

Firms move ahead on social media

With IIROC guidelines on the use of social media still under consideration, some firms are already drafting policies

By Clare O'Hara

Many financial advisors are still sizing up the impact and usefulness of social media for their practices. But to many others, it's become apparent that, love it or hate it, it's here to stay.

There's perhaps no better evidence of that than the **Investment Industry Regulatory Organization of Canada's** decision to circulate draft guidelines on using social media earlier this year. But while the 60-day period for comments closed early last month, several firms are not waiting for the results. Instead, they are moving ahead on the issue, drafting their own guidelines and training their staff in how and when to use the now ubiquitous social media websites.

Indeed, several firms want to make sure they are prepared for the future use of social media in their businesses, no matter what the outcome of the current IIROC process.

"We are obviously still waiting for the IIROC guidelines to be finalized," says Silu Modi, vice president of digital marketing with Toronto-based **Macquarie Private Wealth Inc.'s** banking and financial services group. "But, in the meantime, we want to make sure that we are internally prepared to support those guidelines. We want to have the proper resources ready, the proper training available and the proper platform in place before we can start moving forward."

The financial services industry has long been struggling with major compliance and regulatory concerns when it comes to its advisors logging onto sites such as Facebook, LinkedIn and Twitter for business purposes. In fact, some Canadian firms had banned their advisors from using social-networking sites altogether. Many firms say they prefer to hold off on permitting the use of these sites until further direction is available from regulators.

But in the fast-paced — and rapidly expanding — environment of social media, firms can run the risk of being left behind in the intense competition to connect with clients, especially younger clients. In addition, some advisors are using social media in the absence of either bans or formal permission from their employers. For these reasons, a number of firms have decided to be proactive and are developing policies designed to permit the use of social media while also meeting regulators' concerns.

"Over the past few years, there has been a tremendous amount of regulatory attention on the use of social media sites," says Chad Bockius, CEO of Austin, Tex.-based **Socialware Inc.**, which provides financial services firms with online compliance solutions. "You can start to see a storm brewing — advisors and individuals are clamoring for access, the regulators are scrutinizing what is being done and firms are starting to worry about whether or not they are at [compliance] risk."

When the IIROC guidelines are eventually approved, in one form or another, some of the major hurdles that financial services firms will very likely face will be in implementing technology platforms to deal with the new realities of social media as a business tool. These hurdles include fully monitoring an advisor's social media activity, as well as archiving and storing all communications that are conducted on social-networking sites.

The IIROC draft guidelines state that dealer members must "design systems and programs with compliant record retention and retrieval functionalities for all methods of communication."

In other words, everything posted on social media sites such as Facebook, Twitter, LinkedIn, blogs and chat rooms for business purposes must be monitored directly by the firms.

Macquarie, for one, launched its own in-house social media committee in January and is currently working on developing a companywide social media policy.

Toronto-based **Richardson GMP Ltd.** has also set up a social media policy, and its advisors may use Twitter and LinkedIn if they wish.

Both firms are in the midst of researching various technology companies that provide software designed to deal with the all-important compliance issues of tracking and retention when social media is being used by advisors.

While neither firm has confirmed which technology platform they will be adopting, there are a number that are available from U.S.-based companies.

Belmont, Calif.-based **Actiance Inc.** (formerly FaceTime Communications Inc.) is one such company that already provides this type of technology to Canada's Big Five banks. Sarah Carter, vice president of marketing with Actiance, says the company has been working with a number of Canadian financial services clients since January 2010, when a U.S. regulator, the **Financial Industry Regulatory Authority**, had released its social media guidelines.

Actiance offers software called Socialite, which the company says moderates, manages and archives all social media traffic involving particular employees that comes through Facebook, LinkedIn and Twitter.

The software, which is designed to be used by a wide range of businesses, provides various features, such as what Actiance calls "moderator control." This feature is for situations in which content posted on a social media site needs to be pre-approved by someone other than the advisor. Another feature prevents sensitive data from leaving the company, inadvertently or otherwise.

The software also can track what a user is doing on a social media site and turn features of the site on and off, depending on whether their use meets compliance requirements.

Perhaps most important, the "log conversation and content" feature records and stores all posts, messages and commentary made to Facebook, LinkedIn and Twitter.

Socialware provides similar software but has designed it exclusively for the financial services industry. Socialware offers technology that assists with archiving, policy development and compliance regulations. Through a partnership with Windsor, Conn.-based life insurance association **LIMRA International Inc.**, Socialware also provides training to financial services firms and their advisors on compliance issues.

"It's important that [companies] need technology to capture the data, but firms need more than just that," says Bockius. "You need to go beyond the technology. You need to have a policy — a procedure in place — and you need to have training. All these things are required by IIROC, and the regulators and firms need to be aware of that."

Socialware, launched in 2008, also recently announced a partnership with LinkedIn. That deal will allow financial services firms and their advisors to access the networking, marketing and research capabilities available on LinkedIn while remaining compliant with various industry regulators, including the U.S. Securities and Exchange Commission, FINRA and IIROC, as well as with some state regulations on electronic communication.

"Unfortunately, the regulatory environment created a state of prohibition across the board for financial services firms," says Bockius. "For the past two and half years, we have been helping companies open up access to social networks in a compliant manner."

Socialware currently works with more than 100 financial services firms in North America, including a number within the U.S. that have Canadian parents. Since the release of IIROC's draft guidelines, several Canadian firms have already contacted Socialware and to discuss the technology platform that will be required.

Other providers are getting into the business of building digital links between advisors and potential clients. Late last year, Vancouver-based **Know Your Advisor Inc.** launched www.kyfa.com, which allows clients to rate advisors and to write reviews of them online. The website is one of Canada's largest online advisor directories, and it is in the process of upgrading and adding to its listings. The site also has a compliance feature that will allow archiving and retention of all advisor communications with the site.

"Firms that ignore social media and hope it goes away will not only look increasingly out of date, they will be missing valuable opportunities to find out more about who their potential clients are — we all know that listening is far more powerful than talking," says Christian Gradley, co-founder and CEO of Know Your Client. "Our compliance back end means that advisor activity can still be monitored and archived by the compliance department. Social media doesn't have to be complicated; it should be seen as more of an opportunity than a risk."

For firms that do not want to create their own monitoring system, Miami-based **linkedFA.com** provides an online social media site for financial advisors that monitors all of its users' communications. Users can also log into a third-party social media site, such as Facebook, through the linkedFA portal, which will record all those communications in a compliance report. **IE**

