

★● Potential Facebook Settlement With FTC Likely to Include WhatsApp

https://www.wsj.com/articles/ftc-wants-facebook-board-to-boost-privacy-oversight-11556808961?st=bzteb2bh9qul1kh&reflink=desktopwebshare_permalink

Updated May 2, 2019 at 4:49 pm ET

- Facebook Inc.'s potential settlement with federal regulators over breaches of consumer data privacy is nearing completion, and will likely cover related services such as its WhatsApp messaging function, people familiar with the matter said.
- Expanding the agreement to include WhatsApp comes as Facebook itself moves to shift some emphasis away from its namesake social-media service to emphasize private messaging as consumers become increasingly concerned over privacy and how their information is used.
- It wasn't immediately clear whether Instagram, another Facebook-owned service, would be covered under the settlement being negotiated with the Federal Trade Commission.
- That deal is nearing completion, one of the people said, with only relatively narrow issues still under discussion, and could be finished within a week or so.
- The FTC declined to comment.
- Facebook faces an FTC fine of up to \$5 billion after personal data of tens of millions of its users improperly wound up in the hands of Cambridge Analytica, a data firm that worked on President Trump's 2016 campaign.
- FTC officials also are pushing Facebook to accept significant changes to its corporate governance, with reorganization of the company's board one likely result.
- The changes being negotiated would alter Facebook's governance by adding a committee of board members to oversee its privacy practices, according to people familiar with the matter.
- Another idea under discussion would allow the FTC to play some role in designating an individual within the company to be responsible for privacy compliance, the person said.
- The most likely outcome is that a senior executive, probably the company's CEO—currently founder Mark Zuckerberg—would be named as Facebook's compliance officer, according to one person familiar with the matter.
- The agreement also is likely to include a requirement for the company to undergo independent assessments of its privacy practices.
- Another feature of the agreement would require the company to report on privacy incidents relatively quickly, probably within a matter of weeks.

★● Facebook Building Cryptocurrency-Based Payments System

https://www.wsj.com/articles/facebook-building-cryptocurrency-based-payments-system-11556837547?st=5gfyn8c7a8hpuo7&reflink=desktopwebshare_permalink

Updated May 2, 2019 at 7:36 pm ET

- Facebook Inc. is recruiting dozens of financial firms and online merchants to help launch a cryptocurrency-based payments system on the back of its gigantic social network.
- The effort, should it succeed, threatens to upend the traditional, lucrative plumbing of e-commerce and would likely be the most mainstream application yet of cryptocurrency.
- It comes as the social-media giant is under intense pressure from regulators, users and shareholders to address privacy shortcomings.
- At the heart of the initiative, under way for more than a year and code-named Project Libra, is a digital coin that its users could send to each other and use to make purchases both on Facebook and across the internet, according to people familiar with the matter.
- It is building a type of checkout option that consumers could use on other websites, some of the people said.

- Similar to how a Facebook profile can be used to log into hundreds of websites (including The Wall Street Journal), Facebook envisions allowing those credentials to be selected as a payment method when users buy goods online.
- One idea under discussion is Facebook paying users fractions of a coin when they view ads, interact with other content or shop on its platform—not unlike loyalty points accrued at retailers, some of the people said.
- It could also blunt criticism that the company makes billions of dollars on the backs of its users, sometimes in troubling or invasive ways.
- Most immediately are Visa and Mastercard Inc., whose networks handle the vast majority of credit and debit card payments in the U.S. If it succeeds, the project threatens the card networks' dominance over global payments.
- The pitch to merchants is a break on fees, one of the people said.
- Facebook envisions eliminating swipe and other card processing fees that merchants pay on transactions, which are typically around 2% to 3% and are collected by banks, payments processors and networks such as Visa.
- It is also working to tie online purchases more closely to ads.

Facebook Bans Louis Farrakhan, Alex Jones and Others as 'Dangerous'

https://www.wsj.com/articles/facebook-bans-louis-farrakhan-alex-jones-and-others-as-dangerous-11556827652?st=i15zv3s879nm2c2&reflink=desktopwebshare_permalink

Updated May 2, 2019 at 8:10 pm ET

- Facebook Inc. banned an array of personalities whose views it deemed too inflammatory to be shared on its social network on Thursday, including Nation of Islam leader Louis Farrakhan, far-right talk-show host Alex Jones and conservative Jewish activist Laura Loomer.
- The move was Facebook's most sweeping yet against online provocateurs and shows Facebook is trying to be more proactive in removing controversial content that users post on its network, after months of criticism that the company hasn't done enough to prevent bullying, abuse and hate speech.
- Facebook said the people it banned violated a set of policies that prohibit "dangerous individuals and organizations."
- Other individuals Facebook banned on Thursday included self-described "pro-white" politician Paul Nehlen, media provocateur Milo Yiannopoulos and conspiracy theorist Paul Joseph Watson.
- tech company might be capable of taking responsibility for the ways its platforms have empowered extremists," Ms. López G. said.
- In the last couple of years, stances have shifted, in part in response to increasing recognition that the platforms also have become hotbeds of misogyny, racism and hate speech.
- At best, individuals targeted by Facebook's action pushed the boundaries of social discourse.
- At worst, they profited by building large followings that trafficked in hate and conspiracy theories.
- We're at a point in America where if these tech tyrants in Silicon Valley don't like you, or if you piss them off, they will ban you, and they will ban everybody associated with you," Ms. Loomer said Facebook said that all representations of these people would be removed from its sites, which include Instagram.
- Facebook said that when it has banned people under these policies in the past, it has also prohibited other users from praising or supporting the banned individuals on its sites, even if the praise is unrelated to the hateful or violent conduct.
- Facebook said it would remove pages, groups and accounts set up to represent the people banned Thursday.
- It also said it would remove events on Facebook when it knows one of the individuals is participating.

★ Facebook Penalty Sparks Partisan Wrangling

https://www.wsj.com/articles/facebook-penalty-sparks-partisan-wrangling-11557273221?st=bi0vae2zfihofvl&reflink=desktopwebshare_permalink

May 7, 2019 at 7:53 pm ET

- Federal Trade commissioners will appear at a House hearing Wednesday as they complete a settlement with Facebook Inc. over privacy violations, in a session likely to see sparring between Democrats and Republicans over who is better positioned to police Big Tech.
- The Federal Trade Commission—made up of three Republican and two Democratic members—is poised to levy a fine of as much as \$5 billion on the Silicon Valley giant in what would be its biggest such penalty ever.
- In response to a question from The Wall Street Journal, Rep. Robin Kelly (D., Ill.) painted Republicans as too soft on tech companies.
- Protecting consumer privacy has become a major political issue amid concerns over big tech firms' extensive collection and use of the online data of their users. "
- Republicans note that the GOP-controlled FTC is about to levy a record fine over the issue and point to numerous occasions where they have raised concerns about Facebook's behavior. "
- Facebook disclosed recently that it expects the FTC to impose a fine of as much as \$5 billion over its alleged violations of a previous FTC consent decree.
- Sheryl Sandberg, Facebook's chief operating officer, met with several senators Tuesday, as reported earlier by Bloomberg.
- Ms. Sandberg met with Senate Commerce Chairman Roger Wicker (R., Miss.) and the two discussed a range of topics, one person familiar with the matter said, without providing details.
- Another person said the meetings focused on proposals for privacy rules and other regulatory changes.
- **Democrats—particularly in the House—increasingly view privacy and other internet governance issues as an area where they could gain a political advantage over Republicans.**
- They point to a GOP-led rollback of Obama-era federal privacy rules on internet carriers, as well as a rollback of so-called net-neutrality rules that require internet carriers to treat all internet traffic equally.
- Whether wrangling over privacy as a political issue affects how the FTC commissioners vote on the proposed Facebook fine remains to be seen.
- Several people familiar with the negotiations say one of the Democratic commissioners, Rohit Chopra, is likely to oppose the deal.
- FTC Chairman Joseph Simons declined to discuss Facebook on Tuesday following a Senate hearing on his agency's budget.

Lawmakers Differ on Remedies for Facebook Privacy Breach

https://www.wsj.com/articles/lawmakers-differ-on-remedies-for-facebook-privacy-breach-11557343397?st=p448zrzr3rb8kbn&reflink=desktopwebshare_permalink

Updated May 8, 2019 at 3:25 pm ET

- All five members of the Federal Trade Commission told a House Energy and Commerce subcommittee that Congress should pass a law addressing data privacy.
- Lawmakers of both parties agreed, but nevertheless appeared divided over key points that legislation might address.
- The FTC has taken center stage in the debate as it weighs a penalty of up to \$5 billion on Facebook for allowing illicit access to users' data by the political-data firm Cambridge Analytica.
- Democrats, who hold a majority in the House, favor giving the FTC—the main federal cop on the privacy-protection beat—far greater authority to set rules and levy fines.
- But Republicans are leery of expanding the FTC's power substantially, fearful that greater bureaucratic sway could stifle innovation and even increase the market power of dominant Silicon Valley firms.
- Democrats, however, said the Facebook violations demand stronger medicine.
- The looming fine against Facebook "underscores the need for comprehensive privacy legislation" that would strengthen the FTC's authority, said Rep. Jan Schakowsky (D., Ill.), who chairs the subcommittee that held Wednesday's hearing.
- She added that a large fine in a single case doesn't really "solve the problems that consumers face, because of the FTC's lack of tools."

- The hearing offered few concrete details about the expected Facebook settlement, which could be announced as soon as this week.
- There were signs Democratic commissioners on the FTC will be pushing for Facebook executives to face consequences, potentially affecting their future management roles in the event of additional privacy problems.
- Republicans hold a 3-2 majority on the commission.
- Asked about a potential multibillion-dollar fine against Facebook, FTC Commissioner Rohit Chopra, a Democrat, said the agency needs to be sure its penalties hold executives accountable when a company is at fault. "
- Several people familiar with the negotiations between Facebook and the FTC have said Mr. Chopra is likely to oppose the deal under discussion.
- Without naming Facebook, Rebecca Slaughter, the other Democratic FTC commissioner, said penalties "can't be meaningless to companies."
- This shows why FB says that it can't wait for legislation.

● Facebook Co-Founder Chris Hughes Says Company Should Be Broken Up

https://www.wsj.com/articles/facebook-co-founder-chris-hughes-says-company-should-be-broken-up-11557419316?st=zzmtw6xehmk7v00&reflink=desktopwebshare_permalink

Updated May 9, 2019 at 1:17 pm ET

- Chris Hughes, who helped Mark Zuckerberg create the company that eventually became Facebook Inc., is calling for the social-media giant to be broken up.
- In a nearly 6,000 word opinion essay published online Thursday in the New York Times, Mr. Hughes said the Facebook chief executive has gained power that is both "unprecedented and un-American."
- Mr. Hughes said Mr. Zuckerberg's focus on growth led him "to sacrifice security and civility for clicks," and that if Facebook remains intact, its monopoly over online social interaction "will become even more entrenched."
- Facebook said accountability comes with success but that the right way to enforce it isn't through a corporate breakup but by crafting new rules for the internet. "
- That is exactly what Mark Zuckerberg has called for," Nick Clegg, Facebook's top policy adviser, said in a statement.
- The CEO is meeting with government leaders this week to further that work, he added.
- Mr. Hughes's critique follows growing calls by U.S. and European lawmakers for tougher regulation of internet giants in the wake of data and privacy scandals, and as Facebook faces a possible U.S. Federal Trade Commission fine of up to \$5 billion over its consumer-privacy violations.
- Sen. Elizabeth Warren, the Massachusetts Democrat running for president, has called for the breakup of Facebook, Amazon.com Inc., and Alphabet Inc.'s Google.
- So has Mr. Zuckerberg, writing in a March op-ed published by the Washington Post and Ireland's Independent that global regulators should take a "more active role" in governing the internet.
- Facebook has taken steps recently to address concerns about online discourse, including by redesigning its website and mobile app.
- In recent years, other former Facebook employees and executives have taken aim at the social network, particularly its addictive nature.
- Mr. Hughes has maintained an active presence in politics since exiting Facebook in 2007 to join former President Obama's first election campaign.
- In his essay, Mr. Hughes said he hasn't seen Mr. Zuckerberg in person in nearly two years.
- He said his former Harvard classmate is a "good, kind person" whom the U.S. government needs to hold more accountable for the immense power Facebook wields. "

★ Facebook Curbs Incentives to Sell Political Ads Ahead of 2020 Election

https://www.wsj.com/articles/facebook-ends-commissions-for-political-ad-sales-11558603803?st=wjcepc16j7i5z24&reflink=desktopwebshare_permalink

Updated May 23, 2019 at 5:32 am ET

- Facebook Inc. said it stopped paying commissions to employees who sell political ads, as the tech giant overhauls how it engages with campaigns ahead of elections in 2020.
- Once seen as a growth area, political ads are now viewed within Facebook as more of a headache, according to former employees and campaign staffers who work on digital strategies.
- In the wake of revelations about Russian efforts to influence the 2016 election, senior leaders at the company debated whether it should cease running political ads entirely, former employees familiar with the discussions said.
- Chief Executive Mark Zuckerberg made the final call to stay in the business, though changes will be made to how it operates, one former employee said.
- Facebook staffers hired from the Republican and Democratic political worlds advised on big-picture fundraising and voter-targeting strategies.
- Last fall, Facebook said it would no longer embed staffers in presidential campaigns.
- Two people familiar with Google's political advertising operation said they were unaware of any plans to change the compensation structure for its employees ahead of the 2020 elections.
- The market for such ads is growing rapidly: Borrell Associates Inc. found political digital advertising jumped to \$1.4 billion in 2016 from \$159 million in 2012.
- Political advertising accounts for a small slice of Facebook's business, which booked more than \$55 billion in revenue last year.
- GOOG 0.62% In a 2017 paper, Mr. Kreiss found that Google, Facebook and Twitter approached 2016 political advertising in roughly the same fashion, with the companies offering equal support to both Democrats and Republicans.
- The companies viewed the work as both lucrative and politically valuable, he said.
- Google and Twitter were also subject to manipulation attempts, but Facebook's size and questions about misuse of data siphoned from the platform meant it took the brunt of the public backlash.
- Beginning with the run-up to the 2018 midterm elections, Facebook launched a searchable public database of political advertisements, and it now employs 500 people on election teams in Menlo Park, Calif., Dublin and Singapore. "
- The company said this week its review process includes a mix of humans and automation.

Facebook Ditches Commissions, Not Dollars

https://www.wsj.com/articles/facebook-ditches-commissions-not-dollars-11559041200?st=jir320dttrcfuc5&reflink=desktopwebshare_permalink

May 28, 2019 at 7:00 am ET

- Facebook said last week that it eliminated commissions for employees who sell political ads.
- Despite the surge of negative news brought on by Facebook's political mishaps, political ads contribute relatively little to the company's massive advertising business.
- According to Facebook's Ad Library Report, which is public, ads related to "politics or issues of importance" on the platform accounted for just under \$604 million in ad revenue over the last 12 months.
- Even narrowing the focus to just North America, political ads still accounted for under 3% of overall ad spending in the U.S. and Canada in 2018.
- Translation: Political ads for Facebook are a drop in the bucket.
- Facebook says the bulk of its political ads are now "self-serve."

Facebook Pledged Crackdown on Vaccine Misinformation. Then Not Much Happened.

https://www.wsj.com/articles/facebook-pledged-crackdown-on-vaccine-misinformation-then-not-much-happened-11559243847?st=mn01r3rwnqnt7hh&reflink=desktopwebshare_permalink

May 30, 2019 at 3:17 pm ET

- Facebook as of this week is still running paid ads for a prominent antivaccination group that suggests unethical doctors have conspired to hide evidence of harm vaccines do to children.
- Both the company's main platform and its Instagram app recommend additional antivaccine content to users who view similar material.
- And the top three vaccine-related accounts recommended by Instagram are "vaccinetruth" "vaccinesuncovered" and "vaccines_revealed"—all advocates for the discredited claim that vaccines are toxic. "
- Facebook also has been criticized for removing content.
- Facebook is still working with public health groups on informational material that will be provided to users atop vaccine-related search results, and automated tools for detecting banned antivaccine content aren't ready for deployment.
- However, #vaccineinjury, #vaccinetruth and #antivaccine show up among the most popular vaccine-related hashtags, filled with thousands of posts containing the sort of material that Instagram said would trigger crackdowns. "

Facebook Shareholders Reject Bid to Split CEO, Chairman Roles

https://www.wsj.com/articles/more-state-treasurers-back-split-of-facebooks-ceo-and-chairman-roles-11559233188?st=kbyajknrkd7gwy&reflink=desktopwebshare_permalink

Updated May 30, 2019 at 4:14 pm ET

- Facebook Inc. shareholders voted down a proposal backed by seven state treasurers that sought to split the chairman and chief-executive roles that Mark Zuckerberg holds and establish an independent board leader.
- Shareholders voted Thursday against the proposal filed by Trillium Asset Management LLC, which owns about \$7 million in shares and argued the combined CEO and chairman positions "contributed to Facebook missing, or mishandling, a number of severe controversies." "
- The proposal was likely to fail given Mr. Zuckerberg's overwhelming voting power at the social-media company, which recommended shareholders reject the plan.
- The treasurers of Pennsylvania, Massachusetts and Vermont—who manage investments in Facebook on behalf of their states—said Wednesday there needs to be an independent chair to serve as a check on the CEO's power and provide more autonomous oversight in light of the data and privacy scandals that have dogged Facebook.
- Other technology companies, including Microsoft Corp., Twitter Inc. and Alphabet Inc.'s Google, have separate CEO and chairman roles.
- Outside of the technology industry, half of S&P 500 companies had a separate chair and CEO in 2018, up from 39% a decade ago, according to leadership consulting firm Spencer Stuart. "
- In its opposition to this year's proposal, Facebook cited the oversight and independent leadership its board members already provide and the position of Sue Desmond-Hellmann as lead independent director.
- In 2017, Facebook faced a similar proposal that would have split the company's chairman and CEO roles.

Court Tells Facebook to Open Its Records on Data Privacy

https://www.wsj.com/articles/court-tells-facebook-to-open-its-records-on-data-privacy-11559335755?st=qa9sdatb1ofp29l&reflink=desktopwebshare_permalink

May 31, 2019 4:49 pm ET | WSJ Pro

- There is sufficient evidence that Facebook's board of directors failed in its duty to protect data privacy to justify an expanded shareholder investigation, Joseph Slight, a vice chancellor of the Delaware Court of Chancery, ruled on Thursday.
- Facebook is still dealing with fallout from revelations about its ties to Cambridge Analytica, a political consulting firm that mined data on millions of the social media site's users.
- Facebook argued unsuccessfully that there was no basis to probe its board, because the company's data privacy protections were adequate and the Cambridge Analytica breach resulted from actions by third parties.
- Cambridge Analytica, which was hired to help Donald Trump's 2016 presidential campaign, filed for bankruptcy in the U.S. and U.K. last year, and is liquidating.
- The ruling from Delaware's Court of Chancery could help plaintiffs in a number of lawsuits targeting Facebook, seeking damages from alleged privacy breaches and plunging stock prices.

★ Facebook May Be Tough Beast for Regulators to Tame

https://www.wsj.com/articles/facebook-may-be-tough-beast-for-regulators-to-tame-11559641949?st=hrc3fmbqncvvl2&reflink=desktopwebshare_permalink

June 4, 2019 at 5:52 am ET

- Facebook shares have been pummeled by negative news over the last 15 months, but investors enticed by its continued growth in the face of these challenges have regularly bought on the ensuing dips.
- On Monday, the Wall Street Journal reported that the Federal Trade Commission secured the right to investigate whether Facebook has engaged in unlawful monopolistic practices.
- The Justice Department now reportedly has the green light to pursue an investigation into search pioneer and online advertising rival Google, while critical examination of Apple and Amazon also may be coming as part of a wave of government scrutiny of major U.S. technology companies.
- Remember, though, that the government's record against technology companies is spotty at best.
- Big U.S. tech antitrust cases have been rare over the last few decades.
- Instagram is red hot right now, but this suggests that it would take Instagram until roughly 2025 at best to match Facebook's core ad revenue.
- This isn't Facebook's first tangle with the FTC.
- The government agency has been investigating the social giant's role in the Cambridge Analytica scandal for over a year now.
- In its first quarter earnings report, Facebook said it estimated it would incur a one-time charge of \$3 billion to \$5 billion as a result of the agency's probe.
- While that promises to be the largest fine ever from the FTC against a U.S. technology company, Facebook made over 11 times the high-end of that amount in revenue last year alone.

New Huawei Phones Won't Come With Facebook, Instagram or WhatsApp

https://www.wsj.com/articles/new-huawei-phones-wont-come-with-facebook-instagram-or-whatsapp-11559906724?st=obfn0txqaelij6w&reflink=desktopwebshare_permalink

June 7, 2019 at 7:25 am ET

- Facebook Inc. will no longer allow its apps to come pre-installed on mobile devices made by Huawei Technologies Co., dealing another blow to the Chinese tech giant following its blacklisting by U.S. authorities on national security grounds.
- Huawei will no longer be able to pre-install the Facebook apps but current owners of Huawei phones will continue to have access to the apps and updates, according to a person familiar with the matter.
- Facebook is the latest U.S. company to act on last month's blacklisting of Huawei by the Commerce Department that restricts the sale of American technology to the Chinese maker of smartphones and telecommunications equipment.
- The Chinese company is now second only to Samsung Electronics Co. after its phones outsold Apple Inc.'s iPhone globally in the first quarter.
- Consumer devices are Huawei's biggest revenue source, pulling in more than \$50 billion last year, according to the company.

★● Facebook Worries Emails Could Show Zuckerberg Knew of Questionable Privacy Practices

https://www.wsj.com/articles/facebook-worries-emails-could-show-zuckerberg-knew-of-questionable-privacy-practices-11560353829?st=mi344kb13jga8z5&reflink=desktopwebshare_permalink

Updated June 12, 2019 at 1:40 pm ET

- Facebook Inc. uncovered emails that appear to connect Chief Executive Mark Zuckerberg to potentially problematic privacy practices at the company, according to people familiar with the matter.
- Within the company, the unearthing of the emails in the process of responding to a continuing federal privacy investigation has raised concerns that they would be harmful to Facebook—at least from a public-relations standpoint—if they were to become public, one of the people said.
- The potential impact of the internal emails has been a factor in the tech giant's desire to reach a speedy settlement of the investigation by the Federal Trade Commission, one of the people said.
- Facebook is operating under a 2012 consent decree with the agency related to privacy, and the emails sent around that time suggest that Mr. Zuckerberg and other senior executives didn't make compliance with the FTC order a priority, the people said.
- The FTC investigation began more than a year ago after reports that personal data of tens of millions of Facebook users improperly wound up in the hands of Cambridge Analytica, a data firm that worked on President Trump's 2016 campaign.
- Mr. Zuckerberg was directly involved in a potential failure on Facebook's part to honor the terms of its consent decree with the FTC could complicate efforts on both sides to resolve the matter.
- At least some internal emails already provided to the agency show Facebook grappling with gray areas in how it should address privacy under the consent order, with Mr. Zuckerberg closely involved, according to people familiar with the messages.
- That email exchange occurred after the FTC's consent decree had been announced but before it went into effect.
- Some FTC officials have debated whether to name Mr. Zuckerberg as a respondent in the complaint that would be filed by the agency as part of a settlement.
- any of the documents turned over to the FTC show that.
- Facebook has vigorously opposed any efforts to hold Mr. Zuckerberg personally liable as part of a settlement, according to people familiar with the matter.
- The FTC alternative of suing Facebook in court holds risks for both sides.

Facebook's New Cryptocurrency, Libra, Gets Big Backers

https://www.wsj.com/articles/facebook-new-cryptocurrency-gets-big-backers-11560463312?st=flzd89nyvu4p1g&reflink=desktopwebshare_permalink

Updated June 13, 2019 at 9:37 pm ET

- Facebook Inc. has signed up more than a dozen companies including Visa Inc., Mastercard Inc., PayPal Holdings Inc. and Uber Technologies Inc. to back a new cryptocurrency it plans to unveil next week and launch next year.
- The financial and e-commerce companies, venture capitalists and telecommunications firms will invest around \$10 million each in a consortium that will govern the digital coin, called Libra, according to people familiar with the matter.
- The money would be used to fund the creation of the coin, which will be pegged to a basket of government-issued currencies to avoid the wild swings that have dogged other cryptocurrencies, they said.
- have expressed concerns that the token could be used to launder money and finance terrorist organizations, some of the people said, a persistent problem with bitcoin and other cryptocurrencies.
- Facebook won't directly control the coin, nor will the individual members of the consortium—known as the Libra Association.

★ Facebook to Boost Ad Spending as It Tries to Restore Reputation

https://www.wsj.com/articles/facebook-to-boost-consumer-advertising-11560508201?st=gatp210cbsxieqm&reflink=desktopwebshare_permalink

Updated June 14, 2019 12:00 pm ET

- Facebook Inc. said it is ramping up its global advertising spending as it aims to rebuild trust after a series of privacy missteps and other controversies dented the social-networking giant's reputation.
- The push, which Facebook marketing chief Antonio Lucio said could more than double the company's advertising spending, will involve working with a revamped roster of creative agencies on campaigns for brands including WhatsApp and Instagram.
- Mr. Lucio said the Menlo Park, Calif., firm has been tarred by election interference and misinformation on Facebook as well criticism of its privacy and data management. "
- Facebook is under intensifying government scrutiny.
- The overhaul of the consumer-facing strategy could more than double Facebook's advertising spending in two to three years, Mr. Lucio said.
- Ad-tracking firm Kantar estimated that Facebook shelled out \$382 million on ads in the U.S. last year, up from \$50 million in 2017.
- An early example of the approach is the company's "Facebook More Together" ad, created by Wieden + Kennedy, which launched two months ago and encourages people to join groups for meaningful experiences.
- The company plans to tell stories in similar ways for its other brands.
- For example, a campaign for Instagram would likely present the photo-sharing app as a way for users to express themselves.
- Some campaigns, including Instagram's, likely won't be shown until next year, when Facebook and its agencies will have had time to test different concepts, Mr. Lucio said.
- Our objective is to build brands that stand the test of time.
- Compared with other digital companies, Facebook has spent less on consumer marketing, Mr. Lucio said, adding that the so-called apology campaign was more of a tactical response to events than a strategic effort to build a brand.
- According to Kantar's estimates, Amazon spent \$1.84 billion on U.S. ads last year, making it the fifth-largest advertiser in the country.
- Google spent \$660 million in 2018, Kantar said.
- Agency Diversity Facebook will require its agencies to assemble diverse teams with more women, people of color and people with diverse sexual orientations, said Mr. Lucio, who joined the company last summer.

- The diversity effort echoes Mr. Lucio's earlier work at HP Inc., where he demanded that the company's advertising agencies add more women and minorities.
- The company last summer said the proportion of women at the company had increased to 36% from 31% in 2014, while the proportion of black employees doubled to 4%, and that of Hispanic employees rose to 5% from 4%.

Hard to Read Facebook's Libra Fortune

https://www.wsj.com/articles/hard-to-read-facebooks-libra-fortune-11560876457?st=4vmq7rcp9xd62mp&reflink=desktopwebshare_permalink

June 18, 2019 at 12:47 pm ET

- On Tuesday, Facebook released long-awaited details behind its global cryptocurrency project, Libra.
- But while many analysts see the launch of the cryptocurrency as a potential game-changer not just for Facebook but for financial services as we know them, success hinges upon broad adoption of a still unproven concept.
- Back in March, Barclays analyst Ross Sandler estimated cryptocurrency could bring in as much as \$19 billion in revenue for Facebook by 2021.
- For starters, Libra will be governed independently via a consortium of companies, deflecting the question of trust somewhat.
- It is clear from the white paper that Libra will target the 1.7 billion adults around the world who don't have full access to the global financial system.
- But the full economic opportunity, including all of the ways Facebook and other members of the Libra Association might make money, remains unclear.
- Other questions include regulatory oversight for the currency and the potential for hackers, leaks, and crime to bring further reputational risk to Facebook.
- While Facebook's stock closed up over 4% on Monday in advance of Libra's white paper, it trailed strong gains in tech stocks following the release.
- Meanwhile, bitcoin, which reached a 13-month high on Monday, according to CoinDesk, dropped slightly Tuesday morning.
- Facebook may have more to lose than gain from Libra.

Libra Coin? What You Need to Know About Facebook's Answer to Bitcoin

https://www.wsj.com/articles/libra-coin-what-you-need-to-know-about-facebooks-answer-to-bitcoin-11560864351?st=rn2bg70yk9k7i3v&reflink=desktopwebshare_permalink

Updated June 18, 2019 at 3:26 pm ET

- Libra is a new cryptocurrency—a digital currency that uses cryptography, a method of protecting information, to verify transactions—that Facebook will launch next year.
- It is an alternative to bitcoin that is powered by blockchain.
- Facebook says its currency will make it possible to provide basic financial services to millions of people around the world who don't have a bank account, or who can't afford to send money overseas.
- It could help small businesses that can't get access to credit, too.
- Facebook is setting up a regulated subsidiary, called Calibra, that will provide access to the new currency and will separate financial data from other "social" data that Facebook uses on its platforms.
- Facebook says that because Libra will be backed by hard assets, things like real bank accounts and short-term government securities—similar to a real currency—it won't be as volatile.
- The cryptocurrency network will be governed by Facebook and more than two dozen founding partners as part of a consortium the company hopes to grow further.
- Facebook will lead Calibra through 2019, but eventually the consortium will take over.
- And initially, it will only support 1,000 payment transactions per second.

Bitcoin Fans Spy Opportunity in Facebook Libra Launch

https://www.wsj.com/articles/bitcoin-fans-spy-opportunity-in-facebook-libra-launch-11560859046?st=ma2xvjvsja4oew1&reflink=desktopwebshare_permalink

June 18, 2019 at 7:57 am ET

- Bitcoin's backers are adamant that Facebook Inc.'s coming digital currency, Libra, won't spell the demise of other cryptocurrencies.
- On Tuesday, Facebook released the details on Libra, which the social-media giant is building and will manage through a consortium that includes Visa Inc., Uber Technologies Inc. and more than two dozen other companies.
- That is one of the reasons that supporters of bitcoin and other cryptocurrencies believe the introduction of Libra is likely to be good for their currencies.
- Others say Facebook will struggle to overcome privacy concerns that are at the heart of bitcoin's appeal. "
- Its value will be guaranteed by Facebook and its partners, a closed network where UBER -4.00% membership costs \$10 million.
- It is possible bitcoin's backers are being naive about the new competitor. "
- Facebook will cast a large shadow over the sector.
- Facebook's market capitalization is \$539 billion.
- Bitcoin versus Libra could be a fight over privacy too.
- Facebook, meanwhile, collects a tremendous amount of information about its users, and has a checkered history of protecting it.

Facebook's Sheryl Sandberg: 'We Understand' Concerns About Big Tech Companies

https://www.wsj.com/articles/facebook-sheryl-sandberg-we-understand-concerns-about-big-tech-companies-11560953840?st=0euut3z3u8y1rfy&reflink=desktopwebshare_permalink

June 19, 2019 at 10:17 am ET

- Facebook Inc. Chief Operating Officer Sheryl Sandberg said that the social-media company failed to anticipate foreign interference aimed at disrupting the 2016 U.S. presidential election.
- Speaking onstage during a question-and-answer session at the Cannes Lions International Festival of Creativity, Ms. Sandberg said the company was prepared to thwart hackers in advance of the 2016 election but wasn't ready to combat the spread of misinformation from Russia and elsewhere. "
- We really missed it," Ms. Sandberg said. "
- Since then, she said, Facebook has created safeguards to curb misinformation.
- During a 45-minute conversation, Ms. Sandberg addressed topics including data privacy, growing calls for regulation of big tech companies and Facebook's current approach to mergers and acquisitions.
- Ms. Sandberg's appearance comes amid increasing scrutiny of big tech companies by government regulators.
- Data Protection Regulation policy is a "good blueprint" for U.S. lawmaking. "
- We are very much trying to usher in the next era," Ms. Sandberg said. "
- During the question-and-answer session, Ms. Sandberg also addressed calls by critics for antitrust action against Facebook.
- Toward the end of the conversation, Ms. Sandberg said that Facebook doesn't have any big acquisitions in the pipeline currently but noted that Facebook has made small acquisitions in the past.

★ Facebook's Pricy Ad Spend May Not Impress

https://www.wsj.com/articles/facebook-pricy-ad-spend-may-not-impress-11561460400?st=odoaz62akxqasga&reflink=desktopwebshare_permalink

June 25, 2019 at 7:00 am ET

- Facebook plans to spend big to revamp its image with users.
- Earlier this month, in an effort to secure its user base for the long-term, Facebook told The Wall Street Journal it could more than double its advertising spending over the next two to three years with a new focus on direct-to-consumer ads.
- Facebook has already spent billions to win back the trust of its advertisers and users alike following last year's privacy and data flubs, with more bills coming.
- Despite investments, analysts estimate Facebook's legacy platform will continue to lose its allure.
- Launched more than 15 years ago, Facebook has already racked up 2.4 billion monthly active users across its platforms.
- In the U.S., time spent on core Facebook and its photo-and-video-sharing platform Instagram also has declined over the last 12 months, with users spending sequentially less time on both apps most recently.
- Facebook says its own ramp-up in ads reflects a significant change for its business model: For the first time the company is placing a major focus on direct-to-consumer marketing across all of its brands.
- Still, ad tracking firm Kantar estimates Facebook spent nearly \$382 million on all ads in the U.S. alone last year.

★● Facebook's Effort to Build an Internal Court for Content Is Far From Simple

https://www.wsj.com/articles/facebooks-effort-to-build-an-internal-court-for-content-is-far-from-simple-11561646110?st=mq6twdd8osu4xkz&reflink=desktopwebshare_permalink

June 27, 2019 at 10:35 am ET

- The social-media giant on Thursday published a report on its efforts to create an independent content oversight board to examine some of its most controversial content moderation decisions.
- But seven months later, Facebook said there has been little consensus of how it should govern speech on its platform, how it should be held accountable for its decisions and how involved the company should be in the overall council.
- Ms. Klonick said the company deserves credit for the attempt.
- Facebook, Alphabet Inc.'s Google and Twitter Inc. all face similar social-media governance questions, issues the companies have historically tried to avoid grappling with in public. "
- Facebook is trying to do it the right way, and it's not great.
- The responses will ultimately inform a charter, to be released in August, that will govern how the oversight board rules on content moderation decisions.
- Facebook has been under fire for years for failing to minimize a host of problems on its platform from misinformation to violent speech.
- In the platform's early years, Facebook largely argued that its job was to connect people and aggressive intervention could harm overall discourse. "
- Facebook's approach facilitated rapid growth and huge profits, but the downsides were apparent especially after the 2016 U.S. election, which was marked by Russian-backed manipulation of the platform to spread false information and incendiary political comments.
- Facebook's platform was implicated in the Myanmar government's genocide against Rohingya Muslims, while hate speech on social networks has been linked to radicalization around the globe.
- Facebook responded by hiring thousands of human content moderators, largely through contractors.
- Last November, Mr. Zuckerberg announced the company's efforts to build the overseer of content decisions. "

★● Can Facebook's Libra Avoid Regulators? History Suggests Not

https://www.wsj.com/articles/can-facebooks-libra-avoid-regulators-history-suggests-not-11562238727?st=b5wrxbx7o9rkfh&reflink=desktopwebshare_permalink

July 4, 2019 at 7:12 am ET

- For all its crypto styling, Facebook's Libra looks less like bitcoin and more like a 50-year-old type of investment fund that has attracted intense regulatory scrutiny since the 2008 financial crisis.
- This is a familiar question raised by sharing-economy disrupters like ride-service firm Uber and hospitality platform Airbnb.
- Also, Libra's value won't fluctuate wildly because it will be backed by a multicurrency fund of liquid assets, allowing holders to get actual money back.
- This week, however, regulators in Japan joined those in the U.S. and the U.K. in expressing concerns about Libra.
- banking system, loading up on paper that was ultimately backed by subprime mortgages.
- French bank BNP Paribas was the first to freeze redemptions in its money-market funds in 2007.
- Or take China, where online money has long been extremely popular.
- Libra seems to have drawn some inspiration from Ant Financial, which runs the payments platform Alipay—akin to PayPal.
- Users can store money in an online vehicle that has become the world's biggest money-market fund.
- In the U.S. and Europe, regulators have spent a decade tightening the screws on such funds.
- If consumers find a use for Libra—which remains to be seen—Facebook will need to grapple with many new problems.
- Investors shouldn't be fooled by temporary regulatory loopholes.

★● FTC Approves Roughly \$5 Billion Facebook Settlement

https://www.wsj.com/articles/ftc-approves-roughly-5-billion-facebook-settlement-11562960538?st=0zrts5qem2lct9v&reflink=desktopwebshare_permalink

Updated July 12, 2019 at 6:43 pm ET

- FTC commissioners this past week voted 3-2 in favor of the agreement, with the Republican majority backing the pact while Democratic commissioners objected, the people said.
- The matter has been moved to the Justice Department's civil division and it is unclear how long it will take to finalize, one of the people said.
- A settlement is expected to tighten government restrictions on how Facebook treats user privacy.
- Facebook said in April that to settle the probe it was expecting to pay up to \$5 billion.
- The FTC investigation began more than a year ago after reports that personal data of tens of millions of Facebook users improperly wound up in the hands of Cambridge Analytica, a data firm that worked on President Trump's 2016 campaign.
- Facebook shares gained 1.8% on Friday, even though the reported settlement amount was \$2 billion more than the company has reserved for the settlement.
- Facebook's profit for the first quarter before accounting for the penalty was slightly more than \$5 billion.
- The FTC has sometimes been attacked as being toothless on privacy.
- The privacy settlement comes as the FTC has faced mounting political pressure to take a tougher line against Facebook and potentially other tech companies.
- With the dollar amount approved this week, the FTC obtained a financial penalty higher than what European Union could have sought under its privacy law.
- Facebook's first FTC settlement, finalized in 2012, resolved commission allegations that the company repeatedly broke its privacy promises to the site's users, including by sharing their data with advertisers and other third parties.
- Facebook settled the case in part by promising not to further deceive users.

FTC's \$5 Billion Fine Alone Won't Get Facebook Out of Crosshairs

https://www.wsj.com/articles/ftcs-5-billion-fine-alone-wont-get-facebook-out-of-crosshairs-11563043006?st=nbddcj59m57pn0e&reflink=desktopwebshare_permalink

July 13, 2019 at 2:36 pm ET

- The Federal Trade Commission has voted to fine the company roughly \$5 billion for violations of its previous promises to protect users' privacy, The Wall Street Journal reported Friday, citing people familiar with the matter.
- The FTC vote on the deal was split 3-2 along party lines at the Republican-controlled agency, the people said, a signal that Democratic commissioners didn't feel the settlement was sufficiently tough.
- Abroad, Ireland's privacy regulator alone is pursuing 10 investigations related to Facebook's gathering and processing of personal data.
- Both Facebook and the FTC declined to comment.
- Maureen Ohlhausen, a former FTC commissioner who was its acting head until April of last year, said criticism of the deal reflected more political battle lines around Facebook than any facts of the case.
- Privately, senior Facebook employees have argued that the allegations that sparked the FTC probe have left Facebook unfairly holding the bag for industrywide concerns about privacy, misinformation and behavioral advertising.
- The FTC probe began after disclosures last year that the owner of a quiz app scraped personal data on tens of millions of Facebook users and their friends, and shared it with political consulting firm Cambridge Analytica.
- After the Cambridge Analytica fiasco, Facebook also disclosed other missteps, including a hack last year that exposed millions of accounts.
- The company already has a privacy team that is supposed to vet all significant new products before their public rollout, and under a 2011 FTC consent decree it agreed to ongoing privacy audits by PricewaterhouseCoopers LLP.
- The roughly \$5 billion FTC fine is expected to cite violations of the earlier 2011 agreement. "
- Five billion is literally the cost of doing business," said Marc Rotenberg, head of the Electronic Privacy Information Center, which has long pushed for greater regulatory scrutiny of Facebook's privacy practices. "
- Concluding the FTC investigation won't end ongoing scrutiny of Facebook's past privacy missteps in both the U.S. and European Union.

Facebook Confronts Bipartisan Resistance to Cryptocurrency Plans

https://www.wsj.com/articles/facebook-says-libra-cryptocurrency-to-be-regulated-by-swiss-financial-authorities-11563208951?st=diqy2p27swn8rai&reflink=desktopwebshare_permalink

Updated July 16, 2019 at 10:14 am ET

- The Trump administration raised national security concerns about Facebook Inc.'s plans to launch a cryptocurrency as a growing chorus of U.S. and international officials voiced resistance to the tech giant operating its own digital money. "
- This is indeed a national security issue," Treasury Secretary Steven Mnuchin said in remarks at a Monday news briefing.
- Mr. Mnuchin's remarks came one day before Facebook executive David Marcus is set to take the hot seat in a Senate Banking Committee hearing.
- Facebook said its digital money would never compete with national currencies or undermine the role of central banks. On Monday, U.S. regulators and policy makers indicated to the social-media giant that to move forward it would need to adapt to the old system—a panoply of regulations governing risks such as money laundering, terrorism financing and evasions of sanctions.
- Some European officials have worried that Libra could undermine sovereign currencies and the power of the European Central Bank, potentially creating financial instability in a crisis.
- Germany's finance ministry, in an internal paper, said the government should work on ways to prevent Libra from becoming a full alternative to the euro, according to a senior government official.
- Some Democratic lawmakers have called on Facebook to suspend work on Libra until Washington is satisfied with the oversight regime.

- Libra's top regulator would be the Swiss Financial Markets Supervisory Authority, Mr. Marcus said, because the group in charge of the project will be based in Geneva.
- The group includes 28 companies, including Mastercard Inc. and eBay Inc., showing that Facebook wouldn't control Libra after it is off the ground.
- The cryptocurrency's main purpose is to enable people to use and transfer money around the globe more cheaply than current options allow, Facebook said.
- Libra isn't an investment, Mr. Marcus also said. "
- If Libra isn't an investment, it would be free from oversight by the Securities and Exchange Commission.

Facebook Can't Move Fast and Break Currency

https://www.wsj.com/articles/facebook-cant-move-fast-and-break-currency-11563361381?st=2pyvafdljtjs9i4&reflink=desktopwebshare_permalink

July 17, 2019 at 7:03 am ET

- At Tuesday's Senate Banking Committee hearing on Facebook's Libra, Sen. Sherrod Brown (D., Ohio) likened the social-media giant to a "toddler who has gotten his hands on a book of matches."
- Still, facing regulatory scrutiny and antitrust investigations, Facebook's shares have climbed 55% this year.
- Despite the promise of what could be a second significant new business for a company that derives 99% of its revenue from advertising, Libra is facing skepticism from potential consumers, regulators and even some financial backers.
- It isn't clear whether consumers are even interested in the new cryptocurrency.
- cryptocurrency is in developing markets, where 1.7 billion adults lack access to traditional banks.
- Still, MoffettNathanson suggests regulatory barriers will likely be the strongest in those very countries.
- Treasury Secretary Steven Mnuchin in a Monday news briefing cited cryptocurrency's history of bad actors, which could lead to national-security issues where Libra is concerned.
- Tuesday's hearing of the Senate Banking Committee will be followed by a Wednesday House Financial Services Committee hearing to examine Libra's viability.
- Group of Seven finance ministers will discuss risks posed by Libra and other cryptocurrencies this week, The Wall Street Journal has reported.
- Analysts at MoffettNathanson were even more conservative, pegging Libra's chance of day-to-day use in just 10 countries in five to eight years at less than 20%.

★● Facebook Settlement Requires Mark Zuckerberg to Certify Privacy Protections

https://www.wsj.com/articles/facebook-settlement-requires-mark-zuckerberg-to-certify-compliance-11563923987?st=bewzauvzmqab9l&reflink=desktopwebshare_permalink

Updated July 23, 2019 at 8:32 pm ET

- Facebook Inc. CEO Mark Zuckerberg will have to personally certify that the company is taking steps to protect consumer privacy under a settlement expected to be announced with the Federal Trade Commission on Wednesday, a person familiar with the matter said.
- The deal includes a requirement that Mr. Zuckerberg make the certification to the FTC quarterly based on his personal knowledge, the person said.
- Another person familiar with the matter said Mr. Zuckerberg will have to certify that Facebook has privacy controls in place.
- The Wall Street Journal has previously reported that the settlement includes a roughly \$5 billion fine for Facebook and other requirements around how Facebook treats users' privacy.
- Facebook doesn't admit or deny guilt for previous privacy missteps as part of the deal, according to people familiar with the matter.
- Mr. Zuckerberg wasn't personally interviewed by the FTC as part of its probe, a person familiar with the matter said.

- The company is also expected to create a new board committee focused on privacy, to help bolster senior-level scrutiny of the issue at the firm.
- Just this week, the FTC took action against Equifax Inc. over a massive data breach affecting tens of millions of Americans.
- The FTC is expected soon to settle another high-profile case against Alphabet Inc. unit YouTube over alleged violations of children's online privacy rights.
- The FTC's Facebook settlement—which already has been widely panned by privacy advocates—could further fuel the calls for greater antitrust scrutiny of big tech.

★ Facebook Expected to Settle SEC Claims of Inadequate Disclosures Over Privacy Practices

https://www.wsj.com/articles/facebook-expected-to-settle-sec-claims-of-inadequate-disclosures-over-privacy-practices-11563933513?st=8duepgiuwl3gv62&reflink=desktopwebshare_permalink

Updated July 23, 2019 at 10:16 pm ET

- The Securities and Exchange Commission is expected to announce a settlement with Facebook Inc. on Wednesday related to claims it inadequately disclosed risks involving its privacy practices, a person familiar with the matter said.
- The settlement, which is expected to include a fine larger than \$100 million, focuses on allegations the social-media company insufficiently warned investors that developers and other third parties may have obtained users' data without their permission or in violation of Facebook policies, the person said.
- The SEC began probing Facebook after revelations that Cambridge Analytica, a data-analytics firm that had ties to President Trump's 2016 campaign, got access to information on millions of Facebook users.
- The likely SEC settlement coincides with an expected Federal Trade Commission settlement with Facebook as soon as this week that includes a roughly \$5 billion fine related to its privacy practices, The Wall Street Journal previously reported.

Investors Put Facebook's Privacy Issues in Rearview Mirror

https://www.wsj.com/articles/investors-put-facebooks-privacy-issues-in-rearview-mirror-11563996761?st=dlh4r365t9s596e&reflink=desktopwebshare_permalink

Updated July 24, 2019 at 5:11 pm ET

- The social-networking giant, which has come under scrutiny for its privacy practices, said Wednesday that it agreed to pay a \$5 billion fine over a long-running probe into the company's security issues.
- Nevertheless, investors are still bullish on Facebook.
- Shares of the company have rallied 56% so far in 2019, a sharp reversal after mounting privacy fears battered the stock last summer.
- The stock rose 1.1% on Wednesday to close at \$204.66 after Facebook's settlement announcement.
- One reason why: Investors are still optimistic on Facebook's advertising business. Last month, the company said it is ramping up its [global advertising spending](#) as it aims to rebuild trust with consumers. The move, according to Facebook marketing chief Antonio Lucio, could more than double the company's advertising spending.
- "As long as there's a great return on investment for these advertisers, they're going to continue to spend money on Facebook's platform," said Carter Henderson, portfolio specialist and director of institutional development at Fort Pitt Capital Group. "A lot of the public probably doesn't trust Facebook yet, but investors are ready to move on from the security breaches, looking for future growth."

★ Facebook Settlement Vindicates Consumer Privacy

https://www.wsj.com/articles/facebook-settlement-vindicates-consumer-privacy-11564008019?st=jg2q7l2p59pav2l&reflink=desktopwebshare_permalink

July 24, 2019 at 6:40 pm ET

- In its 2012 consent order with the FTC, Facebook promised not to misrepresent how it shared user data with third parties and how users could control that data-sharing.
- Finally, Facebook violated the FTC Act by deceiving consumers about its use of phone numbers, which were ostensibly collected for security purposes but in fact also used for advertising.
- It forces Facebook to pay a historic fine and change fundamentally its approach to privacy.
- The \$5 billion penalty Facebook must pay to U.S. taxpayers is the largest privacy fine in history.
- First, the order requires Mark Zuckerberg and other executives to certify Appeared in the July 25, 2019, print edition as 'Facebook Settlement Vindicates Consumer Privacy'.
- personally, on pain of civil and criminal penalty, Facebook's compliance with its privacy program—the privacy equivalent of the accounting obligations Congress imposed on CEOs following early-2000s financial frauds like Enron and WorldCom.
- Second, Facebook must create a new, independent privacy committee on its board of directors.
- Third, the settlement imposes substantial new obligations on Facebook for protecting consumer privacy.
- It sets new limits on Facebook's sharing user data with third parties.
- assessor and the FTC.
- We must approve the assessor and can terminate him if he fails to live up to the task.
- Today's settlement addresses directly the violations we found, penalizing Facebook in a historic fashion and forcing it to confront privacy in a dramatic new way.
- Still, not everyone will be satisfied, perhaps because the settlement does not address Facebook's size, or the role social media plays in American elections, or Mr. Zuckerberg's role at the company, or Facebook's business of selling targeted advertising.
- But the FTC is a law-enforcement agency, not a legislature.
- This settlement was meant to resolve Facebook's violation of its 2012 commitments and its deception of consumers.
- We penalized Facebook for its deceit and imposed far-reaching reforms that make it less likely that such deceit can happen again.
- In all likelihood, the settlement will accomplish far more, far sooner, than could have been achieved through litigation.
- In the meantime, the settlement sends a powerful message about the importance of privacy.
- The cost of privacy violations like Facebook's just increased dramatically.

★ Facebook's Privacy Penalty

https://www.wsj.com/articles/facebook-privacy-penalty-11564009934?st=hbntb85wec667x3&reflink=desktopwebshare_permalink

July 24, 2019 at 7:12 pm ET

- That's the debate over the \$5 billion settlement announced Wednesday between Facebook and the Federal Trade Commission for privacy violations.
- The FTC's 50-page complaint details how Facebook violated a 2012 consent decree that barred the company from misrepresenting the extent to which consumers could control their privacy and how the company shared data with third-party apps.
- The complaint says Facebook claimed it would punish developers who violated its privacy policies, but it offered more access to user data to advertisers who spent more than \$250,000.
- **In sum, Facebook promised a false sense of data security so it could keep monetizing user data.**
- There's no evidence in the complaint that CEO Mark Zuckerberg, other executives or Facebook's board knew about the violations, which is why the FTC is also now requiring Facebook to create a stricter compliance regime.
- Under the settlement, Facebook will have to "establish, implement, and maintain a comprehensive data security program," encrypt user passwords, and obtain affirmative consent for facial recognition, among other requirements.
- Mr. Zuckerberg and Facebook's monitors will have to certify to the FTC every quarter that the company is complying.

- Facebook will essentially be under government privacy supervision for the next 20 years.
- But the highest civil penalty a federal court has awarded in a FTC consumer-protection case was \$168 million.
- The two Democratic Commissioners voted against the settlement because it doesn't limit Facebook's ability to collect data.

Facebook Penalty Sends Message to Big Tech

https://www.wsj.com/articles/facebook-agrees-to-pay-5-billion-in-ftc-settlement-11563971400?st=81zgh6mquvohri7&reflink=desktopwebshare_permalink

Updated July 24, 2019 at 8:31 pm ET

- The record \$5 billion fine and oversight conditions federal regulators imposed on Facebook Inc. for privacy violations put Big Tech on notice that any company failing to protect consumer information may now face greater legal risks than previously.
- The penalty against Facebook, approved on a 3-2 vote by the Federal Trade Commission, expands potential liability for the social-media giant's chief executive, Mark Zuckerberg, and restructures the company's board of directors to boost its oversight of privacy practices.
- While critics dismissed the financial penalty as a wrist-slap for Facebook—which reported second-quarter revenue of \$16.9 billion Wednesday—the structural changes imposed by the commission are now likely to be seen as a measuring stick for other companies. "
- Mr. Zuckerberg said he hopes the FTC-imposed mandates on Facebook would "set a completely new standard for our industry."
- Facebook agreed to the settlement after a year-long FTC investigation found the company had repeatedly used deceptive disclosures and account settings to lure users into sharing personal information, undermining their actual privacy preferences.
- Sources: FTC (Facebook, Google); sta\$ reports Big Checks Facebook's fine is the biggest ever levied against a tech company by U.S. regulators but other industries have reached larger settlements.
- The Facebook penalties are "a message to [other companies] that if you get yourself in Facebook's position, this is what you'll get," FTC Chairman Joe Simons told reporters following the announcement. "
- Sen. Josh Hawley (R., Mo.), a Big Tech critic, said on Twitter that the settlement "does nothing to change Facebook's creepy surveillance of its own users & the misuse of user data." "
- Facebook paid the FTC \$5B for a letter that says 'You never again have to create mechanisms that could facilitate competition,'" former Facebook security chief Alex Stamos said on Twitter.
- The Justice Department—which shares antitrust enforcement authority with the FTC—said this week it is opening a broad new review examining whether dominant technology firms are unlawfully stifling competition.
- Under the settlement, Mr. Zuckerberg will be required to certify that the company is complying with new privacy strictures, and face civil and criminal penalties for false statements.
- Facebook's board will create a new committee to more closely monitor the company's privacy practices, and independent directors will have more say over new members.
- While FTC officials wanted to use the case to Appeared in the July 25, 2019, print edition as 'Penalty Sends Message to Other Tech Companies Facebook's Fine Sends a Message To Big Tech Facebook Fine Sends Big Tech a Message'.
- set an example, they also made clear they saw Facebook's actions as distinctly unacceptable.
- The Securities and Exchange Commission announced separately on Wednesday a settlement with Facebook— including a \$100 million fine—over claims it misled investors about the misuse of customer data.
- The federal probes began more than a year ago after disclosures that data on tens of millions of Facebook users had been improperly transferred to a political data-analytics firm, Cambridge Analytica, that did work for Donald Trump's 2016 presidential campaign.
- The FTC and SEC both filed complaints in federal court detailing the results of their investigations, which Facebook agreed to settle without admitting or denying.

- The problems weren't a secret inside Facebook, regulators said. As early as September 2015, some employees raised alarms about Cambridge Analytica's practices and asked for an internal investigation into whether it was "scraping" user data, the SEC said.
- Over time, more than 30 employees became aware of the data firm's actions, yet Facebook made only generic disclosures to investors in 2016 and 2017 about theoretical data-privacy risks, and told journalists it hadn't uncovered any indications of wrongdoing, the SEC said.

★● Facebook Posts Strong Earnings, Revenue Growth

https://www.wsj.com/articles/facebook-posts-strong-earnings-revenue-growth-11563999791?st=fxk5z6tb0lss7zg&reflink=desktopwebshare_permalink

Updated July 24, 2019 at 9:24 pm ET

- The tech giant earned \$16.9 billion in revenue, up 28% from a year ago.
- The company posted \$2.6 billion in profit, or \$0.91 a share, reflecting a one-time \$2 billion charge as part of its \$5 billion settlement with the Federal Trade Commission announced earlier on Wednesday, and an accounting change regarding tax deductions for stock-based compensation.
- Yet even as Facebook resolved one major federal probe, it disclosed the existence of another: an FTC antitrust review that the company said began in June.
- The tech giant's stock has risen 56% since the beginning of the year, despite a pile of regulatory and legal challenges and a skeptical reception for its plans to develop a global cryptocurrency called Libra.
- Facebook shares climbed more than 3% in after-hours trading Wednesday before dropping slightly.
- The FTC settlement puts new guardrails around the company's management and how it approaches privacy but doesn't severely curtail Facebook's data-collection or ability to sell ads based on it.
- The pact keeps Mr. Zuckerberg's power over the company largely intact, while requiring the board to keep closer watch on privacy matters.
- Facebook now has a clear path forward, Mr. Zuckerberg said. "
- Even with the negative publicity and restrictions related to Europe's new privacy law, Facebook continues to grow at twice the rate of global internet advertising, said analyst Mark Mahaney of RBC Capital Markets.
- "For Facebook, I won't treat it as a recurring expense until it becomes one."
- The idea that paying billions in fines is merely the cost of doing business for a tech giant is precisely what animated many critics of the Facebook settlement, who said it didn't go far enough to enact changes to the business.
- The earnings report demonstrated continued growth in Facebook's "blue" app, its oldest and largest product.
- The company said 1.59 billion accounts used Facebook daily, up 8% over the 1.56 billion reporter last quarter, with 2.41 billion accessing Facebook on a monthly basis—also up 8%.
- Some of the risks around Facebook's rocky trajectory were evident in its introduction of Libra, a new cryptocurrency aimed at average consumers.

Facebook's Zuckerberg Backs Privacy Legislation

https://www.wsj.com/articles/facebook-zuckerberg-backs-privacy-legislation-11561589798?st=r10u6y5gl1eufcr&reflink=desktopwebshare_permalink

Updated June 26, 2019 at 7:54 pm ET

- Mark Zuckerberg, chief executive and co-founder of Facebook Inc., endorsed federal privacy legislation and greater regulation of political advertising, even as he cast governments as too slow to address many of the internet's thorniest problems.
- In an appearance at the Aspen Ideas Festival in Colorado on Wednesday, Mr. Zuckerberg said the company was racing to solve problems such as misinformation and how best to police online content.
- Mr. Zuckerberg's remarks, among his most expansive yet about the challenges facing his company and the tech industry, came hours after the White House dialed up its criticism of Silicon Valley and called for a social-media summit on July 11 to have "a robust conversation" about the responsibility of online platforms.

- Also on Wednesday, in an illustration of the intensity surrounding this debate, Reddit Inc. quarantined a pro-Trump user group on its platform after it said members threatened violence against both law-enforcement officers and public officials.
- Mr. Zuckerberg's calls for more regulation come as the social-media company is bracing for an expected multibillion-dollar fine from the Federal Trade Commission over its privacy lapses, and along with other tech giants is preparing to be the subject of antitrust scrutiny.
- Mr. Zuckerberg also addressed the criticism that his company's acquisitions of Instagram and WhatsApp hindered competition, with some arguing that they should be unwound.
- Since the 2016 U.S. election, he said, Facebook and other platforms have done a better job of preventing foreign interference. "
- Mr. Zuckerberg said he thought the Honest Ads Act would be a "good floor" for regulation.
- Last year, Facebook unveiled an archive for political ads purchased on the platform with some details about the buyers.
- Mr. Zuckerberg said Facebook is currently evaluating its policy on "deep fakes," or videos that have been digitally manipulated in misleading ways.
- Last month, House Speaker Nancy Pelosi (D., Calif.) slammed Facebook for refusing to take down a doctored video of her that was slowed down to make her appear to slur her words.
- Mr. Zuckerberg said Facebook needed to develop rules precise enough to be followed by its army of content moderators. "
- Those issues are likely to be discussed at a summit announced by the White House shortly after President Trump said in an interview on Fox Business Network that online giants such as Google and Facebook are "trying to rig the election," while Twitter is making it harder for users to follow him.
- The companies generally have denied accusations that they try to suppress conservative speech online.

● Facebook Watch Draws More Advertisers—Gradually

https://www.wsj.com/articles/facebook-watch-draws-more-advertisersgradually-11564394400?st=oend99jwzkdcdwo&reflink=desktopwebshare_permalink

Updated July 29, 2019 1:02 pm ET

- Advertisers are beginning to direct more money toward Facebook Watch, but the video-viewing platform remains far behind YouTube in revenue and audience.
- Facebook Inc. built Watch to lure more video advertising with professionally produced shows such as Jada Pinkett Smith's "Red Table Talk" and MTV's reboot of "The Real World."
- Facebook also lets users upload videos that can appear on Watch and, if approved by the company, make money from ads.
- A Facebook spokeswoman declined to comment on video ad revenue for Facebook Watch.
- One senior media buyer, who oversees more than \$350 million in marketer ad spending each year, said he plans to spend at least \$1 million this year on ads inside Watch.
- It will be part of a bigger deal the buyer has signed with Facebook to spend more than \$10 million on Facebook video ads in 2019, up 50%, the buyer said.
- There are multiple ways to buy video ads on Facebook.
- Facebook launched its Watch video-viewing platform in 2017.
- users globally who spend at least one minute on Watch, up from 400 million in December.
- By comparison, YouTube said in May that it had 2 billion monthly users, up from 1.9 billion last summer.
- Rather, some marketers are comparing Watch favorably to other parts of Facebook.
- Facebook this spring started seeking so-called upfront deals for its in-stream video ads, meaning advertisers could reserve chunks of inventory ahead of time instead of buying on an as-needed basis.
- Facebook was seeking commitments of at least \$500,000 for upfront deals, one media buyer said.
- Even with the inroads, Facebook Watch is a shadow of YouTube, which will generate \$18 billion in net revenue this year, according to an estimate from Needham & Co. analyst Laura Martin.

★● For Facebook and Alphabet, Big-Ticket Fines Cause Limited Pain

https://www.wsj.com/articles/for-facebook-and-alphabet-big-ticket-fines-cause-limited-pain-11564498156?st=I90725io9xquxq1&reflink=desktopwebshare_permalink

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- The Federal Trade Commission recently fined Facebook \$5 billion to settle allegations that the company violated a 2012 order from the agency by deceiving users about the privacy of their data.
- The penalty is equivalent to about 16% of the company's 2018 operating expenses, the day-to-day cost of running the business.
- Facebook reported holding about \$13.9 billion in cash and equivalents at the end of June, plus \$34.7 billion in marketable securities.
- A Facebook spokeswoman declined to comment about the settlements, and the company agreed to settle the FTC and SEC investigations without admitting or denying guilt.
- Financial penalties typically are meant to discourage further misbehavior or make victims whole, said Nell Minow, vice chair of ValueEdge Advisors, a corporate-governance consulting firm for investors. "
- FTC Chairman Joe Simons called the \$5 billion Facebook fine significant compared with prior U.S. and global privacy penalties. "
- This spring, European antitrust regulators fined Google \$1.7 billion amid allegations that the search engine prevented rivals' ads from displaying on some webpages.
- The total amounts to 1.5% of Alphabet's 2018 operating expenses, or less than a week's worth.
- And a June 2017 fine of \$2.7 billion by EU antitrust regulators, over Google's comparison-shopping service, was the equivalent of 12 days' worth.
- An Alphabet spokeswoman declined to comment.
- This spring, Alphabet stressed its cooperation with European regulators and said it would let Android users in Europe choose which browser and search apps they use.
- At the time of the earlier European penalties, Alphabet said the decisions ignored competition between its Android operating system and Apple's iOS and underestimated the value users get from its shopping ads.
- For both Facebook and Alphabet, the penalties are smaller when measured against the total value of the companies, rather than annual operating expenses.
- Alphabet's \$9.4 billion in EU fines equate to about 1.1% of its recent market capitalization, which is \$860 billion based on Monday's closing share price, and about 4.9% of its stockholders' equity as of June 30.