

## Regulatory Shocker On Social Media In Banking Coming Soon

January 23, 2013

**Regulators in the US have issued a draft of proposed guidelines governing social media use by banks and credit unions — everything from Twitter to FarmVille. The bottom line? You'll need to have a formal written strategy, monitor social mentions and yes... even measure ROI.**

The Federal Financial Institutions Examination Council (FFIEC) has released proposed guidance on policies concerning social media usage by banks, savings associations and credit unions.

The FFIEC says the use of social media by financial institutions to attract and interact with customers can affect their risk profile. The FFIEC policy document outlines the potential consumer compliance, legal, privacy, reputational and operational risks associated social media, along with guidelines for how those risks should be managed.

The FFIEC considers “social media” to include any form of interactive online communication in which users can generate and share content through text, images, audio and/or video — including, but not limited to, micro-blogging sites (e.g., Facebook, Google Plus, MySpace, and Twitter); forums, blogs, customer review web sites and bulletin boards (e.g., Yelp); photo and video sites (e.g., Flickr and YouTube); sites that enable professional networking (e.g., LinkedIn); virtual worlds (e.g., Second Life); and social games (e.g., FarmVille).

The FFIEC says every financial institution’s social media plan should be designed with participation from compliance, IT, information security, legal, human resources and marketing. The size and complexity of each financial institution’s plan would be dependent on the scale of their involvement in social media.

The guidelines suggest even financial institutions that aren’t currently engaged in social channels might be required to have a plan in place: “A financial institution that has chosen not to use social media should still be prepared to address the potential for negative comments or complaints that may arise within social media platforms, and provide guidance for employee use of social media.”

In other words, the FFIEC wants *all* banks and credit unions to be prepared for the (inevitable) negative feedback they will (eventually) encounter somewhere in the online social sphere.

MORE

## Regulatory Shocker On Social Media In Banking Coming Soon

Page Two of Two

### So What Are the Specifics?

Here's how the FFIEC proposes financial institutions should manage social media risks. The components of the plan include:

**Social Media Strategy Now Required** – A governance structure with clear roles and responsibilities whereby the board of directors and/or senior management spell out how use of social media contributes to the strategic goals of the institution, while also spelling out what kind of controls will be put in place, and how ongoing social media risks will be assessed.

**Regular Reporting of ROI** – The FFIEC is calling for regular reports to the financial institution's board of directors and/or senior management, "enabling a periodic evaluation of the effectiveness of the social media program and whether the program is achieving its stated objectives." Sounds like financial marketers will have to start tracking social media's ROI.

**Monitoring of Social Channels Mandated** – The FFIEC is calling for all financial institutions to have an oversight process for monitoring information posted to social media sites administered by the financial institution or a contracted third party.

**Put Formal Social Media Policies & Procedures in Place** – All financial institutions need to implement policies regarding the use and monitoring of social media, and compliance with all applicable consumer protection laws. Social media policies should incorporate procedures addressing risks from online postings, edits and replies.

**Tightly Manage Third-Party Vendors to Ensure Customers Are Protected** – Customer privacy and security of their financial data are a top concern. Financial institutions working with third-party social media vendors will be required to manage those relationships within defined parameters to ensure compliance with all regulations.

**You Have to Tell Employees What's Okay and What's Not** – Banks and credit unions will need an employee training program that incorporates the institution's policies and procedures for official, work-related use of social media, and potentially for other uses of social media, including defining impermissible activities.

**Compliance Protocols** – Audit and compliance functions to ensure ongoing compliance with internal policies and all applicable laws, regulations, and guidance.