FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Docket No. FFIEC-2013-0001

Social Media: Consumer Compliance Risk Management Guidance

AGENCY: Federal Financial Institutions Examination Council (FFIEC)

ACTION: Notice; request for comment.

SUMMARY: The Federal Financial Institutions Examination Council (FFIEC), on behalf of its members, requests comment on this proposed guidance entitled "Social Media: Consumer Compliance Risk Management Guidance" (guidance). Upon completion of the guidance, and after consideration of comments received from the public, the federal financial institution regulatory agencies will issue it as supervisory guidance to the institutions that they supervise and the State Liaison Committee (SLC) of the FFIEC will encourage state regulators to adopt the guidance. Accordingly, institutions will be expected to use the guidance in their efforts to ensure that their policies and procedures provide oversight and controls commensurate with the risks posed by their social media activities.

DATES: Comments must be received on or before [***60 DAYS AFTER PUBLICATION DATE***].

ADDRESSES: Because paper mail received by the FFIEC is subject to delay due to heightened security precautions in the Washington, DC area, you are encouraged to submit comments by the Federal eRulemaking Portal, if possible. Please use the title

"Social Media Comments" to facilitate the organization and distribution of the comments. You may submit comments by any of the following methods:

Federal eRulemaking Portal (Regulations.gov): Go to http://www.regulations.gov. Click the "Advanced Search" option located in the bottom-right corner of the Search box. Scroll down to the "By Docket ID:" search box, type "FFIEC-2013-0001," and hit Enter to submit or view public comments and to view supporting and related materials for this notice of proposed rulemaking. The "How to use Regulations.gov" section under the "Help" menu provides information on using Regulations.gov, including instructions for submitting or viewing public comments, viewing other supporting and related materials, and viewing the docket after the close of the comment period.

Mail: Judith Dupre, Executive Secretary, Federal Financial Institutions Examination Council, L. William Seidman Center, Mailstop: B-7081a, 3501 Fairfax Drive, Arlington, Virginia 22226-3550.

Hand delivery/courier: Judith Dupre, Executive Secretary, Federal Financial Institutions Examination Council, L. William Seidman Center, Mailstop: B-7081a, 3501 Fairfax Drive, Arlington, VA 22226-3550.

Instructions: You must include "FFIEC" as the agency name and "Docket Number FFIEC-2013-0001" in your comment. In general, the FFIEC will enter all comments received into the docket and publish them on the Regulations.gov web site without change, including any business or personal information that you provide such as name and address information, e-mail addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and

subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

Docket: You may also view or request available background documents and project summaries using the methods described above.

FOR FURTHER INFORMATION CONTACT:

OCC: Eric Gott, Compliance Specialist, Office of the Comptroller of the Currency, 400 7thStreet SW., Washington DC, 20219, (202) 649-7181.

Board: Lanette Meister, Senior Supervisory Consumer Financial Services Analyst, Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551, (202) 452-2705.

FDIC: Elizabeth Khalil, Senior Policy Analyst, Federal Deposit Insurance Corporation, 550 17th Street NW., Room F-6016, Washington, DC, 20429-0002, (202) 898-3534.

NCUA: Robert J. Polcyn, Consumer Compliance Policy and Outreach Analyst, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314, (703) 664-3916.

CFPB: Suzanne McQueen, Senior Consumer Financial Protection Analyst, Consumer Financial Protection Bureau, 1700 G Street, NW., Washington, DC 20552, (202) 435-7439.

SLC: Matthew Lambert, Policy Counsel, Conference of State Bank Supervisors, 1129 20th Street NW., 9th Floor, Washington, DC 20036, (202) 407-7130.

SUPPLEMENTARY INFORMATION:

I. Background Information

The FFIEC is proposing guidance to address the applicability of federal consumer protection and compliance laws, regulations, and policies to activities conducted via social media by banks, savings associations, and credit unions, as well as by nonbank entities supervised by the Consumer Financial Protection Bureau (CFPB) (collectively, financial institutions).

The six members of the FFIEC are the Office of the Comptroller of the Currency (OCC); the Board of Governors of the Federal Reserve System (Board); the Federal Deposit Insurance Corporation (FDIC); the National Credit Union Administration (NCUA); the CFPB (collectively, the Agencies); and the State Liaison Committee (SLC). As part of its mission, the FFIEC makes recommendations regarding supervisory matters and the adequacy of supervisory tools to the Agencies. The FFIEC also develops procedures for examinations of financial institutions that are used by the Agencies. The Agencies expect that all financial institutions they supervise will effectively assess and manage risks associated with activities conducted via social media. Upon completion of the guidance, and after consideration of comments received from the public, the Agencies will issue it as supervisory guidance to the institutions that they supervise. Accordingly, such institutions will be expected to use the guidance in their efforts to ensure that their risk management practices adequately address the consumer compliance and legal risks, as well as related risks, such as reputation and operational risks, raised by activities conducted via social media. The SLC, which is composed of representatives of five state agencies that supervise financial institutions, was established to encourage the application of uniform examination principles and standards by state and federal supervisory agencies. Upon finalization of the FFIEC guidance, the SLC will encourage the adoption

of the guidance by state regulators. State agencies that adopt the guidance will expect the entities that they regulate to use the guidance in their efforts to ensure that their risk management and consumer protection practices adequately address the compliance and reputation risks raised by activities conducted via social media.

Social media has been defined in a number of ways. For purposes of the proposed guidance, the Agencies consider social media 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 (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). Social media can be distinguished from other online media in that the communication tends to be more interactive.

Financial institutions may use social media in a variety of ways, including marketing, providing incentives, facilitating applications for new accounts, inviting feedback from the public, and engaging with existing and potential customers, for example, by receiving and responding to complaints, or providing loan pricing. Since this form of customer interaction tends to be informal and occurs in a less secure environment, it presents some unique challenges to financial institutions.

II. Principal Elements of Proposed Guidance

The use of social media by a financial institution to attract and interact with customers can impact a financial institution's risk profile. The increased risks can include the risk of harm to consumers, compliance and legal risk, operational risk, and reputation risk. Increased risk can arise from a variety of directions, including poor due diligence, oversight, or control on the part of the financial institution. The proposed guidance is meant to help financial institutions identify potential risk areas to appropriately address, as well as to ensure institutions are aware of their responsibilities to oversee and control these risks within their overall risk management program.

III. Request for Comments

The FFIEC is proposing this guidance to respond to requests that have been articulated to the Agencies by various participants in the industry for guidance regarding the application of consumer protection laws and regulations within the realm of social media. The FFIEC invites comments on any aspect of the proposed guidance. In addition, the FFIEC is specifically soliciting comments in response to the following questions:

1. Are there other types of social media, or ways in which financial institutions are using social media, that are not included in the proposed guidance but that should be included?
2. Are there other consumer protection laws, regulations, policies or concerns that may be implicated by financial institutions' use of social media that are not discussed in the proposed guidance but that should be discussed?

3. Are there any technological or other impediments to financial institutions' compliance with otherwise applicable laws, regulations, and policies when using social media of which the Agencies should be aware?

Please be aware that all comments received will be posted generally without change to http://www.regulations.gov, including any personal information provided.

IV. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (PRA),[1] the Agencies may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget (OMB) control number. The Proposed Guidance would not involve any new collections of information pursuant to the PRA. Consequently, no information will be submitted to the OMB for review.

The text of the proposed interagency Social Media: Consumer Compliance Risk Management Guidance follows:

Social Media: Consumer Compliance Risk Management Guidance

I. Purpose

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve (Board), Federal Deposit Insurance Corporation (FDIC), National Credit

[1] 44 U.S.C. 3501 *et seq.*

Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB) (collectively, the Agencies), and the State Liaison Committee (SLC) are issuing guidance to address the applicability of existing federal consumer protection and compliance laws, regulations, and policies to activities conducted via social media by banks, savings associations, and credit unions, as well as by nonbank entities supervised by the CFPB (collectively, financial institutions). The Agencies are responding to a need for guidance in this area that has been articulated to the Agencies by various participants in the industry. 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. Although this guidance does not impose additional obligations on financial institutions, as with any new process or product channel, financial institutions must manage potential risks associated with social media usage and access.

The Agencies recognize that financial institutions are using social media as a tool to generate new business and interact with consumers. The Agencies believe social media, as any new communication technology, has the potential to improve market efficiency. Social media may more broadly distribute information to users of financial services and may help users and providers find each other and match products and services to users' needs. To 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 this guidance.

II. Background

Social media has been defined in a number of ways. For purposes of this guidance, the Agencies consider social media 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 (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). Social media can be distinguished from other online media in that the communication tends to be more interactive.

Financial institutions may use social media in a variety of ways including advertising and marketing, providing incentives, facilitating applications for new accounts, inviting feedback from the public, and engaging with existing and potential customers, for example by receiving and responding to complaints, or providing loan pricing. Since this form of customer interaction tends to be both informal and dynamic, and occurs in a less secure environment, it presents some unique challenges to financial institutions.

III. Compliance Risk Management Expectations for Social Media

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. 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. The risk management program should be designed with participation from specialists in compliance, technology, information security, legal, human resources, and marketing. 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 the many social media platforms described above and provide guidance for employee use of social media. Components of a risk management program should include the following:

- 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 example, through increasing brand awareness, product advertising, or researching new customer bases) and establishes controls and ongoing assessment of risk in social media activities;
- 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, regulations, and guidance. Further, policies and procedures should incorporate methodologies to address risks from online postings, edits, replies, and retention;
- A due diligence process for selecting and managing third-party service provider relationships in connection with social media;

- 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;
- An oversight process for monitoring information posted to proprietary social media sites administered by the financial institution or a contracted third party;
- Audit and compliance functions to ensure ongoing compliance with internal policies and all applicable laws, regulations, and guidance; and
- 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.

IV. Risk Areas

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. Increased risk can arise from poor due diligence, oversight, or control on the part of the financial institution. As noted previously, this guidance is meant to help financial institutions identify potential risks to ensure institutions are aware of their responsibilities to address risks within their overall risk management program.

Compliance and Legal Risks

Compliance and legal risk arise from the potential for violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. These risks also arise in situations in which the financial institution's policies and procedures governing certain products or activities may not have kept pace with changes in the marketplace. This is particularly pertinent to an emerging medium like social media. Further, 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 discussed in this 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 as when it engages in these activities through other media.

The following laws and regulations may be relevant to a financial institution's social media activities. This list is not 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, regulations, and guidance.

Deposit and Lending Products

Social media may be used to market products and originate new accounts. When used to do either, a financial institution must 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 include, but are not limited to:

Truth in Savings Act/Regulation DD and Part 707.[2] 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[3] **and Fair Housing Act.**[4] A financial institution should ensure that its use of social media does not violate fair lending laws.

---

[2] 12 U.S.C. 3201 *et seq*., 12 CFR pts. 230 and 1030 and 12 CFR pt. 707 (NCUA).
[3] 15 U.S.C. 1601 *et seq*., 12 CFR pts. 202 and 1002 and 12 CFR 701.31 (NCUA).
[4] 42 U.S.C. 3601 *et seq*., 24 CFR pt. 100 (HUD), 12 CFR pt. 128 (OCC), 12 CFR pt. 390 subpart G (FDIC), 12 CFR 701.31 (NCUA).

- The Equal Credit Opportunity Act, 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.[5] Creditors must also 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.[6]
- When denying credit, a creditor must provide an adverse action notice detailing the specific reasons for the decision or notifying the applicant of his or her right to request the specific reasons for the decision.[7] This requirement applies whether the information used to deny credit comes from social media or other sources.

[5] 12 CFR pt. 1002, Comment 4(b)-2.
[6] 12 CFR 1002.12(b)(7).
[7] 12 CFR 1002.9(a)(2).

- It is also important to note that creditors may not, with limited exceptions, request certain information, such as information about an applicant's race, color, religion, national origin, or sex. Since social media platforms may collect such information about participants in various ways, a creditor should ensure that it is not requesting, collecting, or otherwise using such information in violation of applicable fair lending laws. Particularly if the social media platform is maintained by a third party that may request or require users to provide personal information such as age and/or sex or use data mining technology to obtain such information from social media sites, the creditor should ensure that it does not itself improperly request, collect, or use such information or give the appearance of doing so.
- The Fair Housing Act (FHA) 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.[8]

[8] 12 CFR 128.4, 338.3, 390.145.

Truth in Lending Act/Regulation Z.[9] 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.

[9] 15 U.S.C. 1601 *et seq*.; 12 CFR pts. 226 and 1026.

- Regulation Z requires that, for consumer loan applications taken electronically, including via social media, the financial institution must provide the consumer with all Regulation Z disclosures within the required time frames.

Real Estate Settlement Procedures Act. Section 8 of the Real Estate Settlement Procedures Act[10] (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.[11] 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

[10] 12 U.S.C. 2607. *See* Interagency Guidance, *Weblinking: Identifying Risks and Risk Management Techniques*, (2003) http://www.occ.treas.gov/news-issuances/bulletins/2003/bulletin-2003-15a.pdf.
[11] 15 U.S.C. 1692-1692p.

embarrass consumers about their debts (e.g., 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[12] 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[13] 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." 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.[14]

Deposit Insurance or 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.

---

[12] 15 U.S.C. 45.
[13] 12 U.S.C. 5531, 5536.
[14] *See* FTC Guidance, including *Guides Concerning the Use of Endorsements and Testimonials in Advertising*, at http://www.ftc.gov/os/2009/10/091005revisedendorsementguides.pdf.

- *Advertising and Notice of FDIC Membership.*[15] 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). In addition to the advertisement requirements, FDIC-insured institutions that offer "noninterest-bearing transaction accounts" should provide, if applicable, the required deposit insurance disclosure.
- *Advertising and Notice of NCUA Share Insurance*.[16] 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

[15] 12 CFR pt. 328.
[16] 12 CFR pt. 740.

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,"[17] 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

[17] Interagency Guidance, *Retail Sales of Nondeposit Investment Products* (Feb. 17, 1994).

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.[18] The Electronic Fund Transfer Act (EFTA) and its implementing Regulation E provide consumers with, among other things, protections regarding "electronic fund transfers" (EFT), defined broadly to include any transfer of funds initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of debiting or crediting a consumer's account at a financial institution. These protections include required disclosures and error resolution procedures.

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[19] and/or Article 4[20] of the Uniform Commercial Code of the relevant state, as well as the Expedited Funds Availability Act, as implemented by Regulation CC[21] (regarding the availability of funds and collection of checks).

[18] 15 U.S.C. 1693 *et seq.*, 12 CFR pts 205 and 1005.
[19] *See* Operating Rules of the National Automated Clearing House Association (NACHA), *available at* http://www.achrulesonline.org/; Rules of the Electronic Check Clearinghouse Organization (ECCHO), available at https://www.eccho.org/cc/rules/Rules%20Summary-Mar%202012.pdf.
[20] UCC Art. 4.
[21] 12 CFR pt. 229.

Bank Secrecy Act/Anti-Money Laundering Programs (BSA/AML)

As required by the Bank Secrecy Act (BSA)[22] and applicable regulations,[23] 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

---

[22] "Bank Secrecy Act" is the name that has come to be applied to the Currency and Foreign Transactions Reporting Act (Titles I and II of Public Law 91–508), its amendments, and the other statutes referring to the subject matter of that Act. These statutes are codified at 12 U.S.C. 1829b, 1951-1959; 31 U.S.C. 5311-5314, 5316-5332; and notes thereto.

[23] Bank Secrecy Act regulations are found throughout 31 CFR Chapter X. Also, the federal banking agencies require institutions under their supervision to establish and maintain a BSA compliance program. *See* 12 CFR 21.21, 163.177 (OCC); 12 CFR 208.63, 211.5(m), 211.24(j) (Board); 12 CFR 326.8, 390.354 (FDIC); 12 CFR 748.2 (NCUA). *See also* Treas. Dep't Order 180-01 (Sept. 26, 2002).

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[24]

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 related to the institution's performance in helping to meet community credit needs, and any response by the institution, assuming the comments or responses do not reflect adversely on the "good name or reputation" of others. Depository institutions subject to the CRA should ensure their policies and procedures addressing public comments also include appropriate monitoring of social media sites run by or on behalf of the institution.

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

[24] 12 U.S.C. 2901 *et seq*., 12 CFR pts. 25, 195, 228, 345.

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.[25] 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[26] **and Telephone Consumer Protection Act.**[27] The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM

[25] 15 U.S.C. 6801 *et seq*., 12 CFR pt. 1016 (CFPB) and 16 CFR pt. 313 (FTC); *Interagency Guidelines Establishing Information Security Standards*, 12 CFR pt. 30, app B (OCC); 12 CFR pt. 208, app. D-2 and pt. 225, app. F (Board); 12 CFR pt. 364, app. B (FDIC); *Safeguards Rule*, 16 CFR pt. 314 (FTC).
[26] 15 U.S.C. 7701 *et seq*.
[27] 47 U.S.C. 227.

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,[28] establish requirements for sending unsolicited commercial messages ("spam") and unsolicited communications by telephone or short message service (SMS) text message, respectively. These restrictions could apply to communications via a social media platform's messaging feature.

Children's Online Privacy Protection Act.[29] The Children's Online Privacy Protection Act (COPPA) and the Federal Trade Commission's implementing regulation[30] impose obligations on operators of commercial websites and online services directed to children younger than 13 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 13. 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 must still take care to monitor whether it is actually collecting any personal information of a

[28] 16 CFR pt. 316 (FTC); 47 CFR pts. 64 and 68 (FCC).
[29] 15 U.S.C. 6501 *et seq*.
[30] 16 CFR pt. 312.

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.[31] The Fair Credit Reporting Act (FCRA) contains 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

[31] 15 U.S.C. 1681-1681u.

media activities must 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[32]

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, even when such functions may be delegated to third parties. Even if a social media site is owned and maintained by a third party,

[32] 12 U.S.C. 1813(u). Guidance from the Agencies addressing third-party relationships is generally available on their respective websites. *See*, *e.g.*, CFPB Bulletin 2012-03, *Service Providers* (Apr. 13, 2012), *available at* http://files.consumerfinance.gov/f/201204_cfpb_bulletin_service-providers.pdf; FDIC FIL 44-2208, *Managing Third-Party Risk* (June 6, 2008), *available at* http://www.fdic.gov/news/news/financial/2008/fil08044a.html; NCUA Letter 07-CU-13, *Evaluating Third Party Relationships* (Dec. 2007), *available at* http://www.ncua.gov/Resources/Documents/LCU2007-13.pdf; OCC Bulletin OCC 2001-47, *Third-Party Relationships* (Nov. 1, 2001), *available at* http://www.occ.gov/news-issuances/bulletins/2001/bulletin-2001-47.html.

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.

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 occur when users post critical or

inaccurate statements. Compliance risk can also arise when a customer uses social media in an effort to initiate a dispute, 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. A financial institution should have monitoring procedures in place to address the potential for these statements or complaints to require further investigation. Some institutions have employed monitoring software to identify any active discussion of the institution on the Internet.

The financial institution should also consider whether, and how, to respond to communications disparaging the financial institution on other parties' social media sites. To properly control these risks, financial institutions should consider the feasibility of monitoring question and complaint forums on social media sites to ensure that such inquiries, complaints, or comments are addressed in a timely and appropriate manner.

Employee Use of Social Media Sites

Financial institutions should be aware that employees' communications via social media — even through employees' own personal social media accounts — 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 as well as reputation risk. Therefore, financial institutions should establish appropriate policies to address employee participation in social media that implicates the financial institution. The Agencies do not intend this guidance to address any employment law principles that may be relevant to employee 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.[33] 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*,[34] as well as other supervisory guidance issued by the FFIEC or individual agencies.[35] Depository institutions should pay particular attention to the booklets "Outsourcing Technology Services"[36] and "Information Security"[37] 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.

---

[33] FFIEC IT Examination Handbook: Management booklet, 2-3 (June 2004), *available at* http://ithandbook.ffiec.gov/ITBooklets/FFIEC_ITBooklet_Management.pdf.
[34] *Available at* http://ithandbook.ffiec.gov/it-booklets.aspx.
[35] FFIEC InfoBase at http://ithandbook.ffiec.gov.
[36] *Available at* http://ithandbook.ffiec.gov/ITBooklets/FFIEC_ITBooklet_OutsourcingTechnologyServices.pdf.
[37] *Available at* http://ithandbook.ffiec.gov/ITBooklets/FFIEC_ITBooklet_InformationSecurity.pdf.

Conclusion

As noted previously, the Agencies recognize that financial institutions are using social media as a tool to generate new business and provide a dynamic environment to interact with consumers. As with any product channel, financial institutions must manage potential risks to the financial institution and consumers by ensuring that their risk management programs provide appropriate oversight and control to address the risk areas discussed within this guidance.

[End of proposed text.]

Dated: January 17, 2013

Federal Financial Institutions Examination Council.

Judith E. Dupre,

FFIEC Executive Secretary.