SOCIAL NETWORKS ADVERTISING
PLATFORM MANUAL
The Social Networks Advertising Platform (SNAP) has been developed to responsibly incorporate the increasingly popular means of Internet communications that are revolutionizing how businesses interact with clients. FINRA is taking notice of this marketing evolution and has provided regulatory guidance for member firms and registered representatives in FINRA Notice To Members 10-06 and 11-39. Centaurus Financial, Inc. (“CFI”) wants to embrace these new technologies in a professional and compliant manner. Although we do not want to hinder our representatives’ ability to participate in these communications, we must recognize that the financial industry has specific limitations and record-keeping requirements that must be strictly followed. The social media policies and procedures below are designed to meet industry regulatory requirements and protect the interests of CFI and its registered representatives (“RR”).

It is the policy of (“CFI”) to allow its RRs to maintain social media accounts consisting of LinkedIn, Twitter and Facebook subject to the following policies relating to their permitted usage of such accounts.

- No additional social and web accounts are permitted at this time for professional interaction.
- All RRs social media accounts, which are used for securities-related business purposes, are required to be loaded into the CFI’s social media archival system to meet its regulatory obligations.
- Any RR who wants to use social media sites for securities-related purposes (“business” purposes) must complete the SNAP OSJ Permission Form and SNAP Profile Form (or submit existing printouts), along with the applicable training components that apply and forward the necessary documentation to Home Office for review and approval purposes prior to the account’s activation. Every RR will sign an annual attestation that all social media business accounts he/she has used, if any, including any changes, were forwarded to Compliance and approved.
- All RRs must promptly notify and receive permission from the Home Office for any account changes, including new accounts, new user names or closed accounts. For new accounts use the SNAP OSJ Permission Form and appropriate Profile Forms. For static changes to an existing account use the SNAP Profile Form. In no case can any new or name change accounts be accessed for business purposes until approved by Compliance.
- Any explicit or implicit mention of, or association with the firm, its products, or its services on any Internet communication network is considered content of the firm and is subject to CFI’s social media policies and procedures.

Any RR not complying with the policies and procedures above may be subject to disciplinary action. RRs are expected to report any observed violations to the Compliance Department.

Social Networking Sites
Use of social networking sites for business purposes requires review and approval by CFI Compliance prior to use. It is important for all RRs to be familiar with the regulatory requirements before using social networking sites. A summary of the key provisions are listed below:

Facebook
Static content must receive prior approval by Compliance (i.e Profile).

Permitted Activities (subject to post-use review)
- Posting on one’s own Wall.
- Sending ‘messages’
- Status updates
- Sharing a photo or link
- Posting non securities-related content on another user’s ‘wall’ (i.e. Happy Birthday)
- Posting comments within ‘Discussion’ tab

Restricted Activities
- Chat functions
- Accepting Recommendations (Advisor must disable/remove the Review’ tab entirely).
- Posting a comment in reply to comments left on the advisor’s wall or another users’ wall (this is prohibited since it is in the public view and could be misconstrued by a viewer)
- Cannot use the “Like” function in FB except to “Like” the CFI FB page

LinkedIn
- Static profile must receive prior approval by Compliance
- Permitted Activities (subject to post-use review)
  - InMail
  - Sharing a network update
  - Sharing comments within discussion group
- Restricted Activities
  - Chat functions
  - Accepting Recommendations
  - ‘Ask’ or ‘Answer Questions’

Twitter
- Static profile must receive prior approval by Compliance
- Permitted Activities (subject to post-use review)
  - Tweets
  - @Person’s Twitter Account
  - Twitpic
  - Favorites
  - Hash Tags
- Restricted Activities
  - Accepting Recommendations
  - Creating a list (viewed as an Endorsement)
  - May not use SMS invite outside of states in which you are registered

Refer to the Quick Reference Guides for additional information.

Static vs Interactive Content

1) Static content
Many social media websites allow for static content to be posted. Static content is defined as content that remains the same unless changed by the user and includes the profile, background, or wall information (as opposed to Wall posts which are interactive), as well as banner ads. This type of content is considered to be an “advertisement” and must be submitted to CFI Compliance for approval prior to posting. For proposed static
changes to a profile use the appropriate SNAP Profile Form. For proposed use of material for advertising/sales literature and informational purposes, use the SNAP Review Form.

Examples of static sales literature content are:

- Biographical or contact information included in a profile
- Video posted to YouTube through an approved social media site

Representatives should ensure their profile information and any related content is consistent with how they want to present themselves to management, colleagues, and customers.

2) Interactive content
Some social media websites allow for interactive content to be posted. Interactive content is non-static and is used to engage in real-time communications between two or more parties. Examples of interactive communications are ‘Status Updates’ on Facebook, ‘Share an Update on LinkedIn and ‘Tweets’ on Twitter. Firms are not required to have a principal approve these communications prior to use; however, they must be supervised by the firm to ensure RRs do not violate the content requirements for FINRA’s communication rules (Rule 2210).

3) If interactive content is copied and forwarded and posted in a static form, such as in a blog or static area of a social media site, then it must be considered static (even though it originated as interactive) content requiring pre-approval.

Business vs. Personal Listings
CENTAURUS Financial strongly recommends that business social networking be kept separate from personal social networking. Personal profiles are used to share information with friends and family and are not business related, even though you may conduct business with these same social entities i.e. relatives. It is recommended that personal sites be concealed using privacy settings.

Within a personal profile it is not acceptable to list your company name or title within a ‘work experience’ or ‘current job’ category. Listing your company name and title could be considered a promotion of your business and requires approval prior to use. The following examples would require review and approval by CFI Compliance:

- Listing a company website;
- Business contact information or
- Services offered.

In the event a contact communicates with an RR/IAR through a personal site, a RR/IAR is permitted to refer the contact to the RR/IAR to a professional email or telephone number in order to facilitate communications.

Actions that may trigger CFI association
- Detailing your employment/association on your profile; such as describing your job title or providing a company synopsis.
- Including links to firm website(s) or other related online material.
Using business contact information, such as mailing address, email, or phone number.

Referencing products or services that are directly related to the firm’s business model.

Pre-requisite Requirements

1) **Training**
RRs are permitted to use these sites provided the following requirements are met:

Representatives using Facebook, LinkedIn or Twitter for business purposes must complete social media training. Training must be completed before creating an account or profile. The OSJ Branch Manager must also be familiar with the SNAP Manual and the SNAP FAQ document in order to effectively supervise RRs who use these sites. After completing the requisite training, the Representative and OSJ Branch Manager must sign the SNAP Training Completion Form and forward it to Compliance.

2) **ERADO Subscription**
All Facebook, LinkedIn and Twitter accounts must be registered with ERADO before an RR can Post content. ERADO is a third party service provider that tracks social media activity on all three sites.

ERADO registration is available through [https://cfi-sm.erado.com](https://cfi-sm.erado.com).

*NOTE: Representatives should create their account with Facebook, LinkedIn or Twitter before subscribing to ERADO, as they will be prompted to provide account information at the time of sign-up.*

3) **Content Submission Process**

**Static:** Submit all proposed static content to Compliance for prior approval, including all modifications. This includes all profile, biographical and contact information. For Static submissions, use the SNAP Profile Form(s) that apply. A new submission for static contact is required even in the event the information is duplicative of information already approved in another form i.e. the RR’s website.

**Advertising/Sales Literature/Informative:** Advertising/Sales Literature and informative content must be sent to Compliance for approval prior to use. These requests are submitted by using the SNAP Review Form.

**Actions requiring Compliance pre approval include:**
- Posting static information, such as profile information, company description, or background/wall information.
- Referencing, discussing, or endorsing a specific security.
- Participating in any online Internet communication, for business purposes, that is not subject to the firm’s supervision.
- Creating an email template or other boiler plate content that will be distributed to 25 or more clients/prospects, within a 30 calendar-day period (see Correspondence section).
Posting or publishing firm marketing or other copyright materials.

**General Guidelines for Responsible Online Engagement:**
It is important that representatives understand who they are representing when they participate in various Internet communications. CFI expects a high standard of business and personal ethics when participating in Internet communications. While you are allowed to participate in social media communications for personal use, you should manage your online presence appropriately so it accurately reflects how you want to be viewed both privately and professionally.

Regardless of intentions, what is posted online can impact the CFI brand, our employees, and our representatives, so be thoughtful about the content published and the consequences that could result. Representatives should follow these guidelines whenever participating in any Internet communication:

**Be Responsible.** As an agent of CFI, representatives should be cognizant that your online actions, whether business-related or not, can impact the firm and its brand. Even if privacy settings are used, information can be made public. Remember that your colleagues, peers, competitors, and employers can and will search for you online and view your output. Think before you act and avoid topics that you would not be comfortable discussing in the workplace.

**Always Act Ethically.** Doing what’s right and acting in a professional, honest manner is always a good practice. Be fair and respect financial disclosure and copyright laws. Content should be factually accurate and should comply with applicable company policies. Sources, links, and acknowledgments should be included when appropriate.

**Respect the Audience.** Clearly identify who you are and disclose any relevant associations. Don’t participate in activities or conversations that would not be acceptable in the workplace and include all required disclosures. Avoid personal attacks, defamatory, indecent, or controversial issues.

**Remain Professional.** Online activities should not interfere with your job commitments. Additionally, you should not comment on confidential firm, employee, advisor, or client information. For instance, do not post a company photo or use a client name unless you have written permission to do so. Do not offer financial advice or provide commentary beyond your area of expertise and responsibility.

**Important:**
CFI is not responsible for Internet communications created for personal use by employees or Representatives. We assume that no detailed information referencing our firm or related issues will be included in personal communications without our knowledge. Representatives should alert the Compliance Department if they witness any activity that falls outside the scope of our social media policies and procedures.

**Best Practices**
Social media users must adhere to the following guidelines:

1. No posting of or linking to comments or content that is harassing, defamatory, indecent or misrepresents the stated policies, practices, performance, returns or investment strategies provided by CFI.
2. Be honest and consistent with prior professional comments the RR has provided to clients.
3. Exclude RR comments that are in retaliation to negative posts or comments received on the RR’s site. If warranted, the RR should work through the Compliance department to address any issues that directly relate to customer issues identified in such posts.
4. The acceptance of third party testimonials or recommendations is strictly prohibited. While a testimonial as to the RR’s character may or may not be allowable with additional disclosures, the SEC has not as yet given any leeway to the general prohibition against the use of testimonials by investment advisory professionals, at least if the communication is considered an advertisement. While the RR cannot delete previously accepted testimonials, it is possible to block them from view. If the RR has previously accepted a testimonial, he/she should go into their social media site and follow the steps to block from view any testimonials that he/she currently may have. Failure to reject or block previously accepted testimonials might subject the RR to the investment adviser placing restrictions on the RR’s future social media usage or to possible disciplinary sanctions.
5. The use of the “like” feature on the social media sites of others or re-tweeting materials is prohibited since the RR can be liable for accepting the information that they “liked” or “retweeted” as their own. The RR must work with the ERADO to disable the like button on their site or blog and remove any instances where someone indicated liking material on these sites as soon as possible. Third party use of the like button could easily be considered an implied testimonial and thus would be prohibited under Rule 206.
6. Remove any favorable comment on the RR’s social media posts from themselves through other social media accounts the RR may have.
7. Protect the customer’s privacy by prohibiting the use of a customer’s name address, identification information, financial, account holdings or any other information specific to a customer on the RR’s social media site.
8. Facebook Chat feature is prohibited.
9. All RRs must notify CFI Compliance prior to making any LinkedIn or other social media profile change or other change that would be considered to be static content for pre-approval or content that would be considered sales literature prior to implementing the change on their social media site.
10. No RRs shall provide legal or tax opinions or make specific investment recommendations on their social media site. Social media is a useful tool to stay in communication with clients; it is not, however, a replacement or substitute for tailored financial advice for any individual client.
11. No RR may make any negative references about the investment adviser on his/her social media site, or from making any misrepresentation as to his/her title, responsibilities or function with the adviser.
12. No RR may use superlatives, exaggeration or anything that might suggest a guaranteed return or guaranteed successful results.
13. Refrain from the use of industry jargon, consider his/her audience and prepare any posted materials so that his/her least sophisticated customer can clearly understand them.
14. Prohibit the use of a chart, graph, formula or other tool on the RR’s social media site that to be used in determining which securities to buy or sell or when to do so.
15. Do not offer any report, service, or analysis labeled as free on the RR’s social media site unless it is in fact free with no further obligation or commitment.
16. Do not disclose any material non-public information in the RR’s possession
17. Do not discuss or disclose the firm’s proprietary information, intellectual property interests or other trade secrets on their social media site.
18. Use appropriate disclosures as to the RR’s business affiliations, relevant conflicts of interest and correctly attribute ownership of any comments, statements or quotes to their originator.

19. Prohibit any reference to past specific successful recommendations of securities.

**Content Standards**
Prior to posting real-time interactive communications, RRs must ensure that all content meets regulatory requirements and CFI standards.

All communications shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts. No RR may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading.

The RR may not make any false, exaggerated, unwarranted or misleading statement or claim nor publish, circulate or distribute any communication that he/she knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

Communications with the public may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy and it is prior approved by Compliance.

Real-time interactive content does not require pre-approval; however, it will be archived, reviewed and monitored just like CFI email. Therefore, all such communications must comply with regulatory requirements.

**Prohibitions**

1) **Chat tools and Bulletin Boards**
   Private chat rooms are considered sales literature. Bulletin boards are considered advertisements. Typically, these forums are spontaneous and it is impractical to obtain prior approval as well as difficult to print and retain hard copies. Therefore, CFI policy strictly prohibits RRs from participating in chat rooms and bulletin boards regarding any publicly traded company, security, potential investment or any other investment related activity.

2) **Instant Messaging**
   CFI must supervise and retain instant messaging in the same manner as written correspondence. Instant Messaging does not provide means to adequately supervise electronic messages or retain records as required. Therefore, CFI policy prohibits the use of instant messaging, including internal use within a branch office. Furthermore, instant messaging software may not be installed on any computer used for CFI business purposes.

**Requirements for all Social Networking Communications**
The following requirements are applicable to all social networking communications and sites including Facebook, LinkedIn and Twitter.
1) **Disclosures**
   - The following standard broker dealer disclosure must be prominently disclosed.
     
     “Securities and Advisory services offered through Centaurus Financial, Inc. ABC company is not affiliated with Centaurus Financial, Inc.
   - When referencing CFI membership of FINRA and SIPC (i.e. Member FINRA/SIPC), hyperlinks to www.FINRA.org and www.SIPC.org must be included.
   - If the ability to provide hyperlinks does not exist, contact Compliance to discuss the options available.
   - Content posted on the internet is accessible to anyone. Representatives must become registered in the respective state, prior to any direct communication with prospective customers, who are located in states in which the representative is not registered. The following state disclosure language is required to ensure that representatives do not inadvertently solicit beyond states in which they are registered:

     *The CENTAURUS Financial representatives associated with this site may discuss and/or transact securities business only with residents of the following states: {insert list of states in which the advisor is registered}*

2) **Recommendations**
   - Some sites such as LinkedIn or Facebook allow third-party testimonials and recommendations.

   If representatives reference a specific security whether explicitly or implicitly, through any electronic communication, it may be considered a “recommendation” under NASD Rule 2310. This rule requires a broker-dealer to determine that a recommendation is suitable for every investor to whom it is made. Generally, social media sites are widely available to the general public. Depending on the facts and circumstances of the communication, these types of communications may require additional disclosure, and/or other requirements under the federal securities laws.

   **CFI prohibits specific investment product recommendations as well as the use of links to such recommendations, unless previously approved by Compliance or the communication conforms to an approved template.**

3) **Testimonials**
   - CFI does not permit testimonials due to the prohibitions outlined in the Investment Representatives Act of 1940 and the additional disclosure requirements for RRs pursuant to FINRA Rule 2220 and NASD Rule 2210. Registered Representatives are responsible for removing or hiding such posts.

4) **Third Party Posts**
   - Most social networking sites allow third party comments to be posted to an individual or business profile. FINRA does not consider a third-party post to be a firm communication unless the firm or its personnel are either entangled with the preparation of the post, or has adopted its content. SEC and FINRA rules require that for record retention purposes, the content of the communication is determinative and a broker-dealer must retain those electronic communications that relate to its “business as such.”

   **CFI has adopted policies prohibiting associated persons from responding to, or commenting on any third-party post on a firm-sponsored website without prior approval**
from Compliance. Appropriate disclosures regarding our responsibility for third-party posts will be included where applicable. Additionally, we will attempt to screen and block offensive and/or inappropriate content from our social media communications by providing users the ability to report issues to the Compliance department.

This functionality should be disabled when establishing a profile. If the functionality does not exist to block such posts, the following requirements must be met:

- Representatives should not “like” or post responses to comments posted to your profile
- Add the following disclosure: *Third-party posts found on this profile do not reflect the views of CENTAURUS Financial and have not been reviewed by CENTAURUS Financial as to accuracy or completeness.*

5) **Messaging Tools**

- Messaging and emailing tools are approved within Facebook, LinkedIn (InMail) and Twitter (except direct messaging) only. Refer to Quick Reference Guides for more information.
- Messaging or emailing through any other social media site is strictly prohibited.
- Messages and emails sent through Facebook, LinkedIn and Twitter must adhere to SEC, FINRA and CFI communication standards.
- Chat tools within any social media site, including Facebook, LinkedIn and Twitter, is strictly prohibited.

**OSJ Branch Manager Responsibility**

OSJ Branch Managers who supervise representatives using Facebook, LinkedIn or Twitter must also be familiar with the SNAP Manual and SNAP FAQ in order to effectively supervise representatives who use these sites. Interactive communications posted by representatives will automatically be captured and routed through the CFI email surveillance system. Any RR who is out of compliance with the CFI social media policies will be removed from social media access by the OSJ Branch Manager in conjunction with Compliance.

**Record Retention**

Standard Record Retention requirements apply to all interactive and static content. See the Compliance Manual for details. Interactive content is captured by ERADO and archived with CFI. Therefore, branches do not need to maintain copies of interactive communications. Static content must be sent to Compliance along with the Social Media Review Form for prior approval.