

MEMORANDUM

DATE: January 7, 2023

TO: Lemuel Brewster

FROM: Jennifer-Lyn Youberg

SUBJECT: A.G. Schneiderman and Thomson Reuters

In July 2013, Attorney General Eric Schneiderman announced an investigation into early data releases involving Thomson Reuters. This investigation stems from a report and a lawsuit from a former Reuters employee who was fired for being a whistleblower.

Schneiderman wanted to investigate whether Thomson Reuters violated the Martin Act. In collaboration with the Investor Protection Bureau, the Attorney General can conduct investigations and bring forth civil and criminal actions.

This posed a risk for Thomson Reuters, which gives high-frequency traders information about investments using early data releases.

In June 2013, a month before the investigation, Reuters reported a 15-millisecond head start in early data releases that go to high-frequency traders, producing \$28 million in trades. This was one of the catalysts that pushed Schneiderman into investigating Reuters.

Thomson Reuters' response to the minor clock synchronization is effective because it was simple, straight to the point, and pointed out that "We are taking measures to minimize clock synchronization issues in order to ensure that release of data is as close as possible...."

This response is also ineffective because it causes hesitancy among non-high-frequency traders who rely on Reuters for market information. It also prompted investigations into Reuters, which found that the millisecond head start was greater than 15.

Reuters could be transparent with its consumers and the public, but these vague responses about its honesty reflect the validity of the whistle-blower who was fired.

Schneiderman's PR campaign about Reuters was an effective one because he became known for using the Martin Act frequently to ensure that the promotion of fairness and "avoiding distortions in the securities markets is an important focus of this office."

This notoriety that was bestowed upon him made this PR campaign as effective as it should be. He also pointed out that the two-second advantages given to HFTs are significant and can prompt an unfair competitive advantage.

In the press release published after the Attorney General announced the investigation, Lemuel Brewster, the spokesperson for Thomson Reuters, released a statement about the suspension of early data releases.

“It is widely understood that news and information companies compete for exclusive news and differentiated content to help their customers make better informed trading and investment decisions.”

His response was well-crafted and relieved its consumer base and non-consumers who worried about the competitive advantage that HFTs might have.

In retrospect, this response also might push consumers away from Reuters, who would have to access certain information behind a paywall that chooses not to pay for their services.

While the distinction between paid and non-paid services is essential, it shouldn't necessarily be the main focus of contention for the suspension of early released data.

Reuter's well-crafted press release didn't instill confidence in Thomson Reuter's clients, who relied daily on the timely press release statements. They also never spoke further about the clients and the University of Michigan, who paid monthly fees for this extra time.

In conclusion, Schneiderman did what he set out to do once he was elected Attorney General for New York State: to prosecute financial crimes utilizing the Martin Act to protect investors and the public from being defrauded by financial giants.

Reuters put out an effective response that can persuade people to trust their services and their ability; however, the damage was done, and it caused their reputation to take a hit.

Both PR campaigns were effective due to their consistent communication with the public and well-crafted press releases; however, there wasn't any concluding information about the investigation from both sides, which left people with their thoughts.

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