

## **Instant Messages' Popularity Pushes Brokerages Into Action**

**By Stephanie Miles**

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Internet instant-messaging has overtaken the business world -- and that has set off a scramble at Wall Street firms, which are required to archive their every communication.

Securities and Exchange Commission rules state any records related to "business as such" must be retained for three years. So-called IM conversations -- like phone calls and e-mail -- would presumably be covered by that rule, although it hasn't been tested by any specific case.

Pamela Housely, chief compliance officer for investment bank Thomas Weisel Partners LLC, San Francisco, installed IM monitoring software in November on the personal computers of all Thomas Weisel employees after realizing how prevalent IM usage was at the firm.

"I got concerned because I saw IM as `correspondence,'" which must be archived and monitored, Ms. Housely says. After initial attempts to block IM use were met with resistance from employees, she settled on FaceTime, security software that works with Weisel's e-mail technology and allows easy review of IM chat logs, in addition to attaching a legal disclaimer to instant messages sent to outsiders.

In fact, SEC rules have pushed brokerage firms to embrace heavy-duty instant-messaging systems.

Why? "It maintains a paper trail," says Bill Singer, a securities industry attorney and partner with the law firm Gusrae, Kaplan, & Bruno, in New York. This can be crucial when allegations of fraud or other improprieties arise. E-mail, for instance, played a central role in New York state's recent probe of securities analysts at Merrill Lynch & Co.

Once limited to teens and home users, IM has been embraced by many business users. A recent study by Gartner Inc. and Reuters Group PLC estimates by 2003 more than two-thirds of workers at large corporations will be using consumer IM software from companies such as AOL Time Warner Inc., Yahoo Inc. and Microsoft Corp.

"I only use it to drop quick notes," says one banker at Wells Fargo & Co. in San Francisco, who says no company policy has been communicated to him on the use of IM at work. "If there was [a policy against IM use], the technician would have not installed it for me."

A Wells Fargo spokeswoman declined to comment on its IM policy.

IM monitoring is likely to become more prevalent outside of just securities firms, says John Jessen, Chief Executive of Electronic Evidence Discover, a litigation and technology consulting firm.

"Companies can't operate without a history -- they can't operate without records of what they're doing and what they're going to do," he says. "Corporate IM systems will more and more resemble e-mail."

Along those lines, he predicts as IM becomes more corporate, it may lose the immediacy and casualness that made it popular in the workplace in the first place. "I'm not sure how valuable IM is going to be in the corporate community," he says.