

Written evidence submitted by TikTok

Thank you for your letter requesting information regarding the steps TikTok takes to prevent the fraudulent online advertising of financial products as well as other measures we take to combat online fraud. We welcome the opportunity to engage with the Committee on this important issue.

As set out in this letter, we take a strict approach to financial services advertising on the TikTok Platform. Given the large number of consumer users, we take issues such as fraud seriously and recognise the importance of working with organisations such as the FCA to address consumer harm. We are also active members of the Online Fraud Steering Group and meet regularly with relevant government officials from the Home Office and DCMS. The measures in place outlined in this letter evidence our commitment to preventing fraud and scams on the TikTok Platform.

Before addressing your specific questions, it is important to understand the types of content hosted on the TikTok Platform. Content can be broadly divided into two groups:

1. **User-generated Content** - This encompasses any content created and posted by users, other than Paid Ads (described below). This content is subject to TikTok's Terms of Service, which prohibit users from posting unlawful content and also incorporate the fuller restrictions set out in [TikTok's Community Guidelines](#). TikTok uses a combination of (i) automated moderation technologies and (ii) human review to identify User-generated Content that is non-compliant with the Community Guidelines. For ease of reference, our Community Guidelines on this area are as follows:

Frauds and scams

1. We do not permit anyone to exploit our platform to take advantage of the trust of users and bring about financial or personal harm. We remove content that deceives people in order to gain an unlawful financial or personal advantage, including schemes to defraud individuals or steal assets.
2. Do not post, upload, stream, or share:
 - Content that depicts or promotes phishing
 - Content that depicts or promotes Ponzi, multi-level marketing, or pyramid schemes
 - Content that depicts or promotes investment schemes with promise of high returns, fixed betting, or any other types of scams
2. **Paid Ads** - The TikTok Platform provides paid advertising space, allowing business users to post advertising campaigns. Advertisers are responsible for their own

advertising content, but this must comply with TikTok's advertising policies, as well as applicable law and regulations. As explained further below, TikTok's advertising policies include specific rules restricting the promotion of financial services in order to ensure that, whenever applicable, Paid Ads users are authorised by the FCA / PRA to provide their advertised services. Paid ads are moderated by TikTok for compliance with these advertising policies.

I will now endeavour to answer each of your questions in turn.

1. Expenditure by the Financial Conduct Authority (FCA) and other public bodies on your platform to protect consumers

- *How much has the Financial Conduct Authority (FCA) paid TikTok in each of the last three years (2019, 2020 and 2021) to warn users of your online channels about unauthorised advertisements and user-generated content?*
 - The FCA recently begun advertising on TikTok and has spent a total of £50,000 on the platform. Example advertisements can be found [here](#) and [here](#).
- *What arrangements, if any, has TikTok entered into to compensate the FCA for the costs of that advertising?*
 - Our arrangement with the FCA is a commercial one and we did not compensate them or provide ad credits to them to advertise on TikTok.
- *Have any other public sector bodies paid TikTok for advertisements alerting users to risks from online financial fraud? If so, how much has each of those bodies paid?*
 - The FCA is the only public sector body currently advertising on TikTok alerting users to the risks from online financial fraud.
 - However, we did recently partner with Media Smart to produce a collection of new resources to help 13-17-year-olds understand how advertising works on the platform, as well as the best ways to keep safe.
 - The resources have been designed for teachers to use in schools to equip young people coming to TikTok with the tools to identify advertising content from brands on the platform, and to better spot when they are consuming marketing messages.
 - We also work closely with the ASA to understand how we can best educate our brands and creators on the regulations they need to follow to ensure compliance with the CAP code.
 - One example of this is our recent partnership with the ASA in which we asked nine TikTok creators to help us raise awareness of the ad rules and support other creators in sticking to them. Our creators created a series of creative yet informative videos which allowed us to bring our community closer to the work the ASA is doing.
 - Importantly the videos are helping to make the CAP Code come alive for creators by making some of the key CAP Code rules accessible.
 - TikTok also has a Public Service Announcement on certain content categories dealing with financial services, warning users that all investment

involves risk as well as asking them to undertake thorough research beforehand.

- We believe user education is an effective intervention to build financial literacy and reduce the risk of fraud and scams.
- In summer 2021 TikTok launched a new media literacy campaign called [#FactCheckYourFeed](#) to equip our community with the skills they need to critically engage with content, navigate our platform safely and guard themselves against potential harms.
- As part of the campaign, we worked with Citizens Advice to promote financial literacy messaging, working with creators such as Dragon Den's Tej Lavani (Dragons Den), Emmy Dent and Poku Banks to share engaging, authoritative content such as "Does this really make sense?", "How to spot scams", and "is it too good to be true?"
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Data transfer to identify and prevent fraud and other economic crime

- *What data do you transfer between your platform, other platforms and law enforcement agencies to help identify fraud and other economic crime?*
 - Across our Trust and Safety teams we strive to prevent real world harm and prioritise the safety of TikTok users and the global community.
 - We cooperate with law enforcement in relation to their valid requests for user data and requests to restrict or remove content based on local laws. We will provide user data and in other cases take down content where appropriate and legally valid.
 - Details of such requests are contained in our Transparency Reports. We also set out details of this process in our [Law Enforcement Guidelines](#).
- *What legal or other barriers exist to hinder data transfer which could help to identify and prevent fraud and other economic crime?*
 - A challenge faced by TikTok (and by other platforms) in this area is that there is no clear legal framework governing the disclosure of data to law enforcement in these circumstances. In practical terms this means that if platforms wish to disclose such data they must do so on a voluntary basis. In doing so, this exposes platforms to legal and compliance risks, in particular from a data protection perspective.
 - We consider that one way of potentially addressing this risk would be to put in place a memorandum of understanding between the relevant law enforcement and regulatory authorities, and participating online platforms, that would clearly set parameters of the type of data that could be disclosed, the processes for disclosure and other matters relating to the security of any disclosed data. Given that data protection is one of the key barriers to data disclosure, we consider that it would be essential for the Information Commissioner's Office to be centrally involved in any such initiative (for

context, the ICO has entered multiple memoranda of understanding on various matters, which include data sharing, which are available on the ICO website: <https://ico.org.uk/about-the-ico/our-information/working-with-other-bodies/>).

Advertising policies for financial services

- *Does your advertising policy require firms advertising financial services on your platform to show that they are authorised by the FCA? If not, do you have plans to amend that policy, and from what date?*
 - Where Paid Ads targeting the UK market relate to financial services, advertisers must be authorised in the UK by the FCA / PRA to perform the activities which they promote. TikTok carries out manual verification of the authorisation status of advertisers against the FCA register. TikTok's moderators are provided with training to identify the areas where FCA authorisation will be required and will check the FCA register to confirm that advertisers are authorised by the FCA in the sector in which they are advertising.
 - TikTok undertakes this review for FSMA regulated activities, as well as payment and e-money services, which are outside the financial promotion regime. This is because TikTok believes that ensuring all regulated activities are promoted only by authorised firms through Paid Ads is essential for the protection of users.

Policy on promotion of tax avoidance schemes

- *What policy do you have regarding the promotion of tax avoidance and evasion on your platform through advertising or as user-generated content?*
 - TikTok does not allow for the promotion of tax evasion via Paid Ads or via User-generated Content. Paid Ads for lawful financial advisory services, including tax advice, are allowed.
- *What controls do you have in place to prevent your platform hosting the advertisement of products used for the promotion of tax avoidance schemes and tax evasion in the UK?*
 - TikTok's review and moderation practices as set out above help to prevent the hosting of the advertisement of such products.

Revenue from unauthorised firms advertising of financial services

- *How much revenue has your platform earned in each of the last three years from paid-for advertising for financial services offered by firms which are not authorised by the FCA?*
- *What is your estimate of the cost to your company of changing your advertising policy so as to require firms advertising financial services on your platform to be*

authorised by the FCA, to bring you into line with the policy change made by Google on 6 September 2021?

- It is important to note that TikTok began requiring firms to be authorised by the FCA in September 2020, and indeed we require firms across the UK and Europe to be authorised by the FCA and its equivalents across Europe.
- We do not have a record of any costs we may have incurred to make this change as we view the requirement of firms advertising financial services to be authorised by the FCA as critical to protecting our platform and protecting users from harm and thus a non-negotiable cost of doing business in the UK.

Meetings with government departments about economic crime

- *What meetings have you held in 2019, 2020 or 2021 with Government departments, including the Home Office, Treasury, HMRC and DCMS about online fraud and financial crime?*
 - TikTok began to meet with Home Office and DCMS officials to discuss online fraud and financial crime once we became members of the Online Fraud Steering Group in Autumn 2021.
 - Prior to this time, TikTok had not been invited to any of the industry meetings held with the Minister for Security at the Home Office and we have never met with nor been invited to a meeting with HM Treasury on this issue.
 - We are keen to engage with Government on this critical issue and look forward to continuing our active participation in the Online Fraud Steering Group.

Compensation of customers for financial fraud

- *What policy do you have for compensating users of your platform who become victims of fraud as a result of advertising or user-generated content on your platform?*
 - Our policies and processes are designed to prevent fraudulent material from being displayed on our platform rather than compensating for fraud committed by third parties. As such, we do not have a policy for compensating users who may have become victims of fraud as a result of viewing advertising or user-generated content on our platform.
 - Following receipt of a valid legal request for information, TikTok will work with law enforcement and/or other government agencies to support them in their effort to identify the source of any fraudulent activity.
- *Have you ever compensated any customer for fraud or other financial loss? If so, how many customers have received compensation, and could you please give an indication of levels of compensation.*
 - No.

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We hope the above addresses your questions. Please do contact me if I can provide additional information.

Regards,

Liz Kanter
Director Government Relations

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