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What the Proposed Social Media Guidance Means to You

FFIEC Proposal Would Make Social Media Risk Programs More Important Than Ever

Social media risk is the subject of the proposed guidance "[Social Media: Consumer Compliance Risk Management Guidance](#)," which the Federal Financial Institutions Examination Council (FFIEC) released for comment on Jan. 17, 2013. Under the guidance, a financial institution supervised by an FFIEC member agency would be required to "effectively assess and manage risks associated with activities conducted via social media" – that is, to develop and audit a social media risk management program.

What Is Social Media?

In the proposal, the FFIEC offers a broad and generic definition of social media: "a form of interactive online communication in which users can generate and share content through text, images, audio, and/or video." The FFIEC goes on to state:

Social media can take many forms, 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 and CityVille).

Elements of a Program

If the proposed guidance is approved, each supervised financial institution would be responsible for having a risk management program that allows the organization to identify, measure, monitor, and control the risks related to social media.

Complying with the guidance would require a bank to develop the components essential to any effective social risk management program, including:

- A corporate governance structure related to social media
- Policies and procedures regarding social media, including monitoring it and complying with related consumer protection laws, regulations, and guidance
- A due diligence process for selecting and managing relationships with third-party providers of social media services
- Social media training for employees
- A process to provide oversight and monitoring of social media websites
- Audit and compliance functions
- A program to confirm the effectiveness of the social media program

Beyond Banks

As social media use grows and evolves, every organization, whether a financial institution or not, should think through its related risks – starting with identifying the ways individual employees and various departments and functions of the organization currently use social media.¹

Comments on the FFIEC's proposed guidance are due March 25, 2013.

For More Information

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¹ For more information about mitigating social media risks, see Raj Chaudhary, Jill Frisby-Czerwinski, and Erika L. Del Giudice, "Social Media Uncovered: Mitigating Risks in an Era of Social Networking," a Crowe Horwath LLP white paper, July 2011, <http://www.crowehorwath.com/ContentDetails.aspx?id=2620>