



UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of the Chair

**Remarks of Chair Lina M. Khan
Regarding the 6(b) Orders Concerning
Deceptive Advertising on Social Media
Commission File No. P224500**

March 16, 2022

Thank you, Laura, for that thorough presentation.

I fully support this study. As Laura mentioned, the FTC's work has uncovered that major social media and video streaming platforms have become a huge vector for misleading ads, financial scams, and other types of fraud. In 2021, more than one in four people who reported losing money to fraud said it started on social media with an ad, post, or message.¹ Data spotlights by our team also found that since 2021, nearly half of those who report cryptocurrency losses say it began on social media.² Another report details how, during the throes of the COVID-19 pandemic, deceptive COVID claims particularly thrived on social media.³

We are deploying our full set of tools and authorities to tackle deceptive practices that increasingly occur on digital platforms.⁴ Given these findings, it's also important for us to understand the factors that are allowing fraud on social media platforms to proliferate. For example, several of these platforms generally earn their revenue at least in part through behavioral advertising, whereby a platform will collect data on users in order to be able to target them with personalized ads. These platforms' bottom lines depend on user engagement, which tends to result in a business focus on tactics that boost traffic and time spent on the platform.

I am especially eager to understand the role of this business model and the incentives it creates. For example, how do platforms' business incentives align with rooting out fraud? If

¹ Emma Fletcher, *Social Media a Gold Mine for Scammers in 2021*, FTC DATA SPOTLIGHT (Jan. 25, 2022), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/01/social-media-gold-mine-scammers-2021>.

² Emma Fletcher, *Reports Show Scammers Cashing in on Crypto Craze*, FTC DATA SPOTLIGHT (June 3, 2022), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/06/reports-show-scammers-cashing-crypto-craze>.

³ Samuel Levine, *FTC Analysis Shows COVID Fraud Thriving on Social Media Platforms*, FTC BUSINESS BLOG (Nov. 18, 2021), <https://www.ftc.gov/business-guidance/blog/2021/11/ftc-analysis-shows-covid-fraud-thriving-social-media-platforms>.

⁴ Last year, we took action against DK Automation and its owners for using ads on Facebook and YouTube to lure in consumers with phony cryptocurrency investment opportunities. Our proposed order requires them to turn over 2.6 million dollars to refund injured consumers. Press Release, Fed. Trade Comm'n, *FTC Takes Action to Stop DK Automation and Kevin David Hulse From Pitching Phony Amazon and Crypto Moneymaking Schemes* (Nov. 16, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/11/ftc-takes-action-stop-dk-automation-kevin-david-hulse-pitching-phony-amazon-crypto-moneymaking>.

financial scams and counterfeit goods are driving engagement on the platform, how do platforms decide whether to crack down on fraud or whether instead to turn a blind eye? And to what extent do targeting and personalization tools on platforms enable scammers to target their victims with immense precision?

Our 6(b) authority is an important tool the agency can use to gain a deeper understanding of market trends and companies' business practices. This study in particular builds on the Commission's recent efforts to dive deeper into the scams and other fraudulent conduct that stem from paid advertising on social media.

The insights from this study will better equip the agency's enforcement work to protect consumers from deceptive advertising. More broadly, this study would make important progress on the Commission's efforts to pinpoint the root causes of unlawful conduct in the digital marketplace.

Thanks again to our staff for their work on this.
