

Bond Case Briefs

Municipal Finance Law Since 1971

Reuters: FINRA Reviewing Brokerages' Use of Social Media.

Wall Street's Financial Industry Regulatory Authority is looking at how brokerage firms supervise their use of communication outlets such as Facebook, Twitter and LinkedIn, the industry-funded regulator said.

FINRA, which conducts periodic "sweeps," or targeted checks on Wall Street brokerages, sent out letters to firms earlier this month requesting information about their use and monitoring of social media communications for the companies and individual employees.

The letter, which FINRA posted to its website on Monday, included requests for information such as how firms monitor whether their use of social media complies with industry rules.

FINRA also asked for specific data such as the URLs for each social media site used by firms and the identity of all individuals who post or update content of those sites.

"Everyone is looking at social media these days," said Francis Curran, a New York-based lawyer with McCormick & O'Brien LLP, adding that FINRA's issuance of the letter is reflective of a broader industry interest in the use of social media.

Firms use social media for purposes such as marketing, communications and client outreach, but they have to be careful not to breach rules concerning advising and making recommendations for clients.

FINRA published an initial social media regulatory notice in January 2010, providing guidance on the industry's use of blogs and social media networking sites, "so it makes sense to incorporate social media reviews into our routine surveillance," FINRA spokesman George Smaragdis said.

In its letter, FINRA also requested a list of the firms' top 20 producing advisers who used social media for business purposes to interact with clients between Feb. 4 through May 4, including the dollar amount of sales made and commissions earned during that period.

The Wall Street watchdog regularly issues "targeted examination letters" to gather information about the industry's response to certain regulations. The number of firms included in the sweeps can vary from a handful to dozens.

FINRA did not disclose the number of firms to which the letters were sent.

"They want to be sure the representatives and firms are complying with various communications," Curran said. "You really have firms running the gamut, where they absolutely don't want registered representatives doing anything on Twitter versus other firms that are trying to embrace the communication without creating problems for FINRA or the SEC."