

SOCIAL MEDIA AND BANKING (PART II)

by [Steve Brown](#)

This is part 2 of 4 in a series with Clara Shih and Ally Basak Russell of Hearsay Social. Clara was just named one of BusinessWeek's Best Young Tech Entrepreneurs of 2011 and is the bestselling author of *How to Make Money Marketing Your Business on Facebook* and *The Facebook Era* (used as a textbook at Harvard Business School). Ally is a member of the Illinois Bar and is an expert at social media compliance and regulation. Their company, Hearsay Social, specializes in social media marketing and compliance for some of the largest banks in the nation. This week they focus on internet and security issues as related to banks and social media.

BID: What are the data security risks of social media sites? Clara: They mirror those of any online forum. Use common sense when entering personal information online. Ally: Most users know not to post bank account or social security numbers on social media sites. Some don't realize that the answers to common online banking security questions - like hometown or mother's maiden name - are sometimes right on your Facebook profile. Banks need to take a thought leadership position and help their retail and business customers understand how to better and more securely use social media.

BID: What are the pros of cloud computing (software on the internet rather than downloaded onto a computer)? Clara: While banks have been leery of "cloud computing" due to the loss of control, they are now embracing it quickly. Social media is a step in this process. Leading software companies host their software exclusively on the cloud - as do all social networking sites. Cloud computing's ease of use, quick implementation periods, real-time updates, and ability for offsite access from remote computers and mobile devices are crucial to social media success. Bank use of social media requires a thought out policy complete with monitoring and proactive management. Similar to timely responses to potential customers, banks need to think about managing social media outside of traditional work hours.

BID: How do you recommend banks monitor social media? Clara: Banks can approach this in many ways depending on their level of activity. Third-party software is specifically designed to automate your social media monitoring efforts. While researching for my book, countless companies expressed they were having trouble locating their employees' social media pages; they built teams to find the pages in a systematic manner. At larger banks, this doesn't scale. With platforms like Hearsay Social, bank employees access business social media accounts, so the software monitors for keywords and behavior incompatible with a bank's brand or social media policy.

BID: Why shouldn't banks just block social networking sites? Clara: Banks are developing social media presences because studies show direct correlation to customer satisfaction, retention, and bottom line. If you block these sites, you're missing countless business opportunities that flow naturally from strengthening human relationships on social networks.

Ally: Blocking also doesn't work. To block a site, you must enlist a proxy, a firewall mechanism that replaces the IP address of the destination site (e.g. www.Linkedin.com) with its own IP address, forcing all traffic to pass through it. While proxies block traffic, if it gets updated by its source (and they often do), your company is left unprotected and your data unarchived. Further, proxies don't work when your employees access social media sites from home, remote office or mobile device.

BANK NEWS

TBTF

The FDIC Board meets today to consider a proposed rule on how a large bank would be liquidated in the event of failure. Look for requirements of large banks having to issue "self-liquidation reports" and granular quarterly credit reports.

Durbin 8K

Key Bank becomes one of the first banks to file an 8K due to the Durbin rule finalization. The Bank reports that it expects debit interchange revenue will drop by \$50mm to \$60mm, or about 50% of original estimates. Look for other major public banks to have similar disclosures.

Mortgage Settlement

Rumors fueled by a NY Post article say a bank foreclosure settlement deal with state AGs and regulators are now in the \$50-60B range instead of the \$20B previously rumored.

Whistling In The Dark

HUD Secretary Shaun Donovan said that that home prices may begin to increase as early as Q3 and "It's very unlikely that we will see a significant further decline"

PMI

The beleaguered mortgage insurer said its risk-to-capital ratio didn't comply with standards in 16 states as of end of qtr, and the company got waivers to keep selling coverage in a majority of those states.

OCC Head Correction

We mistakenly labeled the new OCC nomination as Tim Curry, while it should have been Tom Curry. For clarity, Tom was nominated to head the OCC, Tim was in drag in the Rocky Horror Picture Show.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.