

Compliance Teams Struggle with Increase in Marketing, New Content Formats

By Lisa Fu February 3, 2022

Asset managers have increased marketing output and experimented with new content formats during the pandemic, testing the ability of their compliance teams to keep up.

A decrease in traditional face-to-face communication during the pandemic has led marketing teams to push out more content through a variety of mediums to connect with investors. During 2021, J.P. Morgan Asset Management debuted a mobile-based augmented reality platform to deliver content to investors, and Pimco told FundFire it significantly increased its video production from the year prior, as reported. At the end of 2021, T. Rowe Price created a new role, head of the global distribution digital solutions group to oversee digital content.

Some managers have been augmenting their compliance processes to deal with the deluge. Efforts include tapping into new technology, creating new roles and outsourcing some responsibilities. Managers want assistance on a wider range of compliance materials today, including podcasts and social media posts, content that is less uniform, said Tanya Raj, assistant director for forensic compliance at Acuity Knowledge Partners.

“These require a lot more human intervention,” she said. “These are not something that’s easily done via machine learning. The way we deal with clients on these materials or this kind of content is on both pre- and post-production.”

For example, clients will send a podcast or webcast script in pre-production for a compliance team to review and approve from a regulatory standpoint. After the content is posted, the team follows up with a subsequent review to confirm the posted content adheres to regulations and matches what was originally approved.

In addition to pushing our content in new ways, asset managers also pursued mergers and acquisitions or organically built new product lines or funds during this period, introducing more technical challenges, said Jehan Jeyaretnam, head of compliance services at Acuity. Compliance teams must understand the new domain and regulations around marketing

these new products and asset classes, but some firms face challenges “from a manpower point of view,” Jeyaretnam said.

Some managers have under-invested when building out their compliance teams, consultants say.

Historically, there’s been an attitude that marketing is a revenue generator and compliance is a cost center or a “necessary evil,” said Stephen Pope, CEO at Red Oak Compliance Solutions.

To keep up with the additional work, some firms are opting to outsource aspects of their compliance responsibilities to a third party. Some large managers have been outsourcing to captive locations in India and other countries, Jeyaretnam said. “Now, what you see is a lot the midsize and boutique firms leveraging the same concept by using firms like ours,” he said.

When a marketing team wants to publish materials on a tight timeline — within 48 hours to 24 hours — having an offshore team to streamline the compliance process is particularly helpful, Jeyaretnam added.

Other firms are creating new roles to deal with the increased compliance-related workload. For example, Schroders added a compliance professional to its marketing team.

“They’re there to help marketing in their day-to-day functioning ... to review, to assess, but also to give feedback on any kind of global initiative around content creation,” Schroders Head of Marketing for the Americas Scott McKay said. “This person kind of has a dual reporting role. They are a marketing function, but they’re also very, very important to the compliance function to ensure they’re aware and up to speed on any new regulation.”

When this compliance specialist within marketing is unable to answer a question, it is passed along to the broader compliance team, he added.

“Having a dedicated [compliance] resource for marketing has really helped,” McKay said. “It helped us understand regulation better, but more importantly, it’s helped us come to market faster. [It] also frees up the compliance department to be doing bigger compliance reviews and roles.”

Schroders is also developing an in-house technology system to handle marketing-related compliance. The system should publish marketing content locally, and if it is received well by clients, publish the content with the appropriate format, approval disclaimers and other compliance for each of the 10 countries that Schroders is interested in, McKay said. “This requires all of the various jurisdictions to have a say in the creation of that technology, and it’s something that we are looking at now and deploying now,” he added.

Service providers are also angling to help managers fill the gaps. Late last month, Fidelity Investments launched a regulatory technology business that uses artificial intelligence to help asset managers catch compliance-related mistakes in their marketing content.

Standardized marketing materials like factsheets or pitchbooks can be automated, which can bridge gaps between compliance and marketing departments, said John Toepfer, CEO at Synthesis Technology. However, compliance also requires a book-and-record system for all materials that fall under advertising compliance. For this, firms need a central repository that both departments can access, he said.

“A human being moving [materials] over to compliance, getting an approval code and then coming back to the fact sheet system and entering that code, that’s ridiculous,” Toepfer said. “We try and talk to clients about reducing the amount of ‘click work’ that their team has to be responsible for. Good [application programming interface] and systems that talk to each other are really key to that.”

At the moment, only 35% of firms say they have an organized compliance system, which may include “primitive spreadsheets and SharePoint sites,” Toepfer said. Only 7% of asset managers reported having a compliance review system integrated with marketing content automation, even though 60% said it should be, according to recent research from Synthesis Technology, Sondhelm Partners and The Growth Strategy Group. The group surveyed 20 asset managers between June 2021 and October 2021.

Firms recognize that compliance is important but tend to neglect compliance systems when focusing on growth, Toepfer said.