

Be aware of social media violations – secure your firm

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We live in an era characterised by significant reliance on electronic communication. The more the automation, the more the risks involved in today's methods of communication – via email, voice calls, text messages or social media. Of these channels, the most powerful is social media. Some popular social media sites in the market are LinkedIn, Twitter, WeChat, Facebook, Snapchat and many more.

The days when social media attracted only teenagers are no more; even in the field of business, it is becoming a vital marketing tool, offering significant opportunities. Social media has become the fastest method of reaching the public. Consequently, every industry uses social media as its main advertisement channel. Investing in social media helps a company gain visibility. It brings new opportunities, potential customers and significant return on investment.

This blog identifies the uses of social media and policies and guidelines that govern its use in the workplace, mainly in asset management companies.

Investors and financial service professionals are increasingly leveraging social media to advance their business interests. However, it also has several drawbacks about which many countries have started education and awareness programmes.

The general public tends to believe information available on social media, and the regulatory bodies have, therefore, compiled policies to govern its use. From a compliance standpoint, however, expanding a corporate's social media presence also exposes it to potential new risks. Negative exposure could result in damage to the reputation of a business or brand and possible compliance violations.

Although social media is a new medium, there are many rules and guidelines governing communication with the public. These guidelines protect investors from false and misleading claims, exaggerated statements and material omissions, and protect firms from damage to their reputations and penalties.

Some regulatory bodies governing asset managers' social media promotions are:

- US: FINRA – Financial Industry Regulatory Authority and the SEC – U.S. Securities and Exchange Commission
 - UK: FCA – Financial Conduct Authority
 - Germany: BaFin – Federal Financial Supervisory Authority
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- France: AMF – Autorité des marchés financiers (Financial Markets Regulator)
- Singapore: MAS – Monetary Authority of Singapore
- Hong Kong: SFC – Securities and Futures Commission

Compliance review and approval to post any communication

The Compliance Team must approve all or most of the static content (meaning any content that can be delivered to an end user without having to be generated, modified, or processed) posted on social media. Furthermore, firms need to archive all business communication posted on social media, and the Compliance Team needs to monitor all interactive communication after content is posted.

Social media activities that firms should refrain from

- Discussing customer information or engaging in political discourse
- Spreading disinformation or pitching for funds
- Sharing internal documents
- Not responding to customer complaints
- Discussing performance of company products

Compliance guidelines that a company should follow when using social media for business purposes

- The company's page should be registered for business activity on social media
 - A list of employees who can communicate on social media as representatives of the firm should be compiled
 - The Compliance Team should educate these employees on dos and don'ts
 - The communications on social media (including posts, comments, likes, shares and other inbound and outbound messages) should be monitored by building an appropriate system (either in-house or outsourced)
 - The system should be able to flag violations and non-compliance automatically
 - The Compliance Team should review flagged and non-flagged items
 - The system should also have supervisory features such as the ability to review, approve, flag, share and escalate all activity
 - The Compliance Team must list action to be taken for non-compliance and subsequently document all findings and corrective action taken
 - If a firm is prohibited from using social media, its employees are also to refrain from using it
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- Audit reviews must show that a company adheres to compliance policies

Conclusion

Social media creates significant business opportunities for asset managers through promotion and exposure. However, it could also expose them to substantial reputational risk and penalties. Hence, it is imperative that establishments monitor their social media activity.

Compliance is everyone's job – not just a compliance officer's" – Steve Cutler, **#FinraAC**

How Acuity Knowledge Partners can help

Acuity Knowledge Partners has been providing compliance services to global asset management companies for the past 10+ years. Our experts can track and audit your company's social media incidents and mitigate risk. In this fast growing world, we must use the upgraded technology to safeguard the companies and Acuity does it. Acuity Compliance keeps an eye on each incident flagged in the system and escalates it whenever it is necessary. Quicker actions always helps to mitigate the risk and which can be done at Acuity.

Sources

https://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-17-18.pdf

https://www.finra.org/sites/default/files/2018_SRMF_Social_Media.pdf

<https://www.finra.org/rules-guidance/key-topics/social-media>

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