FIRESTORM®

PREDICT. PLAN. PERFORM.

Gazopted? - SOCIAL MEDIA RISK & CRISIS MANAGEMENT

How Companies Prepare & Respond

FIRESTORM®
PREDICT. PLAN. PERFORM.

GAZOPTED*

- *Gazopt* From the Hungarian "Gáz": awkward, miserable, problematic and the English Co-Opt: to commandeer, appropriate or take over.

- *Gazopting*: It is the act of having your reputation, your brand, your message, your identity, or a confidential communication co-opted by an unauthorized person, or by one who is violating a confidence or trust.

After the Cri$i$ logos..
delivered by LogoBlink.com

citigroup

xerox

LG

Life's tough

Fail

Nike

PLEASE BUY

Ferrari

FIASCO SYSTEMS

DOWNJONES

YAHOO?

DELL

BADYEAR

CRISISLER

2M

Apple

FedEu
Express

Five Common Failures

Predict. Plan. Perform.®

Control critical supply chains

Train employees for both work & home

Identify & Monitor all Threats & risks

Conduct exercises and update plan

Develop crisis communications plan

- Identify & Involve
  - Critical Suppliers
  - Critical Functions
  - Critical Employees
- What If Exercises
- Establish How To:
  - Monitor
  - Communicate

DISASTER DENIAL

TODAY

EVERYTHING IS FORESEEABLE

TOMORROW

ANYONE MAY BE FOUND ACCOUNTABLE

Virginia Tech
Lessons Learned

Virginia Tech was the definitive episode of Violence in the Workplace

CRISIS MANAGEMENT: FIRST RESPONSE

- **Pastoral setting:**
  - **Physically-intact campus**
  - **Traumatized community**

- **Media circus**
  - **324 Media outlets**
  - **140 Satellite trucks**
  - **$4 million by major network in first week**

- **Message & Metrics**

PENN STATE
How would you rate Penn State's initial response?

November 8, 2011

Due to the on-going legal circumstances centered around the recent allegations and charges, we have determined that today's press conference cannot be held and will not be re-scheduled.

EXPLAINING = LOSING

Penn State facing difficult coaching transition amid scandal; more mail

Ongoing

SOCIAL MEDIA CHANGES THE WAY YOU COMMUNICATE TO EMPLOYEES

And Employees About *YOU*

**More Than 75 % of Businesses Use Social Media.
Nearly *Half Do Not Have* Social Networking Policies**

In addition, 43 % of the respondents have reported employee misuse of social networks.

Source: Proskauer's International Labor & Employment Group

FINRA & SEC

Regulatory Notice 11-39

August 2011

Social Media Websites and the Use of Personal Devices for Business Communications

Guidance on Social Networking Websites and Business Communications

Executive Summary

In January 2010, FINRA issued *Regulatory Notice 10-06*, providing guidance on the application of FINRA rules governing communications with the public to social media sites and reminding firms of the recordkeeping, suitability, supervision and content requirements for such communications. Since its publication, firms have raised additional questions regarding the application of the rules. This *Notice* responds to these questions by providing further clarification concerning application of the rules to new technologies. It is not intended to alter the principles or the guidance provided in *Regulatory Notice 10-06*.

Questions concerning this *Notice* may be directed to:

- Joseph E. Price, Senior Vice President, Advertising Regulation/Corporate Financing, at (240) 386-4623;
- Thomas A. Pappas, Vice President, Advertising Regulation, at (240) 386-4553; or
- Amy Sochard, Director, Advertising Regulation, at (240) 386-4508.

Notice type:
▶ Guidance

Suggested Routing
▶ Advertising
▶ Compliance
▶ Legal
▶ Operations
▶ Registered Representative
▶ Senior Management

Key Topics
▶ Communications With the Public
▶ Personal Electronic Devices
▶ Recordkeeping
▶ Social Networking Websites
▶ Supervision

Referenced Rules & Notices
▶ NASD Rule 2210
▶ NASD Rule 2211
▶ NASD Rule 3010
▶ FINRA Rule 4511
▶ NTM 05-48
▶ Regulatory Notice 08-77
▶ Regulatory Notice 10-06
▶ Regulatory Notice 11-14
▶ SEA Rule 17a-3
▶ SEA Rule 17a-4

National Examination Risk Alert

By the Office of Compliance Inspections and Examinations[1]

In this Alert:

Topic: *Observations related to the use of social media by registered investment advisers.*

Key Takeaways:

Investment advisers that use or permit the use of social media by their representatives, solicitors and/or third parties should consider periodically evaluating the effectiveness of their compliance program as it relates to social media. Factors that might be considered include usage guidelines, content standards, sufficient monitoring, approval of content, training, etc. Particular attention should be paid to third party content (if permitted) and recordkeeping responsibilities.

Volume II, Issue 1   **January 4, 2012**

Investment Adviser Use of Social Media

I.   Introduction

Social media[2] is landscape-shifting. It converts the traditional two-party, adviser-to-client communication into an interactive, multi-party dialogue among advisers, clients, and prospects, within an open architecture accessible to third-party observers. It also converts a static medium, such as a website, where viewers passively receive content, into a medium where users actively create content.

The use of social media by the financial services industry is rapidly accelerating. In growing numbers, registered investment advisers ("RIAs" or "firms") are using social media to communicate with existing and potential clients, promote services, educate investors and recruit new employees. Pursuant to Advisers Act Rule 206(4)-7,[3] firms using social media should adopt, and periodically review the effectiveness of, policies and

FINRA: Clarification

- ***ADVERTISING***
- Registered Principal Responsibility
- Policy/Plan
- Recordkeeping : ***3-Year Document Retention***
- Trained
- Signed Annually
- Prior Approval
- Co-Branding: ***ADOPTION*** - Responsible for Postings, Links, & Feeds
- Entangled with Postings
- ***Monitoring***
- Red Flags Triggers

ATTRIBUTES OF A CRISIS OR DISASTER

- **Escalating Flow of Events**
- **Insufficient & Inaccurate Information**
- **Intense Scrutiny**
- **Loss of Command and Control**
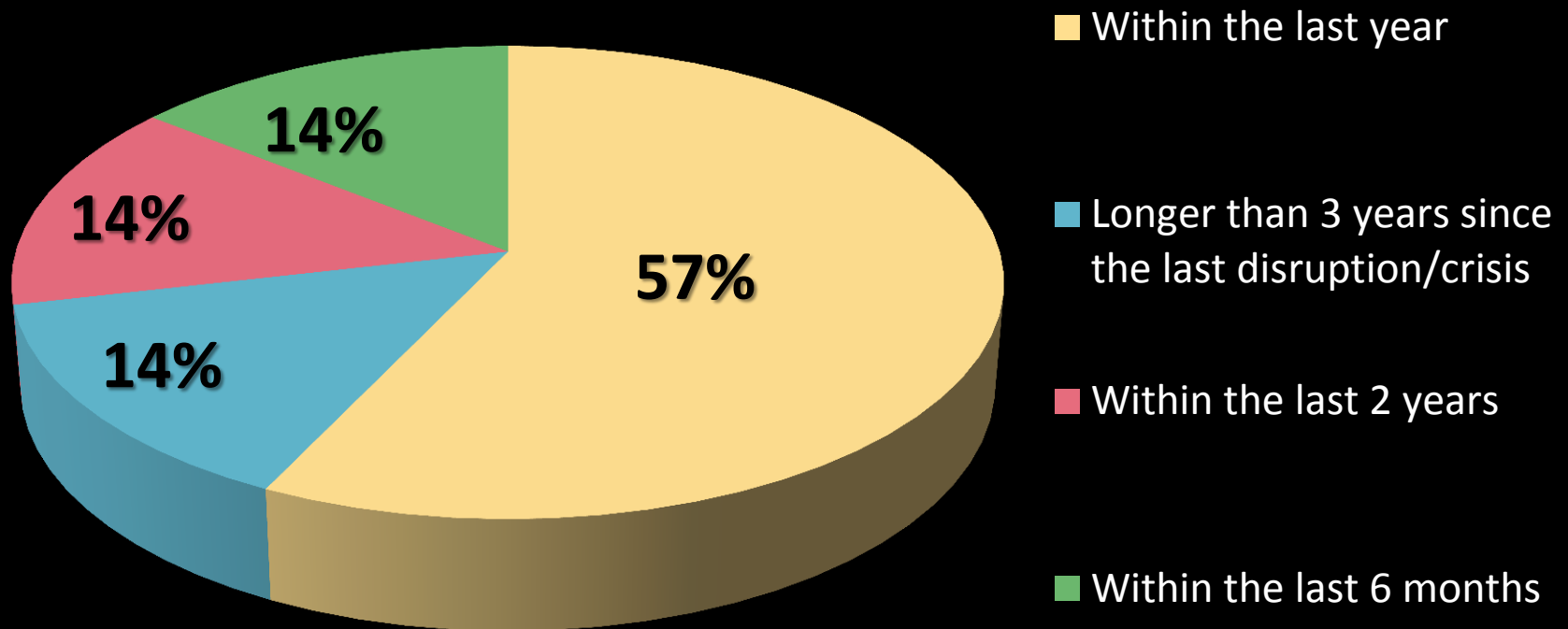- **Surprise**

CRISIS/DISASTER IMPACTS

Almost 2/3 of companies that suffered a disaster experienced lost business

WHEN WAS THE MOST RECENT DISRUPTION OR CRISIS TO YOUR ORGANIZATION?

- Within the last year
- Longer than 3 years since the last disruption/crisis
- Within the last 2 years
- Within the last 6 months

57%

14%

14%

14%

How you respond may trigger a second crisis

CRISIS QUICK SELF-TEST

- **What do you know?**
- **Are you concerned?**
- **If so, about what?**
- **What is your plan?**
- **What & how do you monitor?**

CRISIS CONTAINMENT AND DAMAGE CONTROL

Credibility is paramount

Silence = Guilt

Jaded public, "anti-spin"

Blog world changing style & expectations

Message

Media

Monitoring

Metrics

CRISIS MANAGEMENT PERFORMANCE RATING™

	Stage 1 LIABILITY	Stage 2 BASIC	Stage 3 SUPPORTIVE	Stage 4 STRATEGIC
	SURPRISE	REACTION	PREACTION	CULTURE
DECISION PROCESS	Process developed as a reaction to the situation, lots of debate on process, experts called in late	Generic process, decision rights not completely clear, some degree of confusion	Defined process structure, defined decision rights with little debate,	Clear playbook for major crisis types, clear and known decision rights
ROLES AND RESPONSIBILITIES	High levels of confusion and changing assignments, decision processes not clear, some areas overlooked	Roles and responsibilities clear but defined as needed, support resources not defined, most issues covered	Clearly defines roles and responsibilities, aligned with processes and event types, support resources defined	Clearly defined and established roles and responsibilities, predefined by event type, support resources identified and trained, all areas covered well
INFORMATION CLARITY	Difficult to obtain good data, slow to identify needed data and slow response from organization	Required basic data defined, delayed response from organization, difficult to obtain precise information	Basic data predefined, event specific information quickly identified, fast organization response for data and input	Basic and event type information predefined and information processes pre-established, fast response for unique data
SPEED OF DECISION MAKING	Slow process, events outpace leaders, serious confusion, consumes executive team	Some lack of timely decision making, reacting to events, highly resource intensive	Generally timely decision making, adequate response to events, efficient process	Highly efficient and timely decision process, anticipates events and needs, consumes only resources needed
COMMUNICATIONS EFFECTIVENESS	Confused messages, highly reactive, key channels missed, messages not timely	Established message development process; most major channels addressed, reactive messaging	Defined messaging process and channels, effective and timely message development, some messaging standardized	Proven messaging process, predefined messages for major event types, message content standardized and refined as appropriate

SOCIAL MEDIA RISK

What metrics do you have to assure that management team, would be ready?
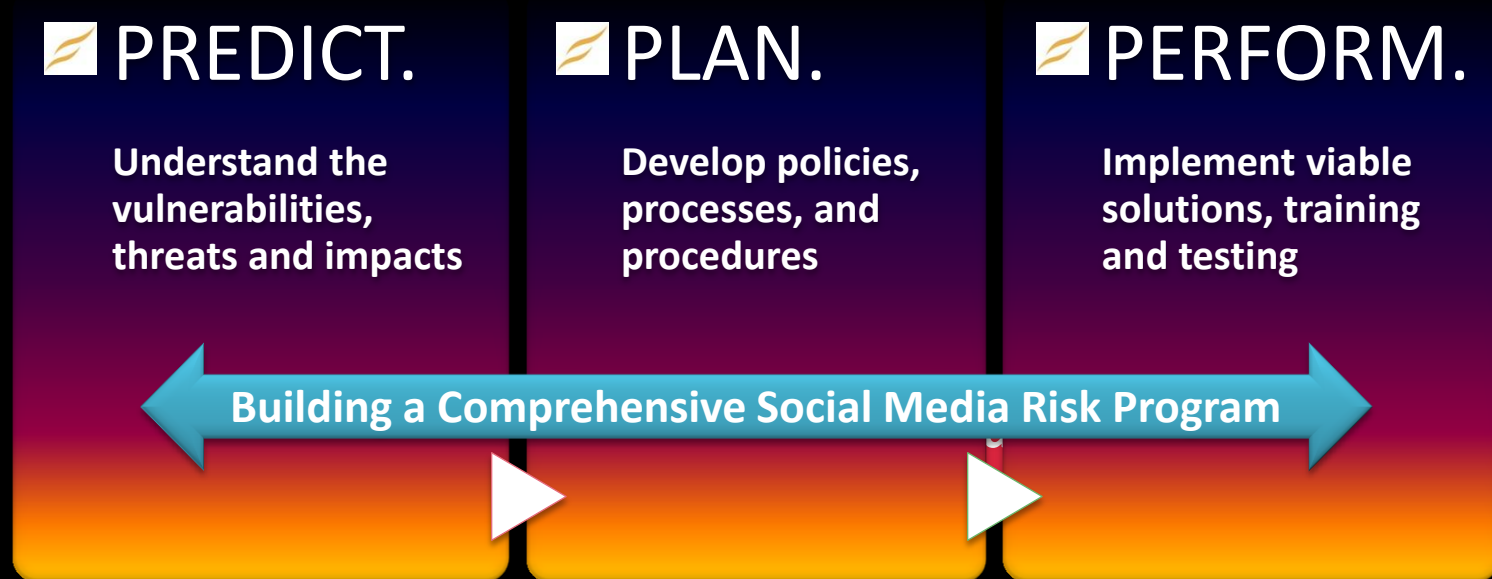
How do you know? Are you sure?

DISRUPTION OR DISASTER?

PREDICT. PLAN. PERFORM. ®

PREDICT.PLAN.PERFORM.®

PREDICT.
Understand the vulnerabilities, threats and impacts

PLAN.
Develop policies, processes, and procedures

PERFORM.
Implement viable solutions, training and testing

Building a Comprehensive Social Media Risk Program

AUDIT / REVIEW PROCESS

Assessment Review	Interviews	Best practices comparison	Synthesis & validation	Findings & Recommendations

- **Firestorm's analysis framework is built upon**
  - **Industry-identified best practices**
  - **Industry standards**
  - **Firestorm's work in successfully implementing sustainable and effective business continuity programs**
- **The analysis applies a multi-dimensioned methodology:**
  - **Critical success factors**
  - **4-Stage maturity model Social Media Assessment Tool**
  - **Industry specific challenges**
  - **Corporate role and responsibility matrix**