

Netflix faces US penalty for CEO Facebook comments

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Online video giant Netflix said Thursday it faces a possible penalty from US regulators for comments made by CEO Reed Hastings, pictured here in 2011, on his Facebook account about subscriber activity.

Online video giant Netflix said Thursday it faces a possible penalty from US regulators for comments made by its top executive on his Facebook account about subscriber activity.

The company made the disclosure in a regulatory filing as well as in another [Facebook](#) posting by CEO Reed Hastings.

The company said it received a "Wells Notice" from the SEC which means that some enforcement action is likely to be taken.

The civil action is possible because of Facebook postings by Hastings, which stated that its customers were spending around a billion hours per month watching [Netflix](#).

Under SEC rules, any information important to shareholders should be disclosed publicly in a regulatory filing known as an 8K form.

"SEC staff informed us yesterday that they are recommending that the SEC bring a civil action against us for my July, one billion hour public post, asserting we violated 'Reg FD,'" the CEO said.

"This rule is designed to ensure that individual investors have equal access to information as large institutional investors, by prohibiting selective disclosure of material information."

Nonetheless, Hastings called this a "fascinating social media story" and defended his actions.

"We think posting to over 200,000 people is very public, especially because many of my subscribers are reporters and bloggers," he said on Facebook.

"We don't currently use Facebook and other social media to get material information to investors; we usually get that information out in our extensive investor letters, press releases and SEC filings. We think the fact of one billion hours of viewing in June was not 'material' to investors."

Hastings said he was "optimistic this can be cleared up quickly through the SEC's review process."

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