4 Keys to Cutting Down on Compliance Costs in Today's Regulatory Environment

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In today's financial landscape, increased regulations have led to a significant rise in the amount of time and money banks and financial institutions spend on compliance monitoring.

To address the evolving pain points associated with an intensifying regulatory spotlight, investment management firms and financial institutions need tools that are uniquely positioned to focus bank guidance from the Office of the Comptroller of the Currency (OCC) regarding asset management.

It can be very expensive for firms to handle their entire regulatory workload in the front office. According to research from Deloitte, compliance costs can eat up as much as 4% of revenue at a wealth management firm thanks to inefficient processes and the time spent performing reviews by highly paid front-office managers.

While compliance monitoring is certainly an essential function for wealth managers, it shouldn't get in the way of providing the highest level of client service possible or pursuing cost-effective scale. Thankfully, new capabilities have emerged that can take much of the heavy lifting from front-office advisors.

Below are four keys every financial institution can leverage to keep compliance costs down:

1. **Cut down on secondary reviews and oversight while maintaining quality:** Traditionally, every administrative and investment review is double checked by a second employee. But some wealth managers are taking a page from the manufacturing industry by implementing a quality control process which selects a random, statistically valid percentage of total reviews for a second look. Research has shown that when employees understand that their review may or may not be randomly selected for a double-check, the overall quality of the initial review increases. By cutting down on the number of secondary reviews, wealth managers save countless hours that can be spent on revenue-generating tasks.
2. **Leverage workflow and documentation capabilities:** Wealth managers need to prove to regulators that their investment recommendations to clients are in their clients' best interests. The easiest and fastest way to do this is to create a history of each client relationship and the decisions made for each one. Timestamping these decisions with detailed notes in a searchable database provides managers with easily-accessible information to fall back on if regulators or clients begin asking questions.
3. **Reassign routine administrative reviews to middle office employees:** There is no need for highly paid, front-office advisors to spend their valuable time performing routine administrative reviews. With software that automatically reassigns these tasks to middle-office employees, firms can save money while their highly compensated managers spend time working with clients and focusing on revenue-generating tasks.
4. **Configurable exception-based monitoring criteria and workflows:** Leveraging a one-size-fits-all solution only slows firms down when it comes to compliance monitoring. By configuring alerts and workflows, wealth management firms can turn their compliance monitoring efforts into a well-oiled, efficient machine.

Compliance monitoring shouldn't drag on company profits. With the above four keys, wealth management firms can cut down on wasted time and focus on cost-effectively scaling the business. ■

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