

# Facebook and Equifax: Meeting Increased Customer Expectations, Not Just Regulatory Requirements

STEVEN MINSKY

CEO of LogicManager & Author of the RIMS Risk Maturity Model

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## Learning Objectives

At the end of this session, participants will be able to:

- Discuss the recent changes to the regulatory environment and other advancements fueled by social media and new technology.
- Explore the Facebook and Equifax scandals with an eye towards what these seemingly diverse cases have in common.
- Outline the tactical steps every company should take to avoid costly litigation and regulatory fines.

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## Agenda

1:00-2:00: The See-Through Economy

2:00-2:15: Break

2:15-3:30: How to Implement Risk-Based Compliance

3:30-4:00: Questions and Answers

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**How prepared is your organization to cope with the increasing levels of risk in today's interconnected world?**

Very Prepared

Prepared

Somewhat Prepared

Not Prepared

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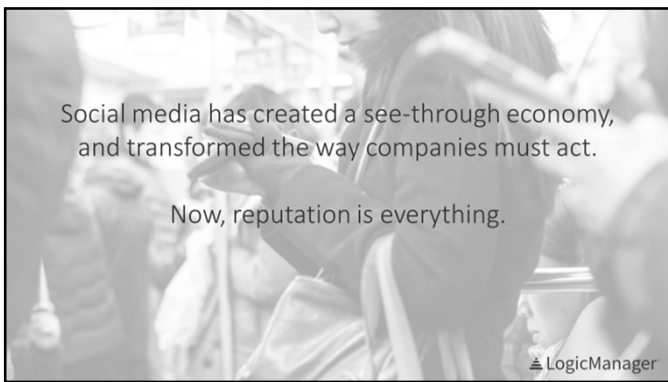
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Social media has created a see-through economy, and transformed the way companies must act.

Now, reputation is everything.



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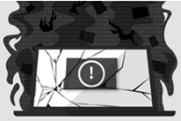
### Equifax

**September 2017** – Cyber breach compromises 143 million American Social Security numbers, driver's license numbers, addresses, and birth dates.

**Mid-September 2017** – Former CEO Richard Smith "retires."

**November 2017** – 50-state class action lawsuit filed against Equifax.

**March 2018** – Number of Americans impacted increases to 148 million.



**"Both the human deployment of the patch and the scanning deployment did not work."**

– Former CEO Richard Smith  
September 2017

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## Facebook

**December 2015** – Cambridge Analytica uses Facebook users' data to help a political candidate gain an advantage in the electoral race. Facebook asks Cambridge Analytica to delete the data, which the company confirms.

**October 2017** – Trillium Asset Management calls on Facebook to establish a risk oversight committee.

**January 2018** – Facebook claims they already have an audit committee that performs risk oversight.

**March 2018** – Facebook learns that Cambridge Analytica harvested the private information of over 50 million Facebook users without their consent.

**April 2018** – Zuckerberg announces that as many as 87 million people may have been impacted.



**"We have a responsibility to protect your data, and if we can't then we don't deserve to serve you."**

– CEO Mark Zuckerberg  
March 2018

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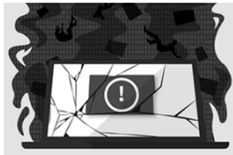
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## What Do Equifax and Facebook Have in Common?



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## The Effects of Corporate Scandal

Chipotle: **46%** decrease in stock value

Equifax: **33%** decrease in stock value

Facebook: **21%** decrease in stock value

**The New York Times**

*For Many Facebook Users, a 'Last Straw' That Led Them to Quit*

**THE WALL STREET JOURNAL**

*Consumers Blast Equifax's Hack Response*

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Sources: Hsu, Tiffany, "For Many Facebook Users, a 'Last Straw' That Led Them to Quit," New York Times, 21 Mar. 2018.  
Andriotti, Anna Maria, and Aaron Lucchetti, "Consumers Blast Equifax's Hack Response," The Wall Street Journal, 8 Sept. 2017. ▲LogicManager

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## Innovation Requires Change



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## Chipotle

**2008** – Chipotles introduces its locally grown produce program.

**2015** – E. coli outbreaks detected by public health officials.

**December 2016** – Chipotle abandons dual-CEO structure.

**July 2017** – Multiple customers in Sterling, Virginia complain of symptoms consistent with the norovirus.

**November 2017** – Founder Steve Ells steps down as CEO.

**August 2018** – More than 700 people become sick after eating Chipotle.



**"We are all very confident that this E. coli outbreak would not happen again."**

– Former CEO Steve Ells  
January 2016

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## The Challenge

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## Compliance Professional



**Goal:** Protect your organization's reputation and ensure compliance.

**Challenge:** Managing regulatory change in the see-through economy.

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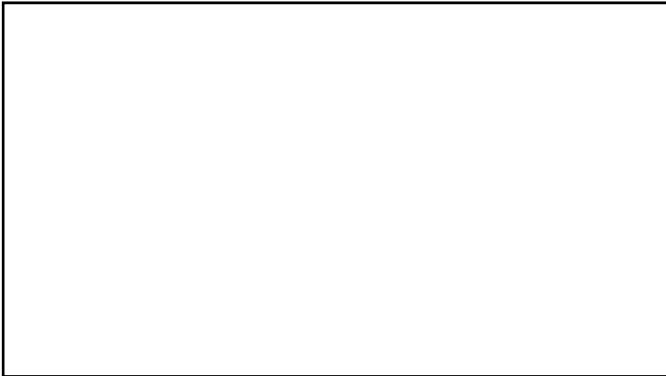
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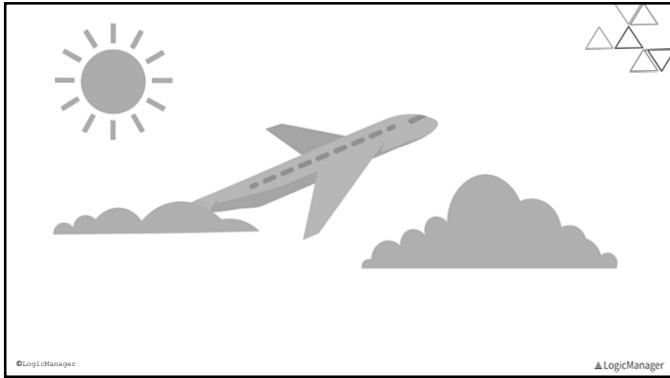
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### How Do You Manage Regulatory Change?

1. Identify the change
2. What's the impact?

A Venn diagram consisting of three overlapping circles. The top-left circle is labeled "Regulation A", the top-right circle is labeled "Regulation B", and the bottom circle is labeled "Control #1". The circles overlap in the center and at the intersections.

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### The Solution: A Perfect Sidekick

An illustration of a person with a ponytail wearing a cape, standing next to a small robot. The person is labeled "Compliance Professional" and the robot is labeled "Risk-based Approach".

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**Which aspect(s) of integrating governance functions do you find most challenging?**

- Managing cross-functional information
- Getting process owners & front-line involvement
- Standardizing your assessment scales & criteria
- Getting buy-in from other functional areas

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## How to Implement Risk-Based Compliance

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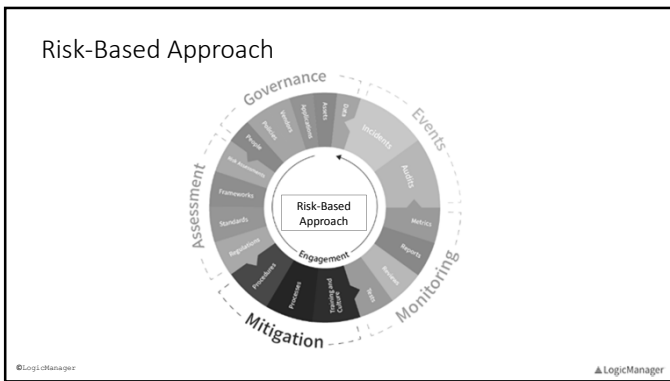
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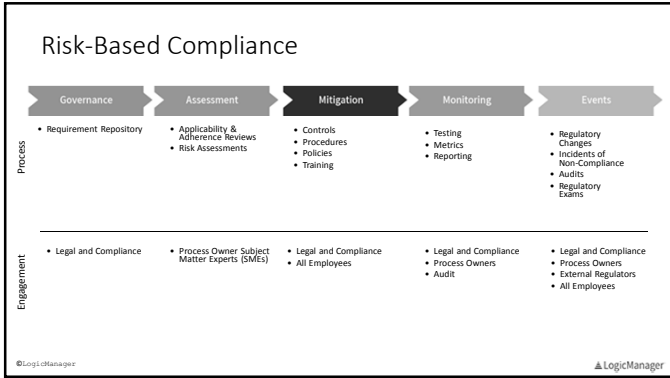
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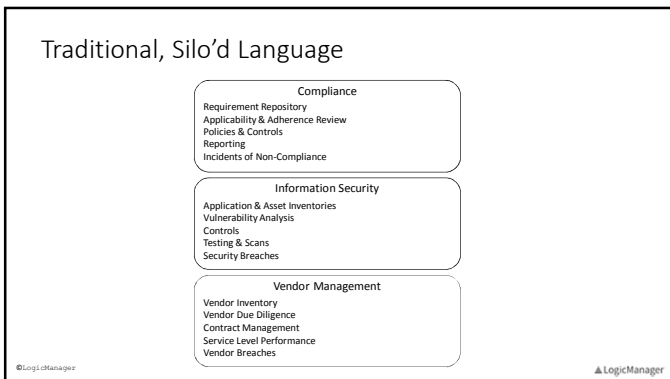
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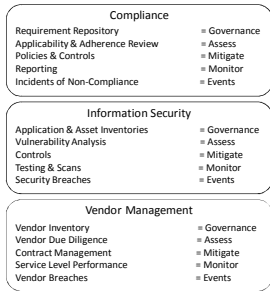
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## Risk-Based Translator



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## Activity Part 1: Identify Risks

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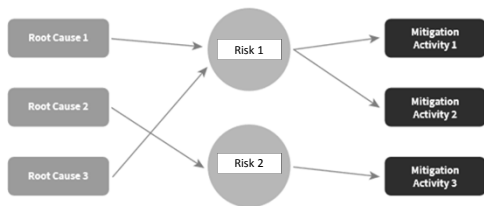
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## Identifying Root-Cause



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## Adopt a Root-Cause Approach



**External**  
Risk caused by outside people, environment, and other circumstances.  
Examples: Fluctuations in economic markets, weather-related hazards or disasters, lack of public infrastructure



**People**  
Risks involving people who work for the organization.  
Examples: Misuse of confidential information, willful noncompliance with policies, lack of necessary skillsets



**Process**  
Risks arising from the organization's execution of business operations.  
Examples: Inadequate budgeting, missing documentation, lack of policies or procedures



**Relationships**  
Risk caused by the organization's connection with third-parties.  
Examples: Contracts are not reviewed properly, inadequate security protocols on third-party relationships



**Systems**  
Risk associated with IT processes, security, data, or information assets  
Examples: Data is inaccessible, failure to adopt new technology trends, inadequate system maintenance

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## Standardize Assessment Scale & Criteria

Adopt a uniform numerical scale to objectively prioritize risks.

1 - 2 Insignificant	3 - 4 Minor	5 - 6 Moderate	7 - 8 Serious	9 - 10 Major
<ul style="list-style-type: none"><li>• Financial</li><li>• Legal</li><li>• Operational</li><li>• Regulatory</li><li>• Strategic</li></ul>	<ul style="list-style-type: none"><li>• Financial</li><li>• Legal</li><li>• Operational</li><li>• Regulatory</li><li>• Strategic</li></ul>	<ul style="list-style-type: none"><li>• Financial</li><li>• Legal</li><li>• Operational</li><li>• Regulatory</li><li>• Strategic</li></ul>	<ul style="list-style-type: none"><li>• Financial</li><li>• Legal</li><li>• Operational</li><li>• Regulatory</li><li>• Strategic</li></ul>	<ul style="list-style-type: none"><li>• Financial</li><li>• Legal</li><li>• Operational</li><li>• Regulatory</li><li>• Strategic</li></ul>

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## Activity Part 2: Identify Root-Causes

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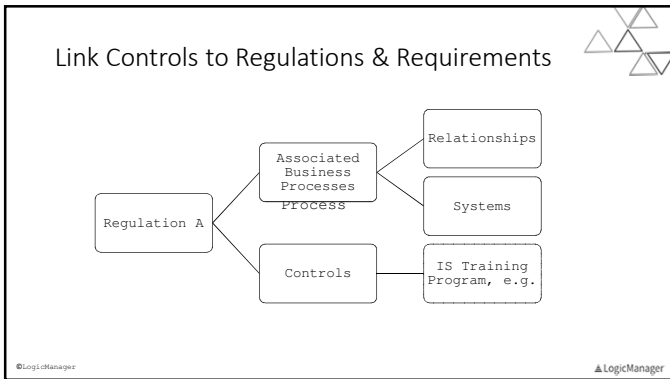
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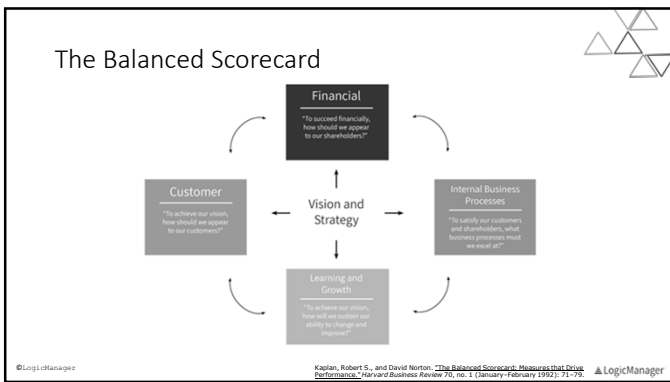
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### Structure Reporting for Flexibility & Efficiency

Issues by Status: Pie chart showing New, In Progress, and Completed.

Issue Target Completion by Quarter: Bar chart showing completion rates for Q1, Q2, Q3, and Q4.

Critical Priority Issues Outstanding: Progress bar chart.

High Priority Issues Outstanding: Progress bar chart.

Medium/Low Priority Issues Outstanding: Progress bar chart.

Issue ID	Business Unit	Issue Title	Issue Description	Priority	Issue Status	Issue Owner	Issue Category
01	IT	System Upgrade	Upgrade of core system	Critical	In Progress	John Doe	IT Infrastructure
02	HR	Recruitment	Recruitment of new staff	High	Not Started	Jane Smith	Human Resources

Business Unit Filter: Finance, Information Technology, Development, Human Resources, Compliance.

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## Activity Part 3: Mitigate and Monitor

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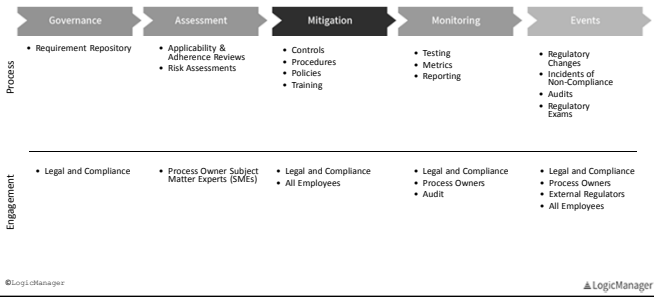
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## Risk-Based Compliance



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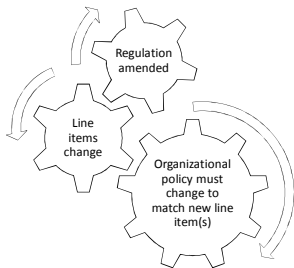
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## Manage Change over Time



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**Which aspect of your risk management program do you consider to be most underserved?**

- Cybersecurity
- Vendor Management/supply chain disruptions
- Regulatory management & compliance
- Incident Management
- Other

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## Questions & Answers

Steven Minsky is a recognized thought leader and writer in integrated risk management.

Steven is the CEO of LogicManager, Inc. and author of the popular RIMS Risk Maturity Model framework and assessment tool.

To follow Steven on his blog, visit: [www.logicmanager.com/blog/](http://www.logicmanager.com/blog/)



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