

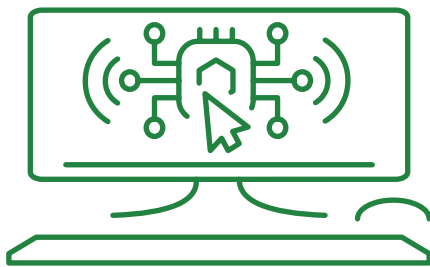
Regulatory and Compliance Best Practices for Investment Reporting

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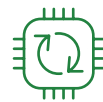
Regulatory and Compliance Best Practices for Investment Reporting

One of the biggest challenges for compliance professionals working at mutual fund or insurance companies can be identifying what requirements apply to a particular business or product and correctly following them. As regulatory requirements continue to evolve, compliance becomes more complex across an organization. This creates the need to communicate and implement changes in systems, processes, and procedures across multiple departments, often with many stakeholders and differing objectives. The task is even more complicated for global firms that must grapple with [competing regulatory priorities](#) across regions.

To ease compliance with new regulations and disclosure requirements around the world, firms need to implement new technology and processes.



While there are many solutions available, understanding what's changing in the market and best practices for using new technology will help companies find the right solution for their needs – both current and future – easing the burden on compliance departments.



Evolving regulations for insurance and mutual funds

As many investors search for products to help them plan for retirement, regulators have increased their requirements for firms that offer diverse options, including insurance and mutual fund companies.

For example, insurance companies offering variable annuities are required to file [form N-4](#) with the Securities and Exchange Commission (SEC). For variable life insurance contracts, companies must file [form N-6](#) to give investors clear communication about the product. These prospectuses lay out the risks, performance, objectives, and other key information of these investments and are meant to help investors better evaluate the offerings by making comparisons standard. Spelling out risks and other considerations in plain language can also help investors evaluate their options and better compare products.

In October 2018, the [SEC proposed](#) that insurance companies also produce a summary prospectus for annuities, setting the stage for companies to alter their disclosures to be in compliance with these new rules.

Annuities regulations have been changing in the European Union as well, with rules reworking how risks are disclosed, changing summary requirements, and giving frequent issuers the option to file a universal registration document, which can [speed time to market and create more efficient financial reporting](#).

CASE STUDY: American Equity Investment Life Holding Co.

American Equity's SEC reporting manager set about modernizing the archaic regulatory filing processes by implementing new technology to ease collaboration. With Workiva, the company saved 80% on SEC reporting costs, filed 10-Qs eight days early, and improved 10-K filing time by as much as two weeks.

The company is using the Workiva connected cloud platform to enhance collaboration and document control. Multiple people can edit work at the same time. The ability to link and reuse data makes it easier to populate other reports and improves project workflows.

Companies also must deal with changes to eXtensible Business Reporting Language™ (XBRL®) rules, which aim to improve data quality and availability. The [new regulations](#) mandate that financial statements and risk/return summaries use XBRL data embedded directly into the filing, making it readable by people as well as machines. Other changes were made to forms that fall under Regulation S-K requiring companies to hyperlink to references and amendments.

While these changes are making information more accessible, it marks a shift for how many companies compile and execute financial statements. This necessitates alterations across several departments and could mean an investment in technology for some to become compliant.

Besides international regulations, many insurance and mutual fund compliance departments must also follow rules that vary by state or region. For example, broker dealers selling annuities in New York [need to comply](#) with best interest requirements, including documentation and disclosure requirements.

With complex rules that vary by jurisdiction and regulatory body, being able to draw from templates and other pre-populated language can help ease new product offerings and speed up regulatory filings. This enables compliance departments to innovate alongside product teams, in a manner that doesn't put the company in danger of missing regulatory filing deadlines or running afoul of specific regulations.



Best practices for compliance reporting and how technology can help

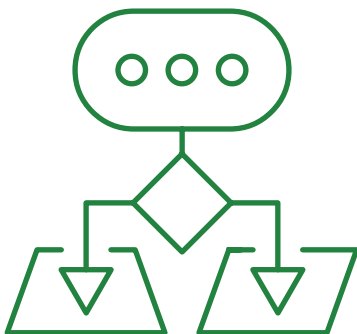
Following are a few best practices to keep in mind when working through changes in regulatory filings, as well as how technology can make these tasks easier and more accurate.

1. Use plain, consistent language that can be understood by those outside the industry.

Many companies have varying ways of saying the same thing in filings, depending on which department or vendor developed the initial document. For example, the language talking about interest rate risk may vary across mutual fund strategies, using overly complex language or confusing syntax. Inserting simple, standard language can improve comprehension for investors but takes many hours.

Linking documents means that making edits in one location updates text across documents automatically. This creates consistency and clarity for investors and regulators, and reduces errors. That means updating the definition of interest rate risk could be as simple as editing one location.

Look for a system that shares language, allowing you to draw on work already completed and approved and quickly implement it from templates. Streamlining how you talk about common topics across filings helps improve clarity and mitigate errors.



2. Provide a system for editing documents.

Editing or updating sections means making the same change across hundreds of documents. This is a manual process that is time-consuming and prone to errors, such as missed pages or inserting incorrect information.

In many cases, the creation of compliance and other regulatory filings reaches across vendors and software platforms, making the editing and updating of processes even more complicated. Since so many different people have distinct responsibilities, specific partners must often complete editing work before moving forward.

Insurance and mutual fund companies should look to implement a software solution that tracks who makes edits and when they are made, creating a transparent record of changes. This can help pinpoint errors more quickly and can speed processes by making sure everyone is working from the latest version of a document.

Having documents linked via a comprehensive software system means only making edits once. And since more than one team can edit a document at once, they're completed faster, and review times are cut.

3. Pay close attention to version control.

Software that provides a system for tracking changes and who is making them, and that automatically saves the latest version for everyone creates efficiencies that benefit all departments.

An end-to-end software system ensures anyone accessing a document is editing the latest draft. You don't have to worry about compiling changes from various versions or having multiple people working simultaneously. This also helps cut down on errors when different people need to edit the same document on the same deadline.

4. Look for places to improve efficiencies and reduce costs.

Many companies use multiple vendors to create regulatory filings, including writers, editors, typesetters, formatters, XBRL experts, and others needed to comply with all necessary requirements. With so many people inside and outside of the organization working on documents, the management can be complex and the costs a challenge to control.

The right software can reduce the need for outside vendors since information is automatically formatted and ready to be presented to regulators. Having fewer external vendors improves data security and decreases costs, giving compliance teams greater control over the final documents.



As margins are shrinking due to rising regulatory costs and dropping fund fees, many companies are beginning to examine processes for places to save money. Technology can help reduce outsourcing and overtime costs.

5. Create robust style guides.

Many compliance departments spend too much time and energy formatting documents to meet brand guidelines or money outsourcing this work.

Creating customizable style guides means that information pulled from various sources ends up in the same format. No matter the source material – emails, documents, or other electronic files – the end result meets compliance reporting guidelines.

Good reporting software also allows users to preview documents in different modes (EDGAR, PDF, Word®), cutting down on formatting errors and reducing the need for manual cleanup.

6. Continually examine processes to look for ways to improve.

Compliance departments need to evolve with regulations. With higher volumes of filings comes the need to create efficiencies. Look for a cloud-based system that can handle heavy usage, especially during peak times.

Securing executive and manager buy-in can ease transition to a new system and speed adoption across departments. Executive sponsors can also accelerate the scaling of new systems, implementing them quickly, starting with main users and moving outward.

CASE STUDY: Liberty Property Trust

After spending much of his family beach vacation dealing with missing XBRL tagging in an 8-K filing, Jeff Rendell, Senior Financial Analyst at Liberty Property Trust, was ready for a change in how the company compiles and submits SEC reports.

Printer delays from missing tags for one of the real estate investment trust's registrants added costs as well as unnecessary stress for those responsible for reporting. Once the filing was made, executives began looking for ways to improve the process.

Liberty executives responsible for reporting sat down with Workiva to learn how the Wdesk solution could solve their challenges. The robust functionality and efficient report generation process convinced executives to make the switch in 2011. The company now uses the solution for all filings, including 10-Ks, 10-Qs, and XBRL tagging.

Liberty now reaps the benefits of gaining total control of the report development and filing processes. The team has also benefited from the ability to have more than one person working in a document at the same time, increasing confidence that the information submitted to regulators is accurate and up-to-date. They've cut four days from filing production and saved money by not outsourcing to printers. The company is also reassured they are operating under the latest rules and information by drawing on Workiva's resources and support staff.

The ability to control the entire filing process in-house not only relieves stress, but also increases flexibility. Last minute additions and changes are easily accommodated, ensuring the company never misses a deadline and stays on budget. Because executives are spending less time compiling and drafting filings, they're free to use the time to advance strategic initiatives – driving profitability and increasing investors' returns.

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Conclusion

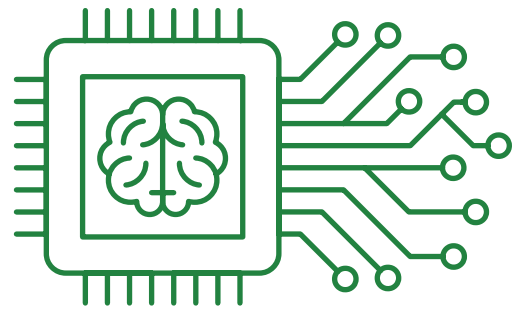
Compliance departments don't have to start from scratch to satisfy new regulations; they can build documents from content that is already shared. Time savings are recognized by having all the content for hundreds of funds, investments, or products in one place and linking to each report. This saves making multiple edits and means that updates made in one place will populate simultaneously in other documents.

With the Investment Company Reporting Modernization Rules, companies need to add new disclosures. For those firms that have already uploaded the necessary content in a shared system, it's easy to be in compliance. That cuts down on time needed to create documents as well as hiring outside expertise. Compliance officers can leverage existing work, generating significant savings in cost and time.

As insurance and mutual fund companies work to comply with new rules, they can draw from work done in other areas of finance and additional compliance departments. If they have the right technology, it's easy to create these filings from templates and pre-existing, already approved information. It's as simple as customizing language for a particular offering.

It's also critically important to connect data across documents in order to reduce errors. Being able to update numbers in one place and having it populate across documents can drive significant efficiencies.

As a result, compliance departments can reallocate resources, shifting from being reactive to proactive. By cutting down on the number of vendors, versions, edits, and other manual processes, teams can focus more on the business and how to help generate improvements.



Regulatory filings are an important part of following the law, but there are other areas that compliance can improve if given the opportunity. More efficient and accurate filings help the business, investors, and regulators. Companies should look for a system that offers immediate cost savings, yet can scale to serve other department needs.

About Workiva

Workiva, the leading cloud provider of connected data, reporting, and compliance solutions, is used by thousands of enterprises across 180 countries, including more than 75 percent of Fortune 500® companies, and by government agencies. Our customers have linked over five billion data elements to trust their data, reduce risk, and save time.

For more information about Workiva (NYSE:WK), please visit workiva.com.

