

# SOCIAL MEDIA CAPTURE AND ARCHIVING FOR FINANCIAL SERVICES

How Small Firms Can Enable Productivity Through Social Media Channels While Maintaining Regulatory Compliance



# Introduction

Maintaining an active social media presence is now a critical part of doing business in most industries. Organizations are building their brand and creating community among clients and prospects on LinkedIn, Twitter, TikTok and the like. This is for good reason — more than half (54%) of those engaged on social media use it to research products and services.<sup>1</sup>

Like other industries, financial services organizations have embraced social media to stay engaged with longtime followers and newcomers alike. However, the rise of retail investing, the emerging trend of financial influencers, aka “finfluencers,” decentralized finance (DeFi), and an overall move to digital over the last couple years are changing the investor profile in financial services. And firms need to adapt – fast.

Regardless of the industry, all businesses are concerned with the risks of allowing their employees to use social media. For highly regulated industries, they must consider not only abuses of internal policies and brand damage, but regulatory compliance violations as well. Firms must be able to show that they’ve digitally captured violations and executed appropriate corrective actions.



## In this guide, you’ll learn about:

- **The benefits of using social media to build clientele**
- **Potential risks of using social media under regulatory pressure**
- **How to stay compliant and manage risk, while enabling social media**

The days of social media being confined to the marketing team and company-sponsored websites are over. Every organization should be pursuing a company-wide initiative to integrate social media tools into all aspects of the business. They should also ensure that they have sufficient controls in place to manage this expansion in social media content.

<sup>1</sup> <https://blog.gwi.com/chart-of-the-day/social-browsers-brand/>

# Benefits of social media in financial services

## Opportunities

For financial services, the use of social media can be broken into three distinct areas:

1. Social marketing
2. Social selling
3. Social advocacy

**Social marketing** encompasses the broad areas of publishing content, customer service and social advertising.<sup>2</sup>

Social selling relates to the empowerment of agents and advisors. It enables them to connect and engage with their clients, watching and listening for money-in-motion events to trigger sales opportunities.

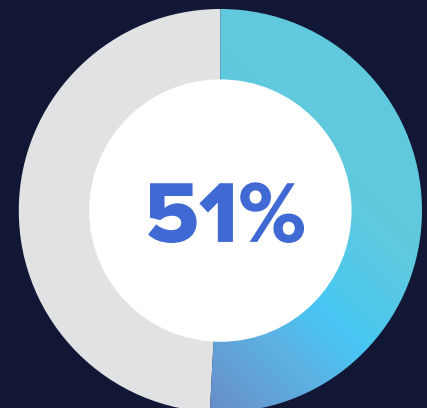
Social advocacy provides the opportunity for all employees, specifically non-regulated employees, to champion company messages and act as brand advocates.

## Goal setting

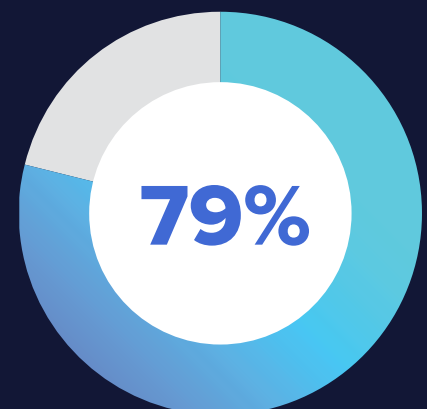
Firms must consider two big-picture goals when using social media as part of an overall communications strategy: 1) how it can increase revenue, and 2) how it can decrease expenses. Exploring both areas can help quantify social media objectives and measurements.



Social media has a **100%** higher lead-to-close rate than outbound marketing.<sup>2</sup>



Social sellers are **51%** more likely to achieve sales quotas.<sup>3</sup>



**79%** of job applicants use social media in their job search.<sup>4</sup>

<sup>2</sup> <https://optimmonster.com/social-selling-statistics/>

<sup>3</sup> <https://optimmonster.com/social-selling-statistics/>

<sup>4</sup> <https://everyonesocial.com/blog/employee-advocacy-statistics/#:~:text=General%2520Employee%2520>

From a revenue perspective, social media can improve the way businesses target specific life events for sales opportunities. It can also identify referral and cross-promotion opportunities. Many firms' customers want to use social media to communicate quickly and on the go. All these activities can lead to an increase in revenue with unparalleled efficiency.

## Results

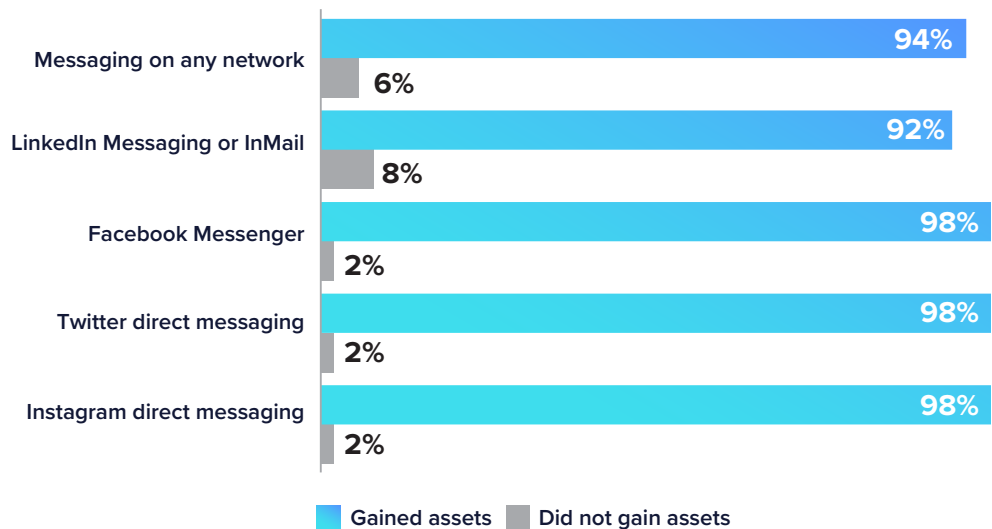
### Enabling registered reps and advisors to use social media to engage clients and prospects has clearly demonstrated benefits. According to Putnam's Social Media Survey: <sup>5</sup>

- 94% of advisors seeing success use direct message capabilities on social platforms
- 36% of advisors have hosted or participated in a LinkedIn Live session
- 90% of advisors say the use of social media is enabled and encouraged due to remote work

This data is also supported by research indicating that reps who use social media earn more than their colleagues who don't. According to an article titled "Social Media in Financial Services: 5 Essential Tips and Benefits" from Social Media NZ, "Simply creating a social profile is not

enough.<sup>6</sup> Zero percent of the advisors who have only a passive presence on social media gained new assets through social channels. Compare that to the highest achievers; they brought in average new assets under management of \$15.3 million. Eighty percent of those high achievers pay for a premium level of service on a social network, rather than sticking only to free tools.<sup>7</sup>"

#### Advisors using messaging on social networks



<sup>5</sup> <https://www.putnam.com/advisor/business-building/social-media>

<sup>6</sup> <https://www.upcontent.com/post/how-financial-services-can-scale-their-business-using-social-selling>

<sup>7</sup> <https://socialmedianz.com/social-media/2019/11/26/social-media-in-financial-services-5-essential-tips-and-benefits/>

In addition, social media can be a powerful tool for decreasing marketing and advertising expenses, replacing traditional mass distribution with targeted advertising to specific demographics. This approach reduces the volume of unsuccessful marketing. It is also considerably less expensive than traditional advertising. Furthermore, social media can be utilized as a recruitment tool and as an advocacy platform, which has been proven to boost job satisfaction and decrease employee turnover.

## Unique challenges with social media content

### Users

The topic of social media is more than simply a question of enabling the appropriate level of social access to registered broker-dealers and financial advisors. Always-on Millennials are estimated to represent 75% of the U.S. workforce by 2025<sup>9</sup>, bringing with them the familiar social tools they are accustomed to using. Gen Z — the next demographic hitting the workplace — spend even more time on social media than their elder millennials. For digital natives, the line between business and personal on social may not be as defined.

However, the challenges of social media go beyond demographics. Take, for example, Tesla CEO Elon Musk's [multiple battles with the SEC](#) over tweets about the company's financials. Executives and any client-facing employees are only one inappropriate post or inebriated tweet away from causing damage to the firm.

Another challenge many businesses face is how to determine corporate policy regarding the use of social media by the organization. As previously referenced, social selling and social advocacy can be powerful forces for a firm's brand. However, it is not always easy to ensure employees are staying on message. While a social media policy should be common practice, businesses may also want to consider how best to enforce that policy. Tools that allow businesses to control access to social media features, produce alerts, execute remediation actions, and moderate content are all factors that need to be considered.



**“When it comes to money, everyone wants to deal with someone they know and trust. Social media can help you build that trust.”<sup>8</sup>”**

<sup>8</sup> <https://socialmedianz.com/social-media/2019/11/26/social-media-in-financial-services-5-essential-tips-and-benefits/>  
<sup>9</sup> <https://teamstage.io/millennials-in-the-workplace-statistics/>

## Regulators

The single most common challenge with social media that the financial services industry faces is how to remain compliant across all channels and conversations. While regulatory bodies have each issued their own specific guidance (for example, FINRA 11-39 and 17-18, SEC 204-2 and IIROC 11-0349), the common goal is to protect the investor.

Determining how social media can be used, such as which features to enable and which to disable, can produce a variety of interpretations of these rules. Some firms will limit the use of social only to specific actions like sharing one's LinkedIn profile. Others will conduct supervisory pre-review to inspect content before delivery and before hitting an immutable archive. Understanding the boundaries, therefore, is both critically important and challenging.

One indisputable aspect is that any social media content that is allowed to be used for business purposes needs to be captured and archived by financial services firms. This can be difficult, especially for firms with multiple active corporate social media accounts and employee accounts.

## Risks of enabling social media

There are inherent risks in allowing employees to use social media, which include both intentional and unintentional policy violations. These can span from a relatively minor entanglement issue to an incredibly serious compliance violation, including:

### Regulatory compliance risk

While FINRA, SEC, MiFID II and other regulatory rules generally do not distinguish one communications source from another, there are specific considerations that apply to social media. FINRA Rules 11-39 and 17-18 both call out specific requirements for links to third-party sites, distinguishing personal communications as well as testimonials and endorsements. The choice of the appropriate method for social capture is vital to demonstrating adherence to pre- and post-archiving policy controls.



**Businesses can and should reap the benefits of social media. However, establishing guardrails that keep these activities from increasing risk exposure is paramount.**

## Data privacy risk

As with other sources, social content collection needs to be tied to stated business or regulatory purposes that are outlined in policies. Complying with GDPR and CCPA obligations can be significantly more complex if firms allow users to co-mingle personal and business usage on a single network, such as Twitter.

## Information security risk

Given its popularity, social media will remain a security target. Security risks common to social media include scams and identity theft, exposures created by location sharing, and the use of schemes launched from bogus, unauthorized company sites.

## Discovery review risk

Courts have been consistent in stating that social media is simply another form of electronically stored information (ESI). It is subject to the same preservation and production requirements as any other responsive content. The discovery review risk of social media arises from its asynchronous, interactive nature. Capturing retweets, likes, shares and comments on initial posts can be critical to defending your firm in litigation.

## Internal policy risk

People are not always thinking of their firm's market dynamics when posting about a product or service. This could include comments that are misinterpreted as endorsements, tarnish their employer's brand or inappropriately disclose company confidential information. Without the appropriate tools in place to enforce policies, this could result in lengthy, resource-intensive audits, heavy fines and other sanctions for non-compliance.



**More than 575,000  
tweets are posted  
every minute. <sup>10</sup>**

# How to manage social media risk

**There are four essential tools that businesses can use to mitigate the risks posed by social media:**

## **1 - Access controls**

Controlling the information posted on social media can be accomplished by allowing read-only access or allowing selective access based on business need.

Keeping up with market-moving tweets and LinkedIn profiles can have a lot of business value. That said, unmanaged access can lead to productivity loss and compliance risks. By permitting read-only access, businesses can curb the loss in productivity while still providing employees with access to the information.

Some businesses need to access a subset of social media features to conduct their work effectively. Social sellers need to be able to connect with clients and exchange messages. Social recruiters need to exchange messages with candidates. Social support teams must be able to respond to incoming tweets. However, social media also comes with unwanted features like job search capabilities and inappropriate content. With selective access, businesses can allow the features necessary for job performance, while blocking those that are not.

## **2 - Alerts**

Regulated businesses must consider all potential risks of social media, including brand damaging content and compliance violations. Products that allow businesses to build lexicon policies that search for keywords or regular expressions like social security numbers are power tools to combat these issues. When implemented correctly, they proactively detect compliance risks, alert the employee attempting to post the content, and block the post.

When the alerts are displayed, they provide the user with the explanation for why their post violates the policy, which helps to educate them for future postings. In highly regulated industries this is a crucial tool to help prevent the release of confidential information that carries serious legal and regulatory repercussions.



### 3 - Remediation

Even when a business's protocols fail and something that violates their policy has made it onto social media, there is a way to mitigate the situation. While some damage may have already been done, the content does not have to live on in perpetuity. Remediation tools allow businesses to remove posts, comments or likes that violate their policy. For highly regulated industries, this tool, combined with a sophisticated capture solution, can both mitigate compliance violations and produce a record of corrective action.

### 4 - Moderation

There are tools that provide businesses with the ability to manage all their social media accounts on one platform and set permissions at the employee level. They can also automatically detect and remove unwanted content. Businesses should consider a solution that allows manual moderation of content. Manual moderation allows employees to write a post, script a comment or initiate a like, but requires that it be reviewed prior to allowing it on social media. This workflow gives employees the tools to be productive using the most modern social platforms, without increasing the organization's risk exposure.

## Capturing social media content: the alternatives

There are several options available for capturing and managing social media content for compliance purposes, including using a specialized capture solution. Here are some of the most popular:



## Prohibition policies

Many businesses, especially those in non-regulated industries, use prohibition policies to manage social media usage. Some choose to prohibit the use of social media altogether, while others only prohibit certain channels or certain actions within channels. If your organization prohibits social media, you'll want to make sure you've addressed the following considerations:

- How likely is it that your workforce will comply with the policy?
- Is the policy prescriptive enough?
- Has the policy been informed by all stakeholders?
- Does the policy enable employees, or does it inhibit their productivity?
- Is the policy defensible to regulators (if regulatory obligations apply)?

## Native features

One of the key differences between out-of-the-box functionality and specialized capture solutions relates to how each captures content. The mechanisms provided to capture the unique conversational content, context and metadata produced on social channels must be carefully inspected. Each channel is different, and none are specialized to meet the unique requirements of highly regulated firms. If attempting to capture content directly via social media platforms, businesses should consider the following potential issues:

- The level of access via back-end APIs
- Which events can be captured
- How much historical content is accessible
- What storage technology is used by the provider to ensure immutability
- Data security and privacy
- Notification procedures for API updates and enhancements



**The safest and most enduring solution for regulated organizations are automated capture technologies that provide social media connectors alongside support for other communication channels.**

## Screen scraping and user data downloads

A variety of rudimentary approaches to content capture exist, most of which are not suitable to the ongoing needs of regulated firms. Screen scraping can provide some utility in cases such as highlighting incidents of fraud or some other point-in-time event. However, the use of a screen grab is only slightly more useful than taking a picture of a social wall with your cellphone. Both fail to capture the interactive nature of social media. Similarly, relying upon users to download activities from a social network introduces opportunity for misuse or user error.



## How Smarsh Can Help

From baby boomers to Gen Z, society has fully embraced social media. Businesses that have failed to do the same are falling behind and potentially risking exposure. Modern businesses are using social media to increase their revenue with reduced overhead expenses while providing their customers the communication experience they've come to expect.

Even in highly regulated industries, with tools on the market to control access and usage, the adoption of social media doesn't have to carry increased risk. What all businesses must consider, however, is how they are going to manage the growing volume of communications and variety of channels.

Social media is undoubtedly a powerful tool for businesses. That said, managing the maintenance and addition of new channels while ensuring continued regulatory compliance is often too much to take on. For these reasons, a fully managed capture solution is highly recommended — preferably one with additional controls to manage, moderate and remediate content.

**Smarsh Capture solutions** support 100 channels out of the box, including the latest social media platforms. Native content capture allows you to preserve important contextual details so you can speed up and improve your supervision and e-discovery reviews and stay compliant with regulatory requirements.



Smarsh enables companies to transform oversight into foresight by surfacing business-critical signals in more than 100 digital communications channels. Regulated organizations of all sizes rely upon the Smarsh portfolio of cloud-native digital communications capture, retention and oversight solutions to help them identify regulatory and reputational risks within their communications data before those risks become fines or headlines.

Smarsh serves a global client base spanning the top banks in North America, Europe and Asia, along with leading brokerage firms, insurers, and registered investment advisors and U.S. state and local government agencies. To discover more about the future of communications capture, archiving and oversight, visit [www.smarsh.com](http://www.smarsh.com).

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