



FEDERAL RESERVE BANK *of* KANSAS CITY

January 7, 2014

Social Media: Consumer Compliance Risk Management Guidance

To the Chief Executive Officer of Each Tenth District State Member Bank, Bank Holding Company, and Savings and Loan Holding Company:

On December 11, 2013, the Board of Governors of the Federal Reserve System (Board), along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Consumer Financial Protection Bureau, issued guidance addressing the applicability of federal consumer protection and compliance laws, regulations, and policies to activities conducted via social media by financial institutions. The guidance is intended to assist financial institutions in understanding potential risks associated with the use of social media, along with expectations for managing those risks.

A copy of CA 13-22 is available on the Federal Reserve Board of Governors' web site at <http://www.federalreserve.gov/bankinfo/caletters/caltr1322.htm>. Please direct any questions concerning the guidance to the Consumer Affairs Department of the Federal Reserve Bank of Kansas City at (800) 333-1010, extension 881-2488, or via email to linda.painter@kc.frb.org.

Sincerely,

Michael Steckline
Assistant Vice President



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SANDRA F. BRAUNSTEIN
DIRECTOR
DIVISION OF CONSUMER
AND COMMUNITY AFFAIRS

CA 13-22

December 11, 2013

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS AND TO STATE MEMBER BANKS:**

SUBJECT: Social Media: Consumer Compliance Risk Management Guidance

Applicability to Community Banking Organizations: This guidance applies to all state member banks, including those with \$10 billion or less in consolidated assets.

The Federal Reserve is issuing the attached interagency guidance, *Social Media: Consumer Compliance Risk Management Guidance* (Guidance), to address the applicability of federal consumer protection and compliance laws, regulations, and policies to activities conducted via social media by financial institutions. Financial institutions are using social media as a tool to generate new business and interact with consumers. 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. 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. The Guidance is intended to assist financial institutions in understanding potential risks associated with the use of social media, along with expectations for managing those risks.

The Guidance begins with a description of important elements of a compliance risk management program for social media, which should be commensurate with the extent to which an institution participates in social media. In order to highlight the potential risk areas financial institutions should encompass within the risk management program, the Guidance continues with a discussion of compliance and legal risk to highlight a number of laws and regulations that can apply to interactions within social media. The last two sections of the Guidance address reputational risk and operational risk. This guidance does not impose additional obligations on financial institutions, but instead highlights existing legal requirements that apply to social media forums.

Federal Reserve Banks are asked to distribute this letter and the accompanying guidance to state member banks, as well as to supervisory and examination staff. Questions on the attached guidance should be directed to Carol Evans, Assistant Director, at (202) 452-2051; or Lanette Meister, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2705. In addition, questions may be sent via the Board's public website.¹

Sincerely,

A handwritten signature in cursive script, appearing to read "Sandra Brauer".

Attachment: Social Media: Consumer Compliance Risk Management Guidance

¹See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.