

US stock regulator clears disclosures on social media

April 2 2013



The US government's stock market watchdog on Tuesday cleared Netflix of improper disclosure of key corporate data, saying it is now acceptable to release pertinent information on Facebook.

The US government's stock market watchdog on Tuesday cleared Netflix of improper disclosure of key corporate data, saying it is now acceptable to release pertinent information on Facebook.

The [Securities and Exchange Commission](#) said it ended its probe of

[Netflix](#), and would allow the online video giant and other publicly traded firms to make important information available by Facebook, Twitter or other social media, with some limitations.

The SEC said in a report stemming from its investigation that much had changed since it issued rules in 2008 to prevent corporations from "selectively" releasing information which has not been made public.

But the agency also said each case must be reviewed to ensure that relevant corporate data is appropriately disclosed.

"One set of shareholders should not be able to get a jump on other shareholders just because the company is selectively disclosing important information," said George Canellos, the SEC's acting enforcement director.

"Most social media are perfectly suitable methods for communicating with investors, but not if the access is restricted or if investors don't know that's where they need to turn to get the latest news."

The new SEC report confirms that the so-called fair disclosure rule "applies to social media and other emerging means of communication used by public companies the same way it applies to company websites."

The investigation stems from an inquiry Netflix [chief executive](#) Reed Hastings, who posted on his personal Facebook page stating that Netflix's monthly online viewing had exceeded one billion hours for the first time.

Netflix failed to issue a press release or SEC filing with these facts, and Netflix had not previously used this method announce company data.

Netflix's [stock price](#) had begun rising before the posting, and increased

from \$70.45 at the time of the Facebook post to \$81.72 at the close of the following trading day, according to the SEC.

The SEC said it did not initiate any formal action against Hastings or Netflix, and issued its statement "recognizing that there has been market uncertainty" about its rules.

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

At the time, 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 in December.

(c) 2013 AFP

Citation: US stock regulator clears disclosures on social media (2013, April 2) retrieved 25 April 2024 from <https://phys.org/news/2013-04-stock-disclosures-social-media.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--