

Zorinthia

These examples illustrate the structure, depth, and type of output produced during a Phase 1 diagnostic. They are anonymised and provided to support decision-making — not as case studies or endorsements.

Asset Manager: Compliance Governance Assessment

Independent Assessment for Boutique Asset Management Firms

Background Context

The organisation was a founder-led, 20-person boutique asset manager with a strong performance track record and a loyal client base. The founder, who also served as Chief Investment Officer, had built the business over more than a decade. **The industry** — discretionary asset management — is subject to mandate monitoring, investment restrictions, exposure limits, and regulatory reporting requirements. **The operational size** meant compliance processes were managed through structured Excel workbooks, tightly controlled by the founder and one senior analyst.

Compliance processes — including mandate monitoring, investment restrictions, exposure limits, and regulatory reporting — were managed through these Excel models. The models had evolved over time and were detailed and carefully maintained. There had been no regulatory sanctions. Audits had been completed successfully.

The governance condition was central to the engagement. Eight months earlier, a Chief Executive Officer had been hired to professionalise operations and position the firm for growth. One of the CEO's early proposals was to implement dedicated compliance software at a projected cost of approximately R200,000 per month.

The founder's position was clear:

"We have managed this effectively for years. Why incur a recurring cost for something that already works?"

An independent data strategy advisor was engaged to assess whether the proposed investment was justified — not from a technology perspective, but from a governance, risk, and strategic standpoint.

Executive Summary

This document summarises an independent assessment of compliance governance in a boutique asset manager. The firm relied on Excel workbooks for mandate monitoring, investment restrictions, and regulatory reporting — a model that had functioned effectively with no regulatory sanctions. The assessment reframed the debate from "Excel vs. software" to whether the current compliance model was sustainable under the firm's intended future state. The diagnostic examined control and documentation, regulatory expectations, growth intentions, separation of duties, and cost versus risk. The conclusion was not binary: immediate replacement was not operationally required, but risk exposure was concentrated in key individuals and governance documentation was underdeveloped. The recommended approach was a governance strengthening phase with formal rule documentation, enhanced audit trails, and defined triggers for future software transition — enabling a proportionate decision aligned to strategic ambition rather than emotional debate.

Executive-Level Assessment Dimensions

The assessment is framed around five key dimensions:

- **Executive level pattern** — Clarity on which compliance controls, if insufficient, create regulatory or reputational exposure under the intended future state

- **The organisation** — Ownership of compliance logic, separation of duties, and institutionalisation beyond key individuals
 - **The industry** — Regulatory scrutiny, audit expectations, and investor due diligence requirements for operational infrastructure
 - **The operational size** — Scalability of current processes under projected growth (transaction volume, mandates, analyst headcount)
 - **The governance condition** — Documentation, version control, change approval, and defensibility under expanded regulatory testing
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The Scenario

The Real Question Was Not "Excel vs. Software"

At surface level, the debate appeared to be about tooling.

In reality, it was about:

- **Scalability** — Whether the workbook structure could absorb 2x or 3x transaction flow and multiple strategy variations
- **Regulatory defensibility** — Whether processes could produce defensible evidence under expanded regulatory testing
- **Key person risk** — Whether compliance logic could be demonstrated confidently if key individuals were unavailable
- **Institutionalisation beyond the founder** — Whether informal oversight would remain sufficient as the firm matured

The advisor reframed the central question:

"Is the current compliance model sustainable under the firm's intended future state?"

This shifted the discussion from cost to trajectory.

Diagnostic Focus Areas

The assessment did not begin with vendor comparisons. It examined five structural areas.

1. Control and Documentation

The Excel models were sophisticated, but:

- Business rules were embedded in formulas without formal documentation
- Version control relied on file naming conventions
- Change tracking was informal
- Peer review processes were limited

The models worked because the founder understood them intimately.

The risk was not inaccuracy. It was dependency.

Key question: If the founder were unavailable for three months, could the firm demonstrate compliance logic confidently to a regulator?

Implications:

- Lack of formal rule documentation creates audit trail gaps

- Informal version control increases the risk of unauthorised or unreviewed changes
 - Limited peer review means logic errors may go undetected until a breach or regulatory query arises
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2. Regulatory Scrutiny and Audit Expectations

The advisor reviewed:

- Recent audit feedback and any findings or recommendations
- Current regulatory reporting requirements (mandate adherence, exposure limits, client reporting)
- Anticipated regulatory trajectory in the asset management sector

While no findings had been raised to date, increasing regulatory expectations suggested that firms would need:

- Clear audit trails for compliance decisions and overrides
- Documented rule governance (who defines, who approves, who changes)
- Demonstrable independence between monitoring and trading functions

Excel can support compliance. However, as scrutiny intensifies, the evidentiary burden increases.

Key question: Can current processes produce defensible evidence under expanded regulatory testing?

Implications:

- Regulators and auditors increasingly expect structured, traceable controls
 - Informal processes that have "always worked" may not withstand future scrutiny
 - Proactive strengthening reduces reactive cost and reputational risk
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3. Growth Intentions

The CEO's mandate included scaling assets under management and potentially adding new funds.

Growth would introduce:

- Additional mandates and strategy variations
- More complex investment restrictions
- Increased transaction volume
- Expanded reporting obligations

The advisor examined whether the existing workbook structure could absorb:

- 2x or 3x transaction flow
- Multiple analysts updating logic in parallel
- Parallel strategy variations with distinct compliance rules

Key question: Does the current model scale linearly, or does complexity increase non-proportionally?

Implications:

- Growth often creates compounding complexity — more mandates, more rules, more manual coordination
 - Excel-based models that work at current scale may become brittle or error-prone under load
 - Early stress-testing identifies breaking points before they become operational failures
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4. Separation of Duties

In the current structure:

- The founder defined compliance logic
- Oversight was limited to internal review
- The same individuals were close to both trading and monitoring

While appropriate for a boutique environment, this model presented governance limitations as the firm matured.

Key question: At what point does informal oversight become insufficient for institutional investors?

Implications:

- Institutional investors and allocators increasingly expect formalised separation of duties
 - Overlap between trading and compliance oversight can create conflict-of-interest concerns
 - Governance maturity requirements often increase with AUM and client sophistication
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5. Cost vs. Risk Trade-Off

The R200,000 monthly cost was material relative to firm size.

The advisor evaluated:

- Cost as a percentage of revenue
- Potential cost of compliance failure (fines, remediation, reputational damage)
- Reputational impact and client confidence
- Investor due diligence expectations for operational infrastructure

The analysis distinguished between:

- **Immediate operational necessity** — Was the current model demonstrably failing?
- **Medium-term governance positioning** — Was investment in structure justified by strategic intent?

The conclusion was not binary.

Software would introduce structure, audit trails, and workflow controls — but at significant cost. The question was whether that cost was proportionate to the firm's ambition and risk appetite.

Findings

The diagnostic concluded:

- **The Excel-based compliance system was currently functional** and not demonstrably failing. No regulatory sanctions had been incurred; audits had been completed.
- **Immediate replacement was not operationally required.** The workbooks were detailed and carefully maintained.
- **However, risk exposure was concentrated in key individuals.** The founder's intimate understanding was both a strength and a vulnerability.
- **Governance documentation and change control were underdeveloped.** Business rules were embedded in formulas without formal documentation; version control and peer review were informal.
- **The model's sustainability depended on stable scale and stable leadership.** Under growth or leadership transition, the current approach would face pressure.

The proposed software did not automatically solve governance weaknesses. It would introduce structure, audit trails, and workflow controls — but at significant cost.

The decision therefore hinged on strategic intent.

Recommended Decision Framework

Rather than recommending immediate adoption or rejection, the advisor proposed:

1. **Document all compliance rules currently embedded in Excel** — Create formal rule documentation that can be reviewed independently and audited

2. **Formalise version control and approval processes** within the existing model — Introduce structured change tracking and sign-off before logic updates
3. **Stress-test the workbook structure** against projected growth scenarios — Simulate 2x transaction volume, additional mandates, and multiple analysts
4. **Assess investor expectations** for operational infrastructure — Understand what institutional allocators expect at different AUM thresholds
5. **Define objective triggers** that would justify transition to dedicated software — e.g., asset thresholds, new regulatory categories, team expansion beyond current capacity

This approach allowed the founder and CEO to move from emotional debate to structured evaluation.

Outcome

The firm did not immediately implement the software.

Instead, it undertook a governance strengthening phase:

- Formal rule documentation
- Enhanced audit trail procedures
- Independent periodic review of compliance logic

A review checkpoint was scheduled aligned to growth milestones.

The decision shifted from "Excel versus software" to:

"What level of institutional infrastructure is proportionate to our ambition?"

Takeaway

In founder-led boutique firms, operational tools often work effectively because they are tightly controlled and deeply understood.

The strategic question is not whether a tool functions today.

It is whether it supports:

- **Scale** — Can it absorb growth without proportionally increasing risk?
- **Institutional confidence** — Do investors and auditors have assurance?
- **Regulatory defensibility** — Can the firm demonstrate control under expanded scrutiny?
- **Reduced key person risk** — Is logic documented and transferable?

Independent data strategy advisory created space for a proportionate decision — balancing cost discipline with governance maturity.

The outcome was not immediate replacement.

It was clarity.