Gaining 20/20 Vision into Compliance Monitoring

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As we turn the page on a new decade, the time has come for wealth managers to revisit and update their compliance monitoring capabilities and processes.

A Wealthmanagement.com survey revealed that regulatory audits are on the rise. In fact, 35% of firms surveyed were audited in 2019, up from 27% in 2017. These firms are paying more to cover compliance-related tasks as this business function continues to drag on company profits. The survey found that the total cost for compliance duties has risen 8% since 2017. Not to mention, some advisors are spending on average as much as one full day per week performing compliance duties.

Heading into year 2020, wealth managers should revisit their capabilities and processes to ensure they're remaining compliant with evolving regulations. These professionals must get their compliance eyes checked, and make sure they have clear sights into administrative and investment reviews being conducted across the entire firm.

Thankfully, new capabilities are making this process easier, more efficient, and less expensive than ever before. Here's what wealth managers need to ensure they have 20/20 compliance vision heading into the year 2020:

1. Quality control processes that reduce the need for secondary reviews

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 that randomly selects a valid sample 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 secondary reviews, wealth managers save countless hours that can be spent on revenue-generating tasks.

2. Workflow and documentation capabilities

Wealth managers need to prove to regulators that the investment recommendations they make 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 questions are asked.

3. Technology to reassign the work associated with reviews to middle office employees

There is no need for highly paid, wealth managers to spend their valuable time performing routine review tasks. 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 will continue to be a priority for wealth management this upcoming year. With the above tools and processes, wealth managers can gain clarity and confidence into their compliance efforts and systems. With this 20/20 compliance vision, they can focus their energy on client-facing responsibilities and prospecting that will make 2020 a big year for their business. ■

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