouTube." Accessed April 22, 2013.
http://www.youtube.com/t/about_youtube.

commodities market for the next year, but the idea of creating content and garnering an audience is the key. Each week EMF can release a video discussing its position on the market, updates for its portfolio or reactions to recent news events. These videos and the fact that EMF is consistently producing high quality can attract a strong following of potentially thousands of viewers. Each week the person responsible for the social media accounts will work with other members of the team to create short videos anywhere from one to five minutes.

Social Media Strategy – Tools to Help with YouTube

In terms of video editing and piecing together engaging video content, EMF will need a video camera and basic editing software such as Final Cut Pro or YouTube's own video editing software. YouTube is unique because it offers its own analytics on videos posted.

The social media consultant will teach EMF employees the tricks to making a successful video, such as content strategies, how to setup the video's lighting and location, and teach the team how to properly edit the videos using Final Cut Pro or YouTube's editing software. Final Cut Pro, an Apple Product, is the most popular video editing software available on the market; it is used by most video professionals to edit clips, add music and compile footage.³⁵ In order to create credibility and buzz the videos need to look good, so the consultant will focus on how to piece together video clips, how to make

³⁵ Apple Inc., "Final Cut Pro X." Accessed April 22, 2013. <http://www.apple.com/finalcutpro/what-is/>.

smooth transitions and how to interview well on camera. Obviously, the video content will vary but these basic skills will be useful for the team to create compelling content.

Conclusion

EMF Financial can use these recommendations to build up credibility and awareness using social media tools. Marketing and garnering attention are not normally the focus of financial advising firms, but social media has made this process inexpensive and easy. Additionally, in the age of social media, employees are already using these tools, so it is in EMF's best interest to train employees to properly use these platforms to avoid potential risks. People spend a lot of their time online using social networking sites, so investment advisers can gain advantages over competitors by going directly to the people. Social media has presented the financial sector with an opportunity to become more transparent and gain real-time information about market. It is an investment advisers' job to adapt to the changing landscape.

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¹ Apple Inc., "Final Cut Pro X." Accessed April 22, 2013. <http://www.apple.com/finalcutpro/what-is/>.

¹ Brown, Abram. "Netflix CEO Reed Hastings' Facebook Flap Forces SEC Into 21st Century." *Forbes*, April 02, 2013. <http://www.forbes.com/sites/abrambrown/2013/04/02/sec-enters-21st-century-approves-twitter-and-facebook-for-official-disclosures/> (accessed April 22, 2013).

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Appendices

Exhibit A: Section 17 of the Securities Act³⁶

FRAUDULENT INTERSTATE TRANSACTIONS

SEC. 17. (a) It shall be unlawful for any person in the offer or sale of any securities (including security-based swaps) or any security-based swap agreement (as defined in section 3(a)(78) of the Securities Exchange Act) by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly—

- (1) to employ any device, scheme, or artifice to defraud, or
- (2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

Exhibit B: Basic Cost Estimate for Social Media Consultant

Cost of social media consultant training	\$2,500

³⁶ Securities and Exchange Commission, "Securities Act of 1933." Accessed April 20, 2013. <http://www.sec.gov/about/laws/sa33.pdf>.

session	
Cost of developing social media guidelines (10 hours) (\$100/hr)	\$1,000
HootSuite (\$8.99/month) (12 months)	\$107.88
SocialBro Pro Premium Plan (\$6.95/month)	\$83.40
Twitonomy 1-year plan	\$199.00
TOTAL COST	\$3,782.28

*Cost of training session based on 5 5-hour training session for groups of 3 employees

**Rate based on average consultant fee of \$20 - \$200/hour

***Suggest setting aside additional \$10,00 in case of legal/governmental risk

Exhibit C: Section 206 of the Investment Advisers Act of 1940³⁷

PROHIBITED TRANSACTIONS BY REGISTERED INVESTMENT ADVISERS

SEC. 206. It shall be unlawful for any investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly—

(1) to employ any device, scheme, or artifice to defraud any client or prospective client;

(2) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client;

(3) acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction. The prohibitions of this paragraph (3) shall not apply to any transaction with a customer of a broker or dealer if such broker or dealer is not acting as an investment adviser in relation to such transaction; or

(4) to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative. The Commission shall, for the purposes of this paragraph (4) by rules and regulations define, and prescribe means reasonably designed to prevent, such acts, practices, and courses of business as are fraudulent, deceptive, or manipulative.

Exhibit D: How People Spend Their Time on the Internet³⁸

³⁷ Securities and Exchange Commission, "Investment Advisers Act of 1940." Accessed April 20, 2013. <http://www.sec.gov/about/laws/sa33.pdf>.

	UK		US		AU	
	% time 2012	% time 2011	% time 2012	% time 2011	% time 2012	% time 2011
Adult	4%	4%	4%	4%	4%	3%
Business	4%	4%	5%	5%	5%	5%
Email	3%	4%	5%	6%	2%	4%
Entertainment	15%	13%	15%	16%	15%	12%
Lifestyle	4%	3%	4%	4%	4%	4%
News	5%	4%	4%	3%	6%	5%
Shopping	10%	9%	9%	8%	6%	6%
Social	22%	25%	27%	30%	24%	27%
Travel	2%	2%	1%	1%	1%	1%
Other	31%	32%	27%	23%	33%	33%

Exhibit E: The Market Reaction to AP Twitter Hacking³⁹

³⁸ Murray, James. "UK spends 13 mins of every hour on social." *Experian Blog* (blog), April 16, 2013. <http://www.experian.com/blogs/hitwise-uk/2013/04/16/uk-spends-13-mins-of-every-hour-on-social/> (accessed April 20, 2013).

³⁹ Foxman, Simone, and Matt Phillips. "Markets briefly plunge after AP's hacked Twitter account falsely reports White House explosions." *Quartz* (blog), April 23, 2013. <http://qz.com/77413/markets-briefly-crash-after-aps-hacked-twitter-account-falsely-reports-white-house-explosions/> (accessed April 20, 2013).

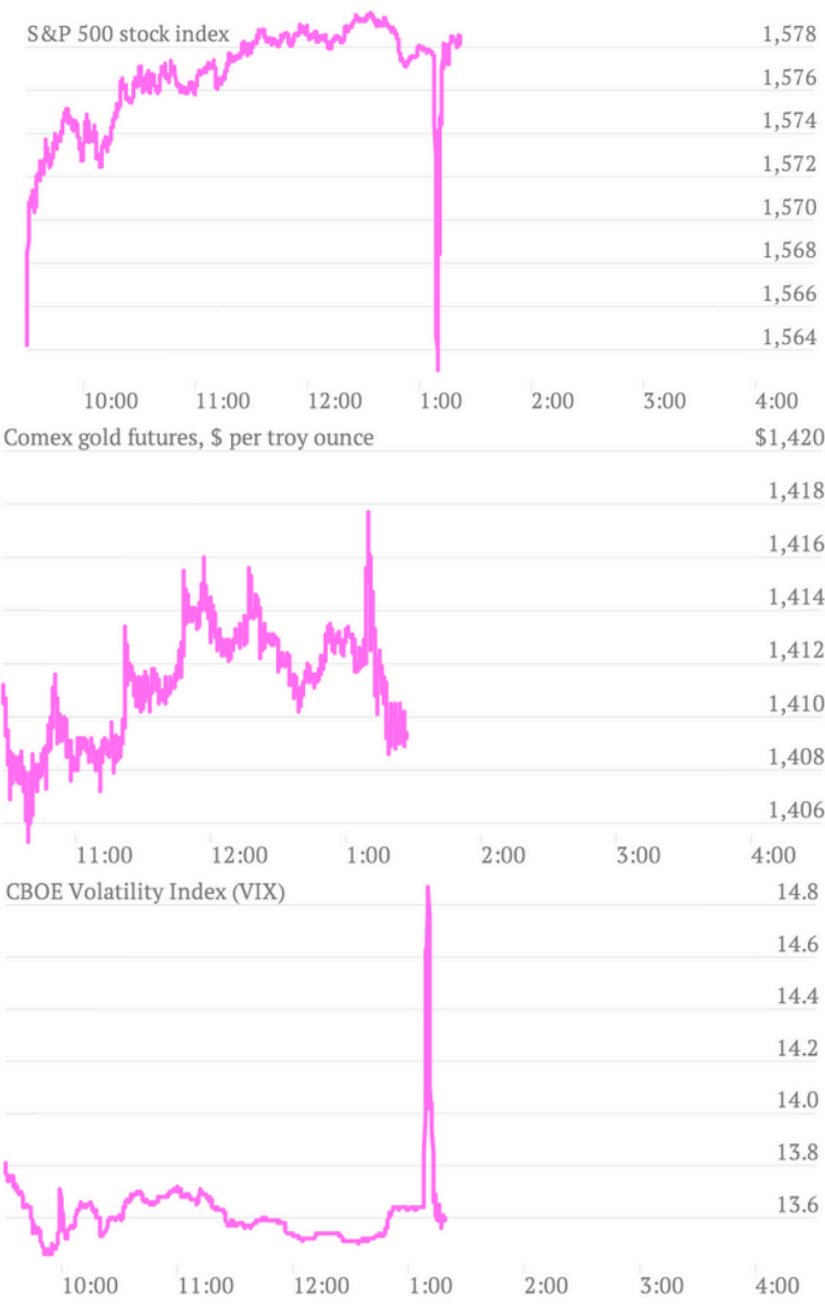
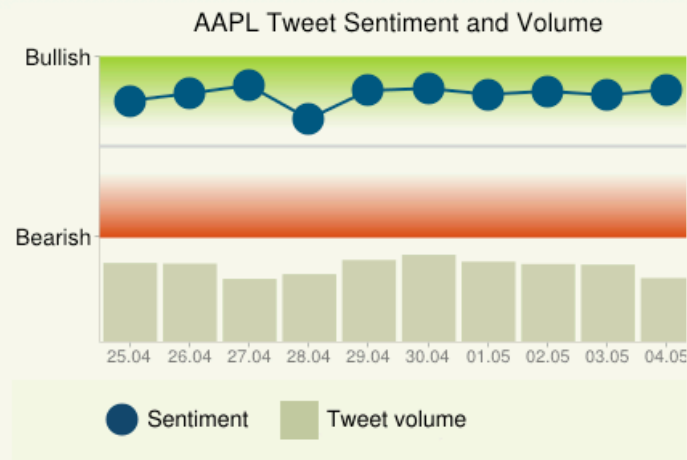


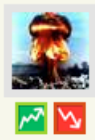
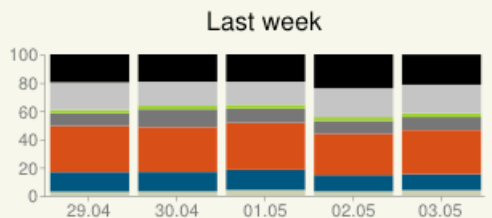
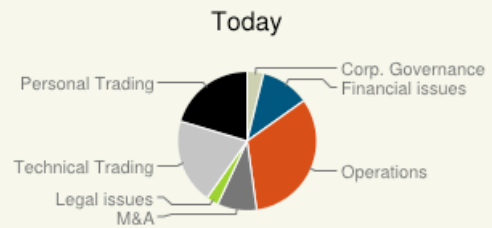
Exhibit F: TweetTrader Twitter Sentiment Analysis of Apple Inc. (AAPL)

Scoreboard for Apple Inc. (AAPL)



Sentiment	Prediction
3.76%	\$451.06

Twitter Talk on AAPL?



@LongShortSqueeze

\$500 \$AAPL & \$1000 \$GOOG, where r all the bulls!?

Umm All i hear is that they stopped out, or were

bullish but no conviction @grassosteve

8 minutes ago

Exhibit G: StockPulse Risk Statement

Risk Statement

Stock exchange transactions, particularly forward, future, and options trading imply risks which can lead to a total loss of your entire capital employed and other losses. Get professional and detailed advice from your bank about relevant loss risks before making your investment decisions.

The information and data available on the Stockpulse Websites are only for information purposes. Stockpulse does neither provide investment consulting or investment brokerage nor the call of buying or selling stocks, forwards, futures, or options on the Stockpulse Websites. Despite extraordinary diligence Stockpulse cannot take responsibility for the correctness, accurateness, or completeness of the information presented on the Stockpulse Websites. Each stock volatility prediction as well as all given trading signals represent the exclusive opinion of Stockpulse, do not contain any responsibility, do not represent any promises on future earnings, and are no call for imitation not even by implication. Earnings realized in the past do not guarantee future earnings. This especially applies for trading signals. We explicitly point out that it is possible that the suggestions generated by Stockpulse are not necessarily happening in real stock exchange trading. We exclude liability for financial losses.

Stockpulse is not responsible for any loss arising from any investment based on a perceived recommendation.

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Exhibit H: Screenshot of HootSuite Optimized for @EMF_Financial

The screenshot displays a Twitter interface with two columns of tweets. The left column is titled "Comex gold" and the right column is titled "@loebben/emf-financial-Influ".

Left Column: Comex gold

- EINGoldNews** (4:01pm via EIN News Publisher): Comex gold may fall s.einnews.com/logpe_MD0n
- banuakbez** (1:08pm via Twitter for BlackBerry®): #Comex #gold may fall - #Hindu Business Line google.com/url?sa=X&q=htt...
- amandasw** (12:58pm via twitterfeed): Comex gold may fall bit.ly/13hoxla
- rushabh_meht** (10:43am via Twitter for BlackBerry®): 60 Mins Comex chart still suggest bullishness till \$1404~1381 holds. Gold on Weekly chart is oversold which suggests consolidation nxt week.
- azureblade7** (9:42am via dlvr.it): Gold speculation and the Comex dlvr.it/3KhZ21
- Livetradingnews** (4:39am via Google): #Gold, #Silver and #Oil Prices: Gold, Silver and Oil Prices Comex Gold (GC) The recovery from... goo.gl/fb/1GsNS
- mudraa** (4:06am via twitterfeed): GOLD - COMEX LEVEL TRADE WITH VERY LOW RISK bit.ly/145F5H9

Right Column: @loebben/emf-financial-Influ

- FinancialTimes** (4:12pm via SocialFlow): Opinion: Arsonists v architects: Republican civil war on.ft.com/12Gq69k 7 retweets
- WSJ** (3:49pm via SocialFlow): The average starting salary for a member of the class of 2013 is \$44,928, up 5.3% from a year ago. on.wsj.com/10a8MZX 143 retweets
- MarketWatch** (3:36pm via SocialFlow): The 7 richest people on Twitter have a combined net worth of \$254.6 billion on.mktw.net/10xdxf1 via @MarketWatchPF 34 retweets
- FinancialTimes** (3:01pm via SocialFlow): Repsol aids Angola's pre-salt oil search on.ft.com/12GbWoO 6 retweets
- MarketWatch** (2:48pm via SocialFlow): College grads: Uncle Sam doesn't want you on.mktw.net/158LNpo 27 retweets