

Compliance Journal

SagePoint Financial Advisors, Inc.

Journal

Number: 06-2009-VIII

Subject: Social and Professional Networking Websites – POLICY CHANGE

Executive Summary:

Various websites that are intended for social and professional networking have emerged at a rapid pace over the past few years. Such websites post complex challenges to member firms given the rules that govern communications with the public as well as communications that are distributed or made available to advisors and home office staff. Such challenges include, but are not limited to, record keeping and retention of all electronic communications as well as the review and approval of all advertisements and sales literature prior to use with the public. This Compliance Journal will provide guidance as to the firm's position and policies with respect to social and professional networking websites.

Social Networking

Social networking sites typically allow users to create an online profile and establish a personal network to friends, family members, or other users of the site. Once a registrant becomes a member, he or she can post personal information, images or other content depending upon the features available at the site.

The main types of social networking services are those which are interest-based (e.g., hobbies, political groups, or support groups), those that contain directories of some categories (such as former classmates), and those that offer a means to connect with friends (usually with self-description pages). While there are many forms of social networking sites, some of the more popular social networking sites involve those that offer the opportunity to connect with or make new friends and include (but are not limited to): Facebook, MySpace and Twitter.

Firm Policy-Social Networking

The firm does not object to advisors establishing a "social" networking webpage for personal use (i.e. MySpace or Facebook). The advisor may not promote his/her securities or advisory business through the use of a social networking website which includes, but is not limited to, the following prohibited content being present:

- No references to the broker-dealer by name
- No references to a "Doing Business As" name if the DBA name is used to market securities or advisory business
- No discussions or descriptions of products/services offered
- No commentaries concerning the stock market, investing, etc.
- No solicitations to inquire about investments or financial planning

Advisors may ONLY do the following:

- (1.) State their profession (i.e. financial advisor); and
- (2.) Provide a link to their firm-approved website

Please note that the firm reserves the right to view the advisor's personal webpage during any in person visit, such as a branch office exam or supervisory office visit, to ensure compliance.

Professional Networking

Professional networking websites are similar in some aspects to social networking websites. However, the main difference is that professional networking websites are designed to allow the user of the website to connect with other individuals for a variety of business purposes.

Professional Networking-Firm Policy

The firm does not object to advisors establishing a "professional" networking web page for business use (i.e. LinkedIn). However, the use of such a web page will be limited in scope and the following terms and conditions must be met:

- The webpage must contain a link to the advisor's firm-approved website. Advisor's that wish to establish a professional networking web page must have an approved firm website that is live prior to submitting a request for approval for their professional networking web page. Any discussion of products or services offered will not be allowed.
- All web page content must be reviewed and approved by the firm's Advertising Supervision department prior to the web page being made live. Subsequent updates must also be reviewed and approved prior to the content being made live. It is generally expected that the web page will be limited to an advisor biography and/or an introductory paragraph regarding the advisor's practice. The expectation is that the web pages will remain relatively static once established and requests to approve updates will be minimal. Upon submission to the firm's Advertising Supervision department, it is requested that the name of the web page hosting provider be presented as well as the URL address that will link directly to the web page.
- The web page may not be used to promote upcoming public appearances, seminar presentations or other similar events. Such "invitations" are solicitations or offers of interest and often require filing with FINRA. Such invitations may be contained on the advisor's firm-approved website.
- The complete broker-dealer disclosure must be prominently displayed on the web page.
- The registered branch address and telephone number must be present.
- Hyperlinks to the FINRA and SIPC websites must be imbedded in the reference to FINRA and SIPC within the broker-dealer disclosure. These hyperlinks must open in a separate browser.
- In order to comply with blue sky laws, the web page must include blue sky disclosure language that alerts an investor as to which states the advisor is licensed to transact securities business.

Example: This communication is strictly intended for individuals residing in the states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming. No offers may be made or accepted from any resident outside the specific state(s) referenced.

- No professional networking web page may contain any comments, recommendations or other commentaries from an advisor's current or former clients. Any available feature to allow for such postings must be disabled.
- Some professional networking sites contain a "blog" feature that allows other outside individuals to post comments on the advisor's web page. This feature must be disabled as the firm will not allow for the site to be used for advisors to post commentaries or other types of communications in which clients, or any other party, may respond in writing to the advisor's postings. As indicated previously within this Compliance Journal, the expectation is that an approved web page will remain relatively static and should not be used by an advisor to post any commentaries. Advisors that wish to post commentaries should do so on their firm approved website that will be linked to their professional networking web page.
- Sites such as LinkedIn are not compatible with LiveOffice (or other similar vendors). It is acceptable to list the advisor's LiveOffice email address on the web page as no communication may take place with clients, prospective clients, vendors, etc., through any electronic communication tools that may be offered by the website host.

Twitter and Other Similar Technologies

The firm will not allow the use of Twitter *or any other applications that perform a similar function* for business related communications. Messages that are sent using these types of applications are deemed either correspondence or sales literature depending on the nature of the communication and the audience. In either case, FLS approval is required, as is retention of such communications. Like the blog feature with LinkedIn, Twitter is not compatible with LiveOffice and its use is therefore prohibited. This is the same basic rationale for the firm's prohibition of instant messaging devices.

The firm does not object to any advisor using Twitter if the use is restricted to personal use and no communications are delivered that are related to the advisor's securities practice.

Further Information

For further information, contact your First Line Supervisor, Supervision RVP or Advertising Supervision at 800-552-3319 x3215.