AUTOMATING BUSINESS AND COMPLIANCE PROCEDURES

FIVE WAYS TO REDUCE YOUR COMPLIANCE AND SUPPORT COSTS

Introduction

While markets will ever ebb and sway and investors swing between bullish or bearish, some facts facing modern broker dealers and investment firms will always remain constant. Chiefly, that regulation will become more demanding. And size doesn't matter. Whether you're firm has a few registered representatives or hundreds, after earning a fee for selling a particular product to an investor, you're responsible for its oversight.

But these facts are broadly recognized and firms are responding. Still more procedures and paperwork are being developed and home offices are increasingly obliged to review most, if not all, transactions. Attestation requirements are moving from annual, to quarterly and even monthly: to remind everyone of their responsibilities and demonstrate that effective procedures exist when FINRA performs their audits. FINRA is responding as well. Audits are now month long affairs of going through your business with a fine toothed comb. They scrutinize your written policies and procedures expecting to see audit trails and effective implementation for each requirement.

The net effect on reps, advisors and the home office, is more work and more expense. Responses vary but often introduce explicit and less obvious costs and burdens on your firm. This paper explains five opportunities to reduce your compliance and support expenses, which were discovered as part of E*Assist's implementation for various clients.

1. Reduce your FedEx & mailing expenses

Do you consider your FedEx bill as a cost of doing business that will never decline? And what about your reps? The cost of all those daily envelopes may be included in a volume discount, which is great, right? But look at all those hard dollars spent sending paper this way and that. And now that 2821(c) will soon require principal review of all variable annuity sales, this means even more paperwork to send and review. Eliminating your FedEx bill altogether may be a stretch, but imagine it dropping 10%, 20% or even more.

But how can this be achieved? Instead of reps sending you written applications, they can create "e-forms." Customized to look exactly the same as the original, these electronic equivalents require no handwritten input, printing or mailing. They are completed online and are immediately available at the home office for execution or review, eliminating the need to mail or FedEx. The information is more accurate and complete with E*Assist's validation procedures that work in real-time to check the data as the rep enters it in the first place. The results are self evident: faster, more accurate and less expensive!

2. Reduce rekeying data

How many hand-written forms do your reps submit, which must still be manually keyed into a data entry system? New account applications, attestations, outside business activities, sales & check blotters. Emails may have replaced faxes (thank goodness) so at least you can read the request now, rather than those blurred images of old, but look at the time your support and compliance teams are taking rekeying data that could have been captured in electronic form from the outset by the originating rep. Perhaps without realizing it you've introduced unnecessary (manual) steps that ultimately require you to hire more support people to fulfill.

Once the rep captures the client's details into the database, it's a snap to create applications and orders that contain that investor's details, without error. You're actually moving the data entry responsibility from your support teams to the person who knows most about the client, your rep. Smart systems can help guide the rep if they omit critical information, or mis-key. Once captured and checked, it's accurate for all subsequent activities.

3. Stop chasing reps - and stop the reps needing to chase you!

How many times in any given day or week are you and your support people chasing reps or advisors for a response? "Have you completed your attestation report?" "Have you declared all your outside business activities?" and so on and so forth. And what about the reps? They might have emailed you a note (more on that later) asking for approval for a marketing event – and then they call you repeatedly asking for your response.

Think of the time you're all wasting with those phone calls and endless emails flying to and fro trying to track down the status of a request – to a question that has already been "automated" i.e. sent as an email!

So imagine a dashboard that both rep and home office can view at any time showing the status of any request. It can even break requests, such as attestations, down into individual questions and alert home office if one part was omitted or answered incorrectly. Imagine the time saving! In fact you don't need to imagine. The answer is available today.

4. Increase your support to producer ratio

Have you been tracking your support to producer ratio? I'm sure you know how many administrative and compliance personnel your home office needs to support your far flung independent reps, but have you ever measured the number of assistants your reps themselves have had to hire? Add up all those heads and you will find your ratio is lower than you expect. Even though you're not paying for reps' assistants, it is reducing their profitability, which will put pressure on you to cut costs and raise payouts.

Using the following basic formula, you can conduct your own cost benefit analysis to determine the potential savings that can be gained through automation. This will feed straight into the number of support personnel needed to maintain business momentum:

% of admin. tasks that can be automated x # of support staff x average staff cost/year
= staff reduction savings

So, a firm with 20 support staff paid an average of $36,000 annually that can potentially automate at least 20 percent of their administrative tasks could trim four heads and save $144,000.

A more detailed calculator is available that allows you to dial in the individual tasks applicable to your firm and measure the actual hard dollar saving opportunity. Please visit www.EAssistLLC.com/compliancecalculator

5. Stop all those emails!

Stop emailing! This would seem contradictory. Surely emailing is the easiest form of automation. Remember the days of letters and faxes, now everything is electronic. This has to be better, no? But is it really? If ever the expression "too much of a good thing" applied it would be to email. So what is the problem with email?

1. **It's still quite manual**: You have to write the email, attach the supporting documents and send. When you receive an email, you have to download the attachment, edit, reattach and resend. There are still several steps involved and no inherent data validation, so you can send and receive items faster, but you spend more time chasing the missing information!

2. **No real audit trail**: Have you ever been chased by your IT department to reduce the size of your email inbox? Too many attachments taking up too much memory. So after deleting or archiving, where's your audit trail? Try to reconstruct a thread that happened a few years ago and email's limitations quickly become apparent, and this doesn't impress the auditors.

3. **No status & progress reports**: You email a request and assume (fingers crossed) that it'll be read and actioned. But you know better than that. Did the recipient action your request? How do you know? You could send another email or phone, but then you'll hit voicemail. Wasted time means wasted resources.

4. **No real security:** Is your email smart enough to stop anyone sending sensitive documents and content to the wrong email address? If yes, you're lucky. Most emails just blast out the message with all those sensitive attachments.

An email may remove the need to physically mail a letter, but it still requires you to perform a lot of functions and tasks that could otherwise be completely automated, removing the inherent limitations in any email system.

Eliminating these areas of cost and inefficiency might seem a pipe dream. But grab a pencil and estimate the hard dollar savings your firm and your reps could enjoy if it were true. It's a big number that could be better used to drive efficiency through your firm, increasing profitability, saving expenses, reducing administrative tasks and helping to shorten audits by demonstrating effective implementation of polices. You will also be able to hire fewer, higher caliber people who can focus on driving your businesses growth.

E*Assist's unique business operating platform is designed to automate the many business, administrative and compliance tasks that soak up your firm's resources. We start with an analysis of the savings our solution can bring to your firm. Using sophisticated software models that analyze each stage of your business, we can demonstrate the actual savings your firm can enjoy. After the completion of the analysis, we will help you pilot E*Assist to confirm the year-over-year impact for your firm. Once you're satisfied, we'll even stick around to help develop and implement an internal training program to maximize firm-wide adoption and savings. So what's stopping you? Call 888.989.8599 or email us sales@eassistllc.com today.

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