



Building a better
working world



Next-generation marketing compliance and oversight

Discover how
Ernst & Young LLP (EY US)
and one client expedited the
regulatory and compliance
marketing materials review
process and reduced overall
review turnaround time by
up to 60%.

In today's landscape of heightened regulatory scrutiny, increased document volumes and shortened time-to-market targets, traditional marketing compliance review processes are not suitable to address the regulatory expectations and challenges that organizations face. There is a need to re-evaluate current processes and look towards embedding advanced analytics and next-generation technology to enhance the marketing compliance review process.

As new regulations continue to surface, forward-thinking wealth and asset management firms seek innovative data and analytical capabilities to improve service, better understand compliance risks and proactively improve manual review. This paper will explore how a large asset manager engaged EY US to build a scalable artificial intelligence (AI) solution to establish a more efficient marketing compliance and review process.



Challenges with existing marketing compliance review

Over the last few years, increased regulatory expectations and demands have greatly increased the focus and scrutiny on traditional marketing compliance review processes. New amendments to the Investment Advisers Act of 1940 Rule 206(4)-1 and Rule 206(4)-3 are designed to address market developments and improve the quality of information available to investors by requiring an enhanced standard of conduct for asset managers. In 2019, more than \$135 million was paid out due to failures in meeting the regulatory obligations around proper disclosures.¹

More recently, organizations are reporting a volume increase in marketing compliance review requests. Marketing departments in financial institutions receive an **average of 10,000** requests annually, which coupled with heightened expectations to reduce time to market and complex regulatory requirements have put additional pressure on traditional compliance reviews. This requires institutions to maintain large compliance teams of high-cost resources.

Typical challenges impacting existing marketing compliance review processes:

- ▶ Inadequate governance and oversight lead to missed and lower availability of actionable insights.
- ▶ High volumes of documents can lead to go-to-market delays.
- ▶ Highly skilled resources are often focused on formatting edits manual tasks rather than providing complex tasks and providing subject-matter expertise.
- ▶ Large resource requirements lead to higher costs to the firm.
- ▶ Risk of human error and inconsistent reviews can lead to additional regulatory scrutiny.

Together, EY US and a client codeveloped an AI solution to enhance the existing marketing compliance review process to manage evolving review requirements, increasing document workloads, longer time to market and high costs of remediation. The solution increased efficiency by streamlining the process and increasing compliance while decreasing compliance review time.

AI-enabled assistant: Enterprise Marketing Material Automation (EMMA)

EMMA deploys natural language processing (NLP), machine learning and advanced analytical algorithms to aid the review process.

The tool reads through and reviews a wide variety of marketing compliance materials, including, but not limited to:

- ▶ Fund fact sheets
- ▶ Commentary pieces
- ▶ Sales presentations
- ▶ Email documents
- ▶ Websites
- ▶ Social media posts

EMMA reviews marketing materials instantly upon submission and provides immediate feedback on errors or fast-tracks the document to the appropriate marketing compliance or Series 24 approvers through an integrated management system workflow.

¹ "Division of Enforcement 2019 Annual Report," *US Securities and Exchange Commission*, 2019, www.sec.gov/files/enforcement-annual-report-2019.pdf.



Expediting marketing compliance review through application of advanced analytics techniques

EMMA provides a wide range of features and functions that address the challenges faced within the marketing compliance review process. Below are some of EMMA's key capabilities:

Reduces time needed to manually review outbound communications

Through the application of sophisticated optical character recognition techniques and advanced language analytics, EMMA instantly highlights content that may pose elevated risk.

1

Document Processor: extracts text from various document layouts and classifies the content within the document into title, subtitle, sections, charts and disclosures while maintaining semantic relationships

2

Compliance Reviewer: uses advanced language analytics to validate the appropriateness and consistency of marketing language and disclosures per regulatory and firm guidelines via up-to-date information on disclosures, regulation changes and product information

3

Regulatory Engine: EMMA is constantly training to validate and apply correct disclosures, determine regulatory filing requirements, flag incorrect fund information (e.g., fund objective, returns, share classes, ticker), and identify language and statements that regulators would find inflammatory or misleading (e.g., FINRA 2200 series, SEC 135/482/Reg AC, MSRB G-21/32, NFA 2-30) to help automate manual tasks and ensure consistency within the review process

Removes need for a requester to input many document details when uploading materials

EMMA's **Metadata Generator** automatically determines document properties from the content and stores the details (e.g., product type, intended audience, associated entities) while validating the metadata to remove inconsistencies (i.e., misleading phrases, duplicate terms).

Decreases wait time for marketing compliance review

By directing marketing materials to the correct workflow, EMMA's Document Workflow Router uses document-specific attributes (e.g., product, intended audience) and marketing compliance review findings to send documents for revision, business approval or escalation. This allows for immediate review by embedding analytics into an existing workflow.

Streamlines integration with workflow management systems

EMMA is designed to be fully integrated within existing workflow management systems using flexible and robust application programming interfaces to streamline the introduction of new regulations or standards. This centralizes logic into a single program that can be rolled out across the organization.

A success story: transforming marketing review process with enhanced governance and control

Through the successful implementation and adoption of EMMA, an EY client experienced up to 40% reduction in manual review effort via advanced language analytics, while simultaneously improving accuracy and consistency throughout the review process. Also, by using rule-based text analysis, many documents were excluded from the manual review process, resulting in significant cost savings and up to 60% reduction in overall turnaround time.

Additionally, the implementation of EMMA led to enhanced governance and controls within the marketing compliance review process by improving auditability of high-impact regulations and identifying areas requiring additional training and support.

NLP and AI can be used to scale and deliver automated solutions across unstructured documents. As new regulations come out and the capability scales, we see EMMA as an advanced analytics solution that relieves regulatory pressure and accelerates time to market.



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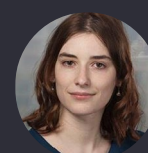
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