

Facebook has been playing with fire and has got its fingers burned, again. On November 29, 2011, the US Federal Trade Commission (FTC) announced that it had reached a draft settlement with the giant social network over allegations that it had misled people about its use of their personal data.

The details of the settlement made clear that Facebook, which boasts over 800 million users, betrayed its users' trust. It is also notable because it appears to be part of a broader attempt by the FTC to craft a new privacy framework to deal with the swift rise of social networks in the world.

The regulator's findings come at a sensitive time for Facebook, which is preparing for an initial public offering next year that could value it at around \$100 billion. To clear the way for its blockbuster floatation, the firm first needs to resolve its privacy tussles with regulators in America and Europe. Hence its willingness to negotiate the settlement unveiled this week, which should be finalized at the end of December 2011 after a period for public comment.

Announcing the agreement, the FTC said it had found a number of cases where Facebook had made claims that were "unfair and deceptive, and violated federal law." For instance, Facebook passed on personally identifiable information to advertisers, even though it said it would not do so. And it failed to keep a promise to make photos and videos on deactivated and deleted accounts inaccessible.

The settlement does not constitute an admission by Facebook that it has broken the law. But the regulator's findings are deeply embarrassing for the firm nevertheless. In a blog post published the same day, Mark Zuckerberg, Facebook's boss, tried to play down the impact of the deal. First he claimed that "a small number of high-profile mistakes" were overshadowing the social network's "good history" on privacy. Then he confessed that it could still do better and said he had hired two new "chief privacy officers."

The FTC is not relying on Facebook to police itself.

Among other things, the firm will now have to seek consumers approval before it changes the way it shares their data. And it has agreed to an independent privacy audit every two years for the next 20 years. Jeff Chester of the Center for Digital Democracy reckons that it will make it somewhat easier for privacy activists to hold the social network to account.

There is a clear pattern here. In separate cases over the past couple of years the FTC had insisted that Twitter and Google accept regular external audits, too, after each firm was accused of violating its customers privacy. The intent seems to be to create a regulatory regime that is tighter than the status quo, but one that still gives social networks plenty of room to innovate.

The audits can be used to tweak the framework in the light of new developments.

Some observers reckon web firms have agreed to all this in the hope that it will deflect a push for more onerous privacy legislation in America. But outrage over Facebook's behavior could spur Congress into action anyway. And it will certainly not be lost on regulators in Europe who are scrutinizing the social network's privacy record too. Mr.

Zuckerberg's latest mea culpa (admission of error and formal apology) is unlikely to be his last.