



Thursday, December 12, 2013

Social Media: Consumer Compliance Risk Management Guidance

On December 11, 2013, the Federal Financial Institutions Examination Council (FFIEC) released final guidance ("Guidance") on the applicability of consumer protection and compliance laws, regulations, and policies to activities conducted via social media by banks, savings associations, and credit unions, as well as nonbank entities supervised by the Consumer Financial Protection Bureau (collectively, "financial institutions"). The Guidance was issued final on behalf of the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB) (collectively, the "Agencies"), and the State Liaison Committee (SLC).

The Guidance is intended to help financial institutions understand potential consumer compliance and legal risks, as well as related risks, such as reputation and operational risks associated with the use of social media, along with expectations for managing those risks. It also provides considerations that financial institutions may find useful in conducting risk assessments and crafting and evaluating policies and procedures regarding social media. Although this Guidance does not impose any new requirements on financial institutions, as with any process or product channel, financial institutions are expected to manage potential risks associated with social media usage and access.

The Final Rule is meant to highlight and manage potential risks to financial institutions and consumers; however, financial institutions should ensure their risk management programs provide oversight and controls commensurate with the risks presented by the types of social media in which the financial institution is engaged, including, but not limited to, the risks outlined within the Guidance.

In this article, I will set forth an outline of the Guidance along with suggestions to manage the risks associated with the use of social media.* I have also published an helpful article on this topic, entitled [Social Media and Networking Compliance](#), which may be downloaded from our Library.

WHAT IS SOCIAL MEDIA?

For purposes of the Guidance, messages sent via traditional email or text message, standing alone, do not constitute social media, although such communications may be subject to a number of laws and regulations discussed in the Guidance. However, messages sent through social media channels are social media. According to the Guidance, social media is considered to be a form of interactive online communication in which users can generate and share content through text, images, audio, and/or video. Social media can take many forms, including, but not limited to, micro-blogging sites; forums, blogs, customer review web sites and bulletin boards; photo and video sites; sites that enable professional networking; virtual worlds; and social games. Social media can be distinguished from other online media in that the communication tends to be more interactive.

RISK MANAGEMENT PROGRAM

The Guidance suggests that a financial institution should have a risk management program that allows it to identify, measure, monitor, and control the risks related to social media. The size and complexity of the risk management program should be commensurate with the breadth of the financial institution's involvement in this medium.

[Twitter](#) - [LinkedIn](#)

[DOWNLOAD THE ARTICLE](#)

[ALL ARTICLES](#)

[OUR WEBSITES](#)

[SUBSCRIBE](#)

[SUITE OF SERVICES](#)

VISITORS

86,350

POPULAR ARTICLES



LENDERS COMPLIANCE GROUP
CFPB's Final Rule: Ability-to-Repay and Qualified Mortgages

OUR WEBSITES



BROKERS COMPLIANCE GROUP
The Mini-Correspondent Channel: Pros and Cons



MORTGAGE COMPLIANCE FAQs
What is an Affiliate under the Qualified Mortgage rule?



MORTGAGE COMPLIANCE FORUM
Loan Originator Compensation: New Rules



CFPB FORUM
CFPB Toolbox - Update

For instance, a financial institution that relies heavily on social media to attract and acquire new customers should have a more detailed program than one using social media only to a very limited extent. An observation made in the Guidance, and worth noting, is though a financial institution's own risk assessment indicates that it has chosen not to use social media, nevertheless, it should "still consider the potential for negative comments or complaints that may arise within the many social media platforms", and, when appropriate, evaluate what, if any, action it will take to monitor for such comments and determine if a response is needed.

FEATURES OF A RISK MANAGEMENT PROGRAM

The risk management program should be designed with participation from specialists in compliance, technology, information security, legal, human resources, and marketing. Financial institutions should also provide guidance and training for employee official use of social media.

The Guidance stipulates at least seven components of a risk management program. These include, but are not limited to:

1. A governance structure with clear roles and responsibilities whereby the board of directors or senior management direct how using social media contributes to the strategic goals of the institution (for instance, through increasing brand awareness, product advertising, or researching new customer bases) and establishes controls and ongoing assessment of risk in social media activities;
2. Policies and procedures (either stand-alone or incorporated into other policies and procedures) regarding the use and monitoring of social media and compliance with all applicable consumer protection laws and regulations, and incorporation of guidance as appropriate. Further, policies and procedures should incorporate methodologies to address risks from online postings, edits, replies, and retention;
3. A risk management process for selecting and managing third-party relationships in connection with social media;
4. 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;
5. An oversight process for monitoring information posted to proprietary social media sites administered by the financial institution or a contracted third party;
6. Audit and compliance functions to ensure ongoing compliance with internal policies and all applicable laws and regulations, and incorporation of guidance as appropriate; and
7. Parameters for providing appropriate reporting to the financial institution's board of directors or senior management that enable periodic evaluation of the effectiveness of the social media program and whether the program is achieving its stated objectives.

WHAT ARE THE RISKS?

The use of social media to attract and interact with customers can impact a financial institution's risk profile, including:

- Risk of harm to consumers
- Compliance and legal risks
- Operational risks, and
- Reputation risks.

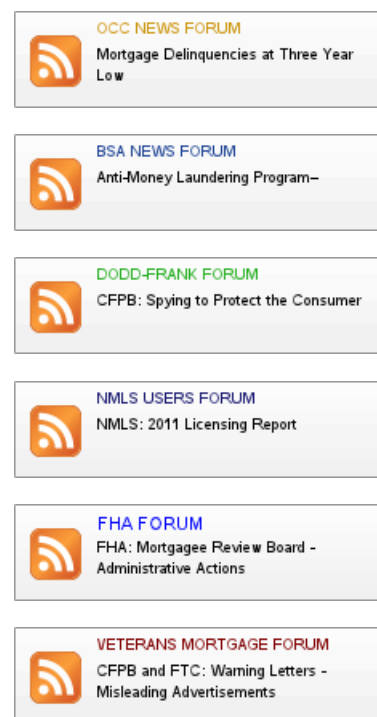
In our own reviews on behalf of our clients, we have found that the foregoing risks are increased due to poor due diligence, oversight, or control on the part of the financial institution.

Let us now give consideration to each of the Risk Areas, with respect to the risks posed by Social Media. Suggestions are emboldened in each synopsis.

COMPLIANCE AND LEGAL RISKS

Compliance and legal is best defined as the risk arising from the potential for violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.

These risks also arise in situations where the financial institution's policies and procedures



governing certain products or activities may not have kept pace with changes in the marketplace and technology. The potential for defamation or libel risk exists where there is broad distribution of information exchanges. Failure to adequately address these risks can expose an institution to enforcement actions and/or civil lawsuits.

The laws and regulations discussed in the Guidance do not contain exceptions regarding the use of social media. Therefore, **to the extent that a financial institution uses social media to engage in lending, deposit services, or payment activities, it must comply with applicable laws and regulations just as when it engages in these activities through other media.** Financial institutions should remain aware of developments involving such laws and regulations.

The following laws and regulations are stated in the Guidance and may be relevant to a financial institution's social media activities. This list is not meant to be all-inclusive. Each financial institution should ensure that it periodically evaluates and controls its use of social media to ensure compliance with all applicable federal, state, and local laws and regulations, and incorporation of guidance, as appropriate.

DEPOSIT AND LENDING PRODUCTS

Social media may be used to market products and originate new accounts. When used to do either, a financial institution is expected to take steps to ensure that advertising, account origination, and document retention are performed in compliance with applicable consumer protection and compliance laws and regulations.

These measures may include, but are not limited to:

Truth in Savings Act/Regulation DD and Part 707

The Truth in Savings Act (TISA), as implemented by Regulation DD, and, for credit unions, by Part 707 of the NCUA Rules and Regulations, imposes disclosure requirements designed to enable consumers to make informed decisions about deposit accounts. Regulation DD and Part 707 require disclosures about fees, annual percentage yield (APY), interest rate, and other terms. Under Regulation DD and Part 707, a depository institution may not advertise deposit accounts in a way that is misleading or inaccurate or misrepresents the depository institution's deposit contract.

If an electronic advertisement displays a triggering term, such as "bonus" or "APY," then Regulation DD and Part 707 require the advertisement to clearly state certain information, such as the minimum balance required to obtain the advertised APY or bonus. For example, an electronic advertisement can provide the required information via a link that directly takes the consumer to the additional information.

Fair Lending Laws: Equal Credit Opportunity Act/Regulation B and Fair Housing Act

A financial institution should ensure that its use of social media does not violate fair lending laws and regulations.

The Equal Credit Opportunity Act (ECOA), as implemented by Regulation B, prohibits creditors from making any oral or written statement, in advertising or other marketing techniques, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application. However, a creditor may affirmatively solicit or encourage members of traditionally disadvantaged groups to apply for credit, especially groups that might not normally seek credit from that creditor.

Creditors must **observe the time frames outlined under Regulation B for notifying applicants of the outcome of their applications or requesting additional information for incomplete applications, whether those applications are received via social media or through other channels.** As with all prescreened solicitations, a creditor must preserve prescreened solicitations disseminated through social media, as well as the prescreening criteria, in accordance with Regulation B.

The Fair Housing Act (FHA), among other things, prohibits discrimination based on race, color, national origin, religion, sex, familial status, or handicap in the sale and rental of housing, in mortgage lending, and in appraisals of residential real property. In addition, the FHA makes it unlawful to advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition applies to all advertising media, including social media sites. For example, **if a financial institution engages in residential mortgage lending and maintains a presence on Facebook, the Equal Housing Opportunity logo must be displayed on its Facebook page, as applicable.**

Truth in Lending Act/Regulation Z

Any social media communication in which a creditor advertises credit products must comply with Regulation Z's advertising provisions. Regulation Z broadly defines advertisements as any commercial messages that promote consumer credit, and the official commentary to Regulation Z states that the regulation's advertising rules apply to advertisements delivered electronically. In addition, Regulation Z is designed to promote the informed use of consumer credit by requiring disclosures about loan terms and costs. The disclosure requirements vary based on whether the credit is open-end or closed-end. Further, within those two broad categories, additional specific requirements apply to certain types of loans such as private education loans, home secured loans, and credit card accounts.

Regulation Z requires that advertisements relating to credit present certain information in a clear and conspicuous manner. It includes requirements regarding the proper disclosure of the annual percentage rate and other loan features. If an advertisement for credit states specific credit terms, it must state only those terms that actually are or will be arranged or offered by the creditor.

For electronic advertisements, such as those delivered via social media, Regulation Z permits providing the required information on a table or schedule that is located on a different page from the main advertisement if that table or schedule is clear and conspicuous and the advertisement clearly refers to the page or location.

Regulation Z requires that, for consumer loan applications taken electronically **the financial institution must provide the consumer with all Regulation Z disclosures within the required time frames. Regulation Z does not exempt applications taken via social media.**

Real Estate Settlement Procedures Act

Section 8 of the Real Estate Settlement Procedures Act (RESPA) prohibits certain activities in connection with federally related mortgage loans. These prohibitions include fee splitting, as well as giving or accepting a fee, kickback, or thing of value in exchange for referrals of settlement service business. **RESPA also has specific timing requirements for certain disclosures. These requirements apply to applications taken electronically, including via social media.**

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act (FDCPA) restricts how debt collectors (generally defined as third parties collecting others' debts and entities collecting debts on their own behalf if they use a different name) may collect debts. The FDCPA generally prohibits debt collectors from publicly disclosing that a consumer owes a debt. Using social media to inappropriately contact consumers, or their families and friends, may violate the restrictions on contacting consumers imposed by the FDCPA. **Communicating via social media in a manner that discloses the existence of a debt or to harass or embarrass consumers about their debts (i.e., a debt collector writing about a debt on a Facebook wall) or making false or misleading representations may violate the FDCPA.**

Unfair, Deceptive, or Abusive Acts or Practices

Section 5 of the Federal Trade Commission (FTC) Act prohibits "unfair or deceptive acts or practices in or affecting commerce." Sections 1031 and 1036 of the Dodd-Frank Wall Street Reform and Consumer Protection Act prohibit unfair, deceptive, or abusive acts or practices. An act or practice can be unfair, deceptive, or abusive despite technical compliance with other laws. A financial institution should not engage in any advertising or other practice via social media that could be deemed "unfair," "deceptive," or "abusive." Of course, any determination as to whether an act or practice engaged through social media is unfair, deceptive, or abusive, will necessarily be fact-specific. As with other forms of communication, **a financial institution should ensure that information it communicates on social media sites is accurate, consistent with other information delivered through electronic media, and not misleading.**

DEPOSIT INSURANCE AND SHARE INSURANCE

A number of requirements regarding FDIC or NCUA membership and deposit insurance or share insurance apply equally to advertising and other activities conducted via social media as they do in other contexts.

Advertising and Notice of FDIC Membership.

Whenever a depository institution advertises FDIC-insured products, regardless of delivery channel, the institution must include the official advertising statement of FDIC membership, usually worded, "Member FDIC." An advertisement is defined as "a commercial message, in any medium, that is designed to attract public attention or

patronage to a product or business." The official advertisement statement must appear, even in a message that "promotes nonspecific banking products and services, if it includes the name of the insured depository institution but does not list or describe particular products or services." Conversely, the advertising statement is *not permitted* if the advertisement relates solely to nondeposit products or hybrid products (products with both deposit and nondeposit features, such as sweep accounts).

Advertising and Notice of NCUA Share Insurance.

Each insured credit union must include the official advertising statement of NCUA membership, usually worded, "Federally insured by NCUA" in advertisements regardless of delivery channel, unless specifically exempted. An advertisement is defined as "a commercial message, in any medium, that is designed to attract public attention or patronage to a product or business." The official advertising statement must be in a size and print that is clearly legible and may be no smaller than the smallest font size used in other portions of the advertisement intended to convey information to the consumer. If the official sign is used as the official advertising statement, an insured credit union may alter the font size to ensure its legibility. Each insured credit union must display the official NCUA sign on its Internet page, if any, where it accepts deposits or opens accounts.

Nondeposit Investment Products

As described in the "Interagency Statement on Retail Sales of Nondeposit Investment Products," when a depository institution recommends or sells nondeposit investment products to retail customers, it should ensure that customers are fully informed that the products are not insured by the FDIC or NCUA; are not deposits or other obligations of the institution and are not guaranteed by the institution; and are subject to investment risks, including possible loss of the principal invested.

PAYMENT SYSTEMS

If social media is used to facilitate a consumer's use of payment systems, a financial institution should keep in mind the laws, regulations, and industry rules regarding payments that may apply, including those providing disclosure and other rights to consumers. **Under existing law, no additional disclosure requirements apply simply because social media is involved (for instance, providing a portal through which consumers access their accounts at a financial institution).** Rather, the financial institution should continue to be aware of the existing laws, regulations, guidance, and industry rules that apply to payment systems and evaluate which will apply. These may include the following:

Electronic Fund Transfer Act/Regulation E

The Electronic Fund Transfer Act (EFTA) and its implementing Regulation E provide specific protections, including required disclosures and error resolution procedures, to individual consumers who engage in "electronic fund transfers" and "remittance transfers."

Rules Applicable to Check Transactions

When a payment occurs via a check-based transaction rather than an EFT, the transaction will be governed by applicable industry rules and/or Article 4 of the Uniform Commercial Code of the relevant state, as well as the Expedited Funds Availability Act, as implemented by Regulation CC (regarding the availability of funds and collection of checks).

BANK SECRECY ACT/ANTI-MONEY LAUNDERING PROGRAMS (BSA/AML)

As required by the Bank Secrecy Act (BSA) and applicable regulations, depository institutions and certain other entities must have a compliance program that incorporates training from operational staff to the board of directors. Among other elements, the compliance program must include appropriate internal controls to ensure effective risk management and compliance with recordkeeping and reporting requirements under the BSA.

Internal controls are the financial institution's policies, procedures, and processes designed to limit and control risks and to achieve compliance with the BSA. The level of sophistication of the internal controls should be commensurate with the size, structure, risks, and complexity of the financial institution. At a minimum, internal controls include but are not limited to: implementing an effective customer identification program; implementing risk-based customer due diligence policies, procedures, and processes; understanding expected customer activity; monitoring for unusual or suspicious transactions; and maintaining records of electronic funds transfers.

An institution's BSA/AML program must provide for the following minimum components: a system of internal controls to ensure ongoing compliance; independent testing of BSA/AML compliance, a designated BSA compliance officer responsible for managing compliance,

and training for appropriate personnel. These **controls should apply to all customers, products and services, including customers engaging in electronic banking (e-banking) through the use of social media, and e-banking products and services offered in the context of social media.**

Financial institutions should also be aware of emerging areas of BSA/AML risk in the virtual world. For example, illicit actors are increasingly using Internet games involving virtual economies, allowing gamers to cash out, as a way to launder money. **Virtual world Internet games and digital currencies present a higher risk for money laundering and terrorist financing and should be monitored accordingly.**

COMMUNITY REINVESTMENT ACT (CRA)

Under the regulations implementing the Community Reinvestment Act (CRA), a depository institution subject to the CRA must maintain a public file that includes, among other items, all written comments received from the public for the current year and each of the prior two calendar years that specifically relate to the institution's performance in helping to meet community credit needs. The institution must also include any response to those comments, as long as neither the comments nor the responses reflect adversely on the good name or reputation of any persons other than the institution, or publication of which would violate specific provisions of law.

A depository institution subject to the CRA should ensure that its policies and procedures addressing public comments take into account such comments when they are received through social media sites run by or on behalf of the institution. However, under the CRA, comments about the institution made on the Internet through sites that are not run by or on behalf of the institution are not necessarily deemed to have been received by the depository institution and would not be required to be retained. Rather, the institution should retain comments made on sites run by or on behalf of the institution that specifically relate to the institution's performance in helping to meet community credit needs.

PRIVACY

Privacy rules have particular relevance to social media when, for instance, a financial institution collects, or otherwise has access to, information from or about consumers. A financial institution should take into consideration the following laws and regulations regarding the privacy of consumer information:

Gramm-Leach-Bliley Act Privacy Rules and Data Security Guidelines

Title V of the Gramm-Leach-Bliley Act (GLBA) establishes requirements relating to the privacy and security of consumer information. Whenever a financial institution collects, or otherwise has access to, information from or about consumers, it should evaluate whether these rules will apply. The rules have **particular relevance to social media when, for instance, a financial institution integrates social media components into customers' online account experience or takes applications via social media portals.**

· **A financial institution using social media should clearly disclose its privacy policies as required under GLBA.**

· Even when there is no "consumer" or "customer" relationship triggering GLBA requirements, **a financial institution will likely face reputation risk if it appears to be treating any consumer information carelessly or if it appears to be less than transparent regarding the privacy policies that apply on one or more social media sites that the financial institution uses.**

CAN-SPAM Act and Telephone Consumer Protection Act

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act) and Telephone Consumer Protection Act (TCPA) may be relevant if a financial institution sends unsolicited communications to consumers via social media. The CAN-SPAM Act and TCPA, and their implementing rules, establish requirements for sending unsolicited commercial messages ("spam") and unsolicited communications by telephone or short message service (SMS) text message, respectively. **Financial institutions should be familiar with the provisions of the CAN-SPAM Act and TCPA to evaluate whether social media activities trigger the application of either or both laws.**

Children's Online Privacy Protection Act

The Children's Online Privacy Protection Act (COPPA) and the Federal Trade Commission's implementing regulation impose obligations on operators of commercial websites and online services directed to children younger than thirteen that collect, use, or disclose personal information from children, as well as on operators of general audience websites

or online services with actual knowledge that they are collecting, using, or disclosing personal information from children under thirteen. A financial institution should evaluate whether it, through its social media activities, could be covered by COPPA.

· Certain social media platforms require users to attest that they are at least 13, and a financial institution using those sites may consider relying on such policies. However, **the financial institution should still take care to monitor whether it is actually collecting any personal information of a person under 13, such as when a child under 13 manages to post such information on the financial institution's site.**

· **A financial institution maintaining its own social media site (such as a virtual world) should be especially careful to establish, post, and follow policies restricting access to the site to users 13 or older, especially when those sites could attract children under 13. This may be true, for instance, in the case of virtual worlds and any other features that resemble video games.**

Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) and its implementing regulations contain **restrictions and requirements concerning making solicitations using eligibility information, responding to direct disputes, and collecting medical information in connection with loan eligibility. The FCRA applies when social media is used for these activities.**

REPUTATION RISK

Reputation risk is the risk arising from negative public opinion. Activities that result in dissatisfied consumers and/or negative publicity could harm the reputation and standing of the financial institution, even if the financial institution has not violated any law. Privacy and transparency issues, as well as other consumer protection concerns, arise in social media environments. Therefore, a financial institution engaged in social media activities is expected to be sensitive to, and properly manage, the reputation risks that arise from those activities. Reputation risk can arise in areas including the following:

Fraud and Brand Identity

Financial institutions should be aware that protecting their brand identity in a social media context can be challenging. Risk may arise in many ways, such as through comments made by social media users, spoofs of institution communications, and activities in which fraudsters masquerade as the institution. **Financial institutions should consider the use of social media monitoring tools and techniques to identify heightened risk, and respond appropriately.** Financial institutions should have appropriate policies in place to monitor and address in a timely manner the fraudulent use of the financial institution's brand, such as through phishing or spoofing attacks.

Third Party Concerns

Working with third parties to provide social media services can expose financial institutions to substantial reputation risk. A financial institution should regularly monitor the information it places on social media sites. This monitoring is the direct responsibility of the financial institution, as part of a sound compliance management system, even when such functions may be delegated to third parties. Even if a social media site is owned and maintained by a third party, consumers using the financial institution's part of that site may blame the financial institution for problems that occur on that site, such as uses of their personal information they did not expect or changes to policies that are unclear.

The financial institution's ability to control content on a site owned or administered by a third party and to change policies regarding information provided through the site may vary depending on the particular site and the contractual arrangement with the third party. A financial institution should thus weigh these issues against the benefits of using a third party to conduct social media activities.

A financial institution should conduct an evaluation and perform due diligence appropriate to the risks posed by the prospective service provider prior to engaging with the provider. To understand the risks that may arise from a relationship with a given third party, the institution should be aware of matters such as the third party's reputation in the marketplace; the third party's policies, including policies on collection and handling of consumer information, including the information of the institution's customers; the process and frequency by which the third party's policies may change; and what, if any, control the institution may have over the third party's policies or actions.

Privacy Concerns

Even when a financial institution complies with applicable privacy laws in its social media activities, it should consider the potential reaction by the public to any use of consumer information via social media. **The financial institution should have procedures to address risks from occurrences such as members of the public posting confidential or sensitive information – for example, account numbers – on the financial institution’s social media page or site.**

Consumer Complaints and Inquiries

Although a financial institution can take advantage of the public nature of social media to address customer complaints and questions, reputation risks exist when the financial institution does not address consumer questions or complaints in a timely or appropriate manner. Further, the participatory nature of **social media can expose a financial institution to reputation risks that may arise when users post critical or inaccurate statements.**

Compliance risk can also arise when a customer uses social media to communicate issues or concerns directly with a financial institution, such as an error dispute under Regulation E, a billing error under Regulation Z, or a direct dispute about information furnished to a consumer reporting agency under FCRA and its implementing regulations.

The Guidance does not require financial institutions to monitor and respond to all Internet communications; however, a financial institution is expected to take into account the results of its own risk assessments in determining the appropriate approach to take regarding monitoring of, and responding to, such communications. **Appropriate steps may include, for example, establishing one or more specific channels consumers must use when submitting complaints or disputes directly to the institution for further investigation, to the extent consistent with other applicable legal requirements.**

The institution should also consider the risks, particularly the reputation risk, inherent in not responding to complaints and disputes received through other channels and tailor its policies and procedures accordingly, in a manner appropriate to the institution’s size and risk profile.

Based on its own risk assessment processes, a financial institution should also consider whether and how to respond to communications disparaging the financial institution on other parties’ social media sites. One approach to managing these risks would be to monitor question and complaint forums on social media sites to ensure that such inquiries, complaints, or comments are reviewed, and when appropriate, addressed in a timely manner.

Employee Use of Social Media Sites

Financial institutions should be aware that **employees’ communications via social media may be viewed by the public as reflecting the financial institution’s official policies or may otherwise reflect poorly on the financial institution, depending on the form and content of the communications.** Employee communications can also subject the financial institution to compliance risk, operational risk as well as reputation risk.

Therefore, as appropriate, **financial institutions should take steps to address these risks, such as establishing policies and training to address employee participation in social media representing the financial institution.** For example, if an employee is communicating with a customer regarding a loan product through an approved social media channel, policies should include steps to ensure the customer is receiving all of the required disclosures.

The Guidance does not address any employment law principles that may be relevant to employee use of social media. In addition, the Guidance “is not intended to impose any specific requirements for policies or procedures regarding employee personal use of social media.” Each financial institution should evaluate the risks for itself and determine appropriate policies to adopt in light of those risks.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people, or systems. The root cause can be either internal or external events. Operational risk includes the risks posed by a financial institution’s use of information technology (IT), which encompasses social media.

The identification, monitoring, and management of IT-related risks are addressed in the *FFIEC Information Technology Examination Handbook*, as well as other supervisory guidance issued by the FFIEC or individual agencies. A financial institution should pay particular attention to the booklets “Outsourcing

Technology Services” and “Information Security” when using social media, and include social media in existing risk assessment and management programs.

Social media is one of several platforms vulnerable to account takeover and the distribution of malware. **A financial institution should ensure that the controls it implements to protect its systems and safeguard customer information from malicious software adequately address social media usage.** Financial institutions’ incident response protocol regarding a security event, such as a data breach or account takeover, should include social media, as appropriate.

CONCLUSION

The Guidance concludes by noting the fact that financial institutions are using social media as a tool to generate new business and provide a dynamic environment to interact with consumers. In that regard, then, it urges financial institutions to manage potential risks to themselves and consumers by ensuring that the appropriate risk management programs provide appropriate oversight and control to address the risk areas discussed set forth in the Guidance.

LIBRARY



**Social Media: Consumer Compliance Risk Management Guidance
Final Rule – 12/11/13
Federal Financial Institutions Examination Council (FFIEC)**

* Jonathan Foxx is the President & Managing Director of Lenders Compliance Group



Labels: [Consumer Financial Protection](#), [Consumer Financial Protection Bureau](#), [FFIEC](#), [Interagency Guidelines](#), [Mortgage Regulations](#), [Mortgage Risk Management](#), [Risk Management](#), [Social Media](#)

[Home](#)

[Older Post](#)

LENDERS COMPLIANCE GROUP is the first full-service, mortgage risk management firm in the country, specializing exclusively in residential mortgage compliance and offering a full suite of services in mortgage banking for banks and nonbanks. We are pioneers in outsourcing solutions for residential mortgage compliance. We offer our clients real-world, practical solutions to mortgage compliance issues, with an emphasis focused on operational assessment and improvement, benchmarking methodologies, Best Practices, regulatory compliance, and mortgage risk management.

Information contained in this website is not intended to be and is not a source of legal advice. The views expressed are those of the contributing authors, as well as news services and websites linked hereto, and do not necessarily reflect the views or policies of Lenders Compliance Group (LCG), any governmental agency, business entity, organization, or institution. LCG makes no representation concerning and does not guarantee the source, originality, accuracy, completeness, or reliability of any statement, information, data, finding, interpretation, advice, opinion, or view presented herein.

© 2006-2013 Lenders Compliance Group, Inc. All Rights Reserved.