

Banks' risk teams get new responsibilities: Create a response plan for social media emergencies

Article

The news: Banks of all sizes in the US are taking a second look at their current approaches to social media and revising their plans to account for a slew of things that can go wrong, [per](#)

Reuters.

From marketing to threat: When **Silicon Valley Bank** saw its deposits fly out of accounts after a few influential people caused a social media stir about the health of the bank, regional and even major US banks saw social media in a new light.

- Banks primarily used social media as a marketing channel, and the biggest risk it posed was reputational. But now banks are realizing that a few bad tweets can bring down a bank's entire operations.
- Rumors, misinformation, and sensational messages that spread like wildfire across the internet can have damaging effects on a bank's deposits and stock price—as we've seen with the recent regional bank collapses. **First Republic Bank's** former CEO Michael Roffler told lawmakers that [the bank collapsed solely due to contagion](#).
- Unfortunately, banks aren't in charge of the social media accounts that are causing the panic. The best they can do is monitor for risk, create response plans, and stifle the chaos before it goes too far.

What are banks doing? Banks are now calling on their risk teams to build out robust emergency response plans, and their marketing teams to address inaccurate social media posts.

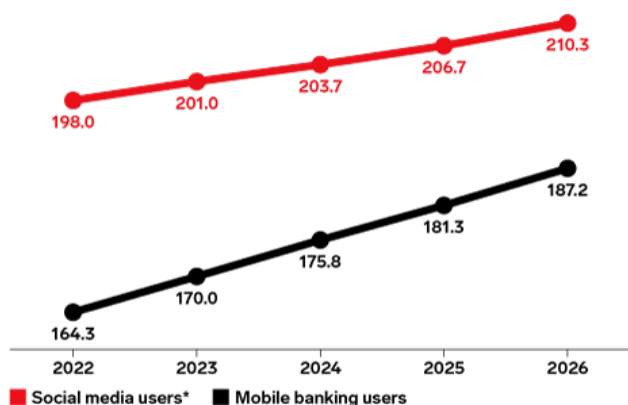
- Banks are prioritizing customer complaints that pop up on the bank's social media pages to ensure they are quickly and correctly resolved, according to several unnamed executives at US regional banks interviewed by Reuters.
- They're also taking a close look at their customer base to determine which clients are influential and ensuring they aren't spreading misinformation.
- And banks are finally realizing that they must provide information about what's going on with their business and education around consumer protections to their customers. This is occurring primarily via email outreach.

Will regulators take action? The risks of rapidly moving communications are not unknown to regulators. Financial agencies have acknowledged the issue, but it's still unclear what actions they might take.

- CFPB head Rohit Chopra acknowledged that fast-moving misinformation [hastened the recent bank collapses](#), but said regulators can't do much to regulate communication methods. Instead, he said regulators should focus on the risks. But the end resolution would likely be more intense scrutiny on banks' liquidity and capitalization position.
- The FDIC and the Fed also agreed that the [bank collapses were fueled by social media communications](#) and digital banking technologies. But they put the onus on banks to ensure they were well-capitalized enough to handle an increase in withdrawal requests.

The big takeaway: The risks social media poses to the financial sector have quickly made themselves known. But banks are now in a tough place as they try to plan for the future. Anyone can say anything on social media at any time, which means banks must be prepared for runs at any moment. Identifying and attempting to stifle misinformation at the source might be impossible with instant communication. And banks' need to bulk up liquidity reserves will transform the way they operate—with potentially negative impacts to their bottom line.

US Adult Social Media vs. Mobile Banking Users, 2022-2026
millions



Note: social media users are internet users ages 18+ who use a social network via any device at least once per month; mobile banking users are ages 18+ and use a mobile phone to access their bank, brokerage account, credit card, or credit union at least once per month via mobile browser, app, or SMS; excludes virtual wallet services (e.g., PayPal, Google Wallet); *Jan 2023 forecast
Source: eMarketer, April 2023

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