

GUIDE

Compliance for Financial Services

The Advisor's Guide to Social Media Compliance



Compliance for Financial Services

The Advisor's Guide to Social Media Compliance

Introduction

In 2007, three years after Facebook was born, just thirty percent of UK adults used social media every day, according to research by [Statista](#). Today, social media penetration is 64 percent of the UK population—an 11 percent increase from 2016.¹

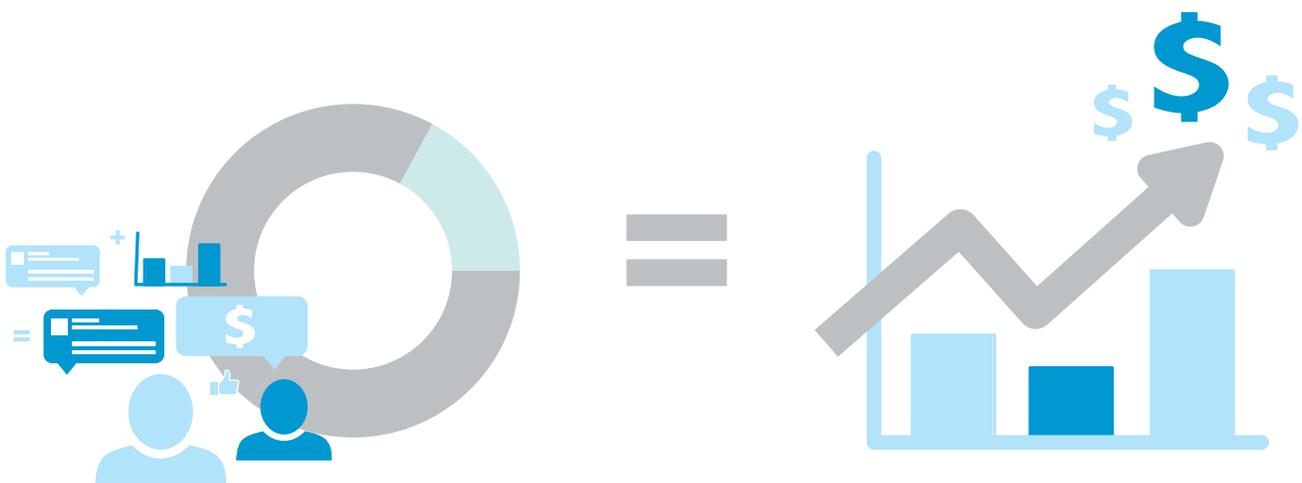
We're using Facebook, Twitter, and LinkedIn more than ever, not only to connect with each other but also to share content and stay informed. It's no surprise then, that social media has become an increasingly important marketing and business development tool for financial services companies. An increasing number of [UK financial advisors are using social media](#) for business purposes, with 73 percent engaging in social media activity, up from 58 percent in 2014. Of those financial advisors using social media, 60 percent stated they use it "to attract new clients".²

However, building a social media strategy that's both effective and compliant can be a challenge for many. Brokers/dealers, firms, and advisors must comply with guidelines set out by the Financial Conduct Authority

(FCA), and with each of the financial regulatory authorities across the UK: the Bank of England, the Prudential Regulation Authority, the Panel on Takeovers and Mergers, and the Financial Policy Committee.

The following guide shares best practices for social media engagement in the financial services industry, with actionable tips and advice for staying compliant and secure. Financial institutions that truly embrace social media can gain significant business advantage—from reputation and trust to customer service and new customer acquisition—and understanding how to do this while remaining compliant is crucial.

The information contained in this guide is for information purposes only. This guide is not intended to constitute legal or other professional advice, and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances.



FCA guidance:

What you need to know

Social media is a driving force behind customer relations and customer service for almost all successful financial enterprises from commercial banks to independent financial advisors. Many organisations now offer 24/7 customer support through social platforms.

Although many businesses and advisors in the financial sector have incorporated social media into their business strategy on some level, most are not maximising its opportunities. Although the business benefits of social media are clear, advisors are often wary of making mistakes that could damage their reputation or result in compliance violations.

In 2015, the FCA completed its exhaustive engagement and consultation with the financial services industry and published its [guidelines regarding financial promotions via social media](#).³ The industry regulator acknowledges that social media is a powerful and growing communications tool for those in the sector, and has taken steps to provide clarity about how to remain compliant.

You can read the FCA's finalised guidance in full in [FG15/4: Social media and customer communications](#).⁴ Here's an overview of key points for advisors using social media:

- **Financial promotion.** Social media posts can be a financial promotion where the post includes “an invitation or inducement to engage in financial activity.” Your organisation will need to ensure that social media communications comply with FCA financial promotions rules, including those around risk warnings and past performance. The overarching requirement is that all communications must be “fair, clear and not misleading.”
- **Precise targeting.** Any individual social media update can be re-shared very quickly beyond your intended target audience. Precise targeting of specific audience segments (for example, with advertisements) will help mitigate this risk.
- **Highlight potential risks.** Financial products and services must be promoted in a balanced and responsible manner. This means potential benefits and risks must be communicated clearly.
- **Beware character limitations.** Character-limited social platforms such as Twitter can easily lead to ambiguity, particularly with complex features of financial products or services. If you're restricted by character limits, consider adding a link to a disclaimer in your main content or visual.

In particular, the FCA sought to clarify several ambiguous areas concerning financial promotions in social media, focusing on the following areas of concern:

- Retweets, forwarding, and sharing
- Inserting images
- Following the “click-through” approach
- Dynamic functionality and stand-alone compliance
- Using social media “in the course of business”
- Approval and record-keeping requirements

- **Stand-alone compliance.** Whether it's a tweet or a Facebook post, each social media communication in isolation must be in compliance.
- **Image advertising.** Images are recommended as helping overcome character limitations on social media networks such as Twitter, as additional wording and messages can be conveyed easily and unambiguously.
- **Recipients sharing or forwarding communications.** Although any social media update can be shared or forwarded by others that see it, the responsibility lies with the originator. In other words, if the original update does not comply, non-compliance remains the responsibility of the originator and not of the person re-sharing the update. Firms should take steps in labelling and targeting communications to mitigate the risk of someone sharing noncompliant content.
- **Unsolicited promotions.** The FCA stresses that any marketing communications sent electronically must comply with specific legal requirements regarding unsolicited promotions. Someone liking or following your social page doesn't mean they've consented to receive cold calls for financial promotions.
- **Approval and record-keeping.** Don't rely on the social networks to record your communications. Solutions such as [Proofpoint](#), [ZeroFOX](#), [Smash](#), and [Actiance](#) can help you securely archive all social media communications to ensure you comply with record-keeping regulations.
- **Sign-off process for social posts.** A person with "appropriate competence and seniority within the organisation" should sign-off on digital media communications. You can use a social media management platform like Hootsuite to [easily set up approval workflows](#) for your organisation's social media posts.



Social media is already an important tool for industry to engage with customers and its use is only likely to grow. Financial promotions, whether on social media or traditional media, must give customers the right information and meet our requirements to be fair, clear and not misleading ... We believe this guidance reflects a sensible approach that allows the industry to innovate using new forms of media and at the same time ensures customers get the right level of protection.⁵

Tracey McDermott, Director of Supervision and Authorisations, FCA

The do's and don'ts of endorsements

SEC Guidance Update 2014-04⁶, and more recently [FINRA Regulatory Notice 17-18](#)⁷, address how advisors can feature public commentary about themselves on independent third-party websites like Yelp, Facebook, and LinkedIn without violating the Investment Advisers Act and its testimonial prohibition. Although these are US regulations, following them is still good practice for global advisors and organisations.

DOs

- Tell clients and followers to check out testimonials on sites like Yelp and Google, and on your social media accounts.
- Promote your Facebook, Twitter, and other social media accounts in interviews and in marketing collateral.

DON'Ts

- Don't ask reviewers to write comments under an alias to hide the reviewer's true identity.
- Don't filter out negative comments. Viewers must be able to see all public comments, good or bad.
- Do not pay for testimonials or help in the preparation of a testimonial. This constitutes "entanglement," which makes the testimonial subject to adviser communications rules. That means it must meet FINRA Rule 2210's testimonial standards and must comply with supervision and record-keeping requirements.
- Do not like or share a favourable testimonial on social media. This constitutes "adoption," which also makes the testimonial subject to Rule 2210's communications rules.
- Do not print a specific testimonial on any marketing collateral or promote a particular review in an interview.



Your social media compliance checklist

Adopt a social media policy

Clear and comprehensive social media policies allow firms to remain compliant while giving employees the guidance they need to safely and effectively engage with clients and prospects online.

Creating a well thought-out social media policy involves input and feedback from teams in compliance, legal, IT, information security, human resources, public relations, and marketing. It should address specific platforms, provide device and access restrictions, and specifically allow or ban certain social activities, from accepting connections to posting business-related content. These guidelines should aim to limit confusion as well as encourage participation.

Set up a training process

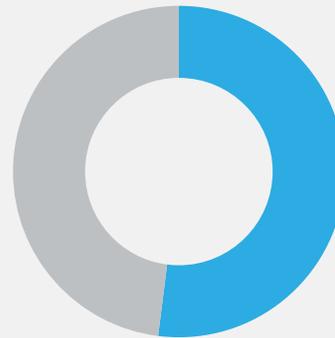
Many employees are reluctant to use social media for business purposes because they're unfamiliar with the platforms or are unsure of best practices. Of the 27 percent of advisors who don't use social media, 31 percent cite lack of knowledge and understanding of how to generate business benefits as the reason.⁸

Providing quick courses, recorded webinars, best practices guides, or other resources for employees can help boost employees' social media engagement and ensure that they're using the platforms effectively and appropriately. Regular updates to these training materials can help employees keep up with social media trends and changes as well.

Establish workflows and processes

Make sure all team members know who can post updates and to what platforms. Setting up an approval process—in which interns, junior staff members, and others are allowed to draft posts but must receive permission before publishing them—can help firms avoid both minor and major problems.

It's also important to establish a crisis management plan. If something goes wrong, knowing how it will be handled—and by whom—can stop the problem from escalating and causing further damage.



Only 48%

of advisors have formal written policies for using social media, exposing over half of them to the risk of the non-compliance.

(Source: Intelliflo, [Intelliflo annual survey 2017](#).)

Archive everything

For many in the financial services industry, one of the biggest hurdles to compliant social media use is the archiving requirement. All business-related communications must be recorded and filed, and that can be cumbersome and time-consuming for the average advisor. Fortunately, there are many third-party services available to help.

Five more social media activities for advisors

- 1. Actively monitor your online presence.** Check reviews on third-party sites and be proactive. If a client posts a dissatisfied comment, follow up with them via email, thanking them for their feedback and soliciting constructive criticism for the future.
- 2. Claim all company pages and profiles.** You might not know about some of your social media profiles. When you register for Google Places, for example, it automatically creates a Google+ page where anyone can leave reviews. In addition to claiming these pages, make sure they're up to date with current company information.
- 3. Turn on reviews.** Previously not allowed, Facebook reviews have now been ruled compliant. If you previously turned that feature off, you can allow it now, making your company more accessible and searchable.
- 4. Promote your accounts.** Use emails, events, TV interviews, and marketing materials to invite people to connect with you on social media.
- 5. Connect with prospects and clients.** After a phone call or in-office meeting with a prospective client, look them up on LinkedIn and send an invitation to connect. This will help you stay top of mind.

Request a custom demo today by visiting hootsuite.com/financial-services

Endnotes

- 1 We Are Social. [Digital in 2017: Global Overview](#). 2017.
- 2 Financial Reporter. [73% of advisers now using social media for business](#). 2017.
- 3 FCA. [Social media and customer communications: The FCA's supervisory approach to financial promotions in social media](#). 2015.
- 4 FCA. [FG15/4: Social media and customer communications](#). 2015
- 5 FCA. [FCA confirms approach for financial promotions in social media](#). 2015.
- 6 SEC. [Guidance Update 2014-04: Guidance on the Testimonial Rule and Social Media](#). 2014.
- 7 FINRA. [Regulatory Notice 17-18: Social Media and Digital Communications](#). 2017.
- 8 Intelliflo, [Intelliflo annual survey 2017](#).



About Hootsuite Enterprise

Partner with Hootsuite to accelerate your social transformation

Social Marketing



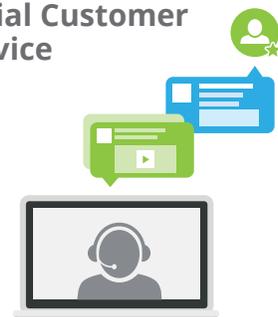
Social Selling



Employee Advocacy



Social Customer Service



Hootsuite is the most widely used platform for managing social media, loved by over 16 million people around the globe and trusted by more than 85 of the FTSE 100. Hootsuite Enterprise empowers organisations to execute business strategies for the social media era and scale social media activities across multiple teams, departments, and regions. Our versatile platform supports a thriving ecosystem of social networks complemented by 250+ business applications and integrations, allowing organisations to extend social media into existing systems and programs.

Along with our channel and agency partners, we help organisations build deeper relationships with customers, stay connected to the needs of the market, grow revenue, and draw meaningful insights from social media data. Innovating since day one, we continue to help organisations pioneer the social media landscape and accelerate their success through product training, group training and tailored organisational training, as well as security and compliance services.

Request a custom demo today by visiting hootsuite.com/financial-services

Trusted by over 85 of the FTSE 100

