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Social Media Privacy Bills May Hinder Advisor Compliance.

The Financial Services Institute warned today that 70 social media bills in state legislatures could conflict with Finra advisor regulations.

Privacy provisions in the bills could prevent advisors from fulfilling their supervisory and record-keeping responsibilities under state and federal securities laws and regulations, said Bob Webster, spokesman for the the North American Securities Administrators Association (Nasaa), which is working with Finra and the Securities Industry and Financial Markets Association (Sifma) to seek corrective action on the measures.

“Many of these bills fail to include a carve out that would allow [broker-dealers] and [investment advisors] to access the social media accounts used by their agents and reps for business purposes,” Webster said.

Noting that many of the bills are designed to protect the privacy of personal social media sites, Finra spokesperson George Smaragdis said the regulator has never said that firms are required to conduct routine surveillance of representative’s personal social media, nor have we said they must obtain passwords and user names to keep on file “just in case.”

“Firms that prohibit employees from conducting the firm’s business using particular social media sites, or any social media sites, must follow up on red flags that may indicate that an associated person is not complying with firm policies,” he said.

Smaragdis added Finra has been in contact with 12 states about proposed legislation.

In a letter to Colorado legislators, Finra said it wants state laws to accommodate the obligations of registered broker-dealers under federal law to supervise their employees’ use of personal accounts or services for business purposes.

The letter said the objective may be accomplished through a specific exemption for broker-dealers whose employees use a personal account or service for business communications.

To increase awareness of state legislation affecting advisors and to encourage individual lobbying, FSI is adding an advocacy action center to its Web site with an interactive map that has information on 350 bills it is following.

The announcement was made at FSI’s Investor Advisor Summit in Washington, D.C.