



AI-Powered Speech Analytics Can Automate Compliance and Control for Wealth Management Firms

Anyone in the wealth/investment management industry knows that regulatory complexity continues to grow unabated, as does the cost and effort of complying with those regulations. While the increasing cost of compliance negatively impacts profit margins, the cost of non-compliance can be far higher — and that's even before considering the potential risk of damage to brand reputation and revenue loss.

In the U.S., the Securities and Exchange Commission (SEC) continues to prioritize identification of misconduct between investment management firms and investors, particularly focusing on disclosures, fees and expenses, conflicts of interest, and sales practice issues for wealth firms, according to a report from Deloitte. The reporting agency suggests that investment management firms prioritize compliance in the months and years ahead.

If wealth management firms lost focus on compliance, as Deloitte implies, it's not for lack of motivation. More likely, given the number of regulatory changes annually and the sheer volume of investor and employee conversations and interactions happening daily, compliance and monitoring are becoming a bigger challenge than ever and firms are struggling to keep up.

The rise of the fintech industry shows that technology is increasingly vital for financial services firms to remain competitive. However, until recently, technology offerings hadn't caught up with the growing compliance needs of wealth management firms. Now advances in conversational AI, and its application in speech analytics and automation, are poised to transform how firms approach compliance and monitoring processes to reduce costs and manual efforts, improve quality and compliance to reduce risk, and deliver a better investor experience at the same time.

The SEC Doubles Down on Aggressive Enforcement Agenda

In its 2022 SEC Speaks conference, the agency's Enforcement Division unveiled an aggressive enforcement agenda which includes tighter regulation of crypto markets, aggressive use of remedies, municipal securities disclosures, broker-dealer gatekeeper responsibilities and more. The agenda—which will impact financial institutions for years to come—follows another year of sky-high enforcement actions, with 697 actions totaling approximately \$3.85 billion in disgorgement and penalties.

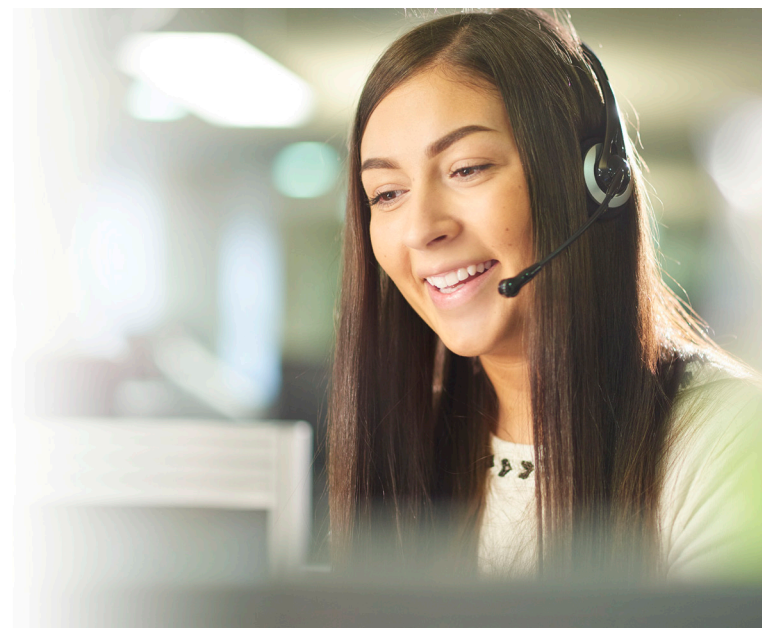
Beyond Human Capacity: Letting Machines Listen Instead

Regulations such as the Dodd-Frank Act in the U.S., MAR and MiFID II in the European Union, and country-specific regulations in other global regions mandate in-depth recordkeeping, retention of records, surveillance, and monitoring of certain agent/investor interactions. Some regulations require recording of all interactions that might lead to a trade.

For compliance teams, this creates an enormous challenge. Given the incredible volume of calls with investors, how can they audit and monitor

a sufficient number of conversations to be confident that agents are following best practices and disclosure rules? How can they be sure that records of calls accurately reflect the content of the conversation and that they are auditing the most appropriate calls?

Many firms employ dozens of quality assurance staff who manually audit calls generated by hundreds of agents. Given the significant amount of time involved to identify and review the appropriate call, a firm may only be able to audit less than 10% of all conversations. Because relying on small random samples of calls to detect potential non-compliance can be a risky approach, compliance and quality assurance (QA) teams face mounting pressure to review more calls than ever. Instead of adding more headcount to the QA team, the more efficient and effective approach is to let machines do what humans cannot — listen to every conversation.



Harnessing the Power of Conversational AI to Monitor and Understand Every Conversation

With speech analytics powered by conversational AI, wealth management firms can listen to, understand, analyze, and score 100% of their client conversations — not a small random sample, but every single conversation, capturing data and

insights that previously went undiscovered and unused.

Here's how it works: conversational AI is a set of advanced AI technologies that recognizes and comprehends human language in multiple languages and uses this understanding to optimize and analyze conversations in and across multiple channels. Simply put, conversational AI enables machines to understand human conversations as they are happening or after the fact from a recording.

Speech analytics as part of a conversational AI platform enables wealth management firms to discover insights, find patterns, and uncover relationships in large datasets. For compliance and control, these AI-powered capabilities can:



Analyze audio recordings and identify "hot points" within conversations



Automate checking and scoring of order-taking disclosures



Automatically identify and quantify events



Automate the organization and categorization of calls



Alert agents during conversations to potential compliance issues in real time

By letting machines handle the manual work involved in compliance, teams can work more effectively, listening to only those portions of calls that are relevant to a specific issue, control, or investigation. For example, with automated categorization of calls, firms can identify types of calls (e.g., order taking, sales, callbacks) and products involved (e.g., mutual funds, equity linked notes, cash equity, etc.) and then automatically apply rules that enforce the relevant regulatory standards

and flag whether agents are in compliance with the standards.

Cutting Compliance Effort in Half for a Global Firm

Wealth management firms are already adopting conversational AI-powered speech analytics to address mounting compliance challenges and costs. One international banking group serving five continents across retail and investment bank operations needed a way to automate compliance and control efforts for its Asian wealth management division.

WITHOUT CONVERSATIONAL AI

Before adopting conversational AI, the control team listened to entire calls to identify which calls were relevant for compliance monitoring of order-taking conversations. Then calls were audited for compliance, with manual validation of economic terms and disclosures.

WITH CONVERSATIONAL AI

Using a conversational AI platform, the firm automated identification of order-taking calls and checking and scoring of order-taking disclosures — including note issuer, nominal amount/number of shares, and mention of stock codes of underlying securities. The team can now jump directly to "hot points" in the relevant part of conversations for streamlined auditing.

By using a conversational AI platform with speech analytics to listen to calls and automate compliance

The banking group
reduced
the time spent
analyzing calls
for compliance by
50%.

Turning Conversations into Actionable Insights

Once speech analytics using conversational AI are analyzing 100% of a firm's conversations with investors, the business value grows exponentially beyond improving compliance and reducing compliance costs. Using both real-time and historical analysis, conversational AI determines investor sentiment and emotion, uncovers product feedback, identifies pain points in the investor journey, and much more.

With insights from analyzing all conversations, firms can personalize the investor experience, improve investor satisfaction, increase agent sales effectiveness, improve product offerings, and reduce churn. They can track agent performance, identify coaching opportunities, and get answers to these questions:

- Are your processes efficient and successful?
- How satisfied are your customers?
- Are your agents, processes, or products positively or negatively impacting brand value?
- How effective are agents at resolving the issue on the first call?

Conclusion

A conversational AI platform can be used to completely transform the compliance function for wealth management firms, reducing compliance cost and the risk of non-compliance, even in the face of constantly evolving regulations. It also unlocks an ocean of hidden data in conversations that was previously unavailable, shedding light on investor needs and sentiment, agent performance, and trends that can lead to greater revenue if acted upon. While a massively impactful tool for compliance teams on its own, conversational AI is simultaneously a competitive advantage for the entire business.

