

AI Governance for Asset Managers

Executive Brief for COOs and Managing Partners

The Challenge

Your investor relations team is being asked to produce more documentation with the same resources. DDQs now come quarterly instead of annually. Consultant databases require constant updates. RFP turnaround times are tightening. Your options are limited: hire more people, turn down opportunities, or find operational leverage.

How AI Provides Leverage

Retrieval-Augmented Generation (RAG) systems don't guess—they retrieve answers from your actual fund documents:

1. System indexes your investment mandates, policies, past DDQs, and factsheets
2. When a question is asked, it retrieves relevant source material
3. AI drafts response using *only* retrieved content
4. Every statement includes citation to specific source document
5. Human analyst reviews and approves before sending

Typical Time Reduction: 60-70% reduction in first-draft time for DDQs and RFPs. A 16-hour DDQ can become 5-6 hours of review and refinement work.

Three Non-Negotiable Requirements

1. Data Sovereignty

- Deploys in *your* cloud environment (AWS, Azure, Google Cloud)
- No fund data sent to OpenAI, Anthropic, or other public AI services
- Supports air-gapped deployment if required
- Complete control over data retention and deletion

2. Source Attribution & Accuracy

- Every generated statement cites specific source documents
- System flags when source material is ambiguous or missing
- Confidence scoring indicates when human review is critical
- No hallucination or fabrication of information

3. Governance & Audit Trail

- Multi-layer approval workflow (analyst → senior IR → compliance)
- Complete audit logs: who asked what, which documents were used, who approved
- Demonstrable compliance with record-keeping requirements
- Version control showing changes during review process

Operational Due Diligence Questions

Before approving any AI vendor, your operations and compliance teams should verify:

Data Security

- Where is data stored?
- What encryption standards?
- Can we deploy in our VPC?
- Air-gapped option available?

Accuracy Controls

- How are sources verified?
- What prevents fabrication?
- Tested accuracy rates?
- Ambiguity handling?

Governance

- Audit trail completeness?
- Approval workflow support?
- Compliance reporting?
- Log retention policies?

Business Continuity

- System uptime SLA?
- Disaster recovery plan?
- Data portability?
- Vendor lock-in risks?

What AI Should NOT Do

Red Lines:

- Generate forward-looking performance statements
- Create non-public material information
- Make investment recommendations
- Draft marketing materials without human authorship
- Replace compliance review or legal sign-off
- Operate without human verification of output

AI is for *operational leverage*, not judgment replacement. It accelerates the repetitive work of finding and formatting past answers so your team can focus on accuracy, customization, and relationship management.

Typical Implementation

Phase 1: Pilot (4-6 weeks)

- Process 5-10 historical DDQs
- Train 1-2 analysts
- Measure time savings and accuracy
- Validate compliance controls
- No long-term commitment required

Phase 2: Rollout (6-8 weeks)

- Full team training
- Expand to RFPs and reporting

- Integrate with document management
- Establish governance dashboards

Phase 3: Optimisation (Ongoing)

- Quarterly compliance reviews
- Response library expansion
- Workflow refinements
- Performance monitoring

Expected Economics

Typical IR Team (2-3 FTE):

- **Current:** 40-50 DDQs/year at 12-16 hours each = 600-800 hours
- **With AI:** Same workload completed in 240-320 hours
- **Result:** 400-480 hours freed for relationship management, or ability to handle 2-3x volume with same team
- **Hiring Avoidance:** Defer or avoid 1-2 additional IR hires

Implementation and platform costs typically range \$15K-35K setup plus \$3K-8K/month depending on AUM and user count. Payback period: 3-6 months for mid-market funds.

Regulatory Context

Australian: ASIC has no specific AI regulations yet, but general obligations around accuracy, record-keeping, and disclosure apply. Treat AI output the same as any other draft requiring human review and approval.

Global: EU AI Act (2024) and evolving SEC/FCA guidance focus on transparency, human oversight, and accuracy controls—all addressed by proper RAG implementation with governance frameworks.

Key Decision Criteria

Choose AI vendors who can demonstrate:

1. **Real accuracy data** on actual DDQs, not synthetic examples
2. **Private deployment** in your cloud environment
3. **Source attribution** for every generated statement
4. **Comprehensive audit trails** meeting institutional standards
5. **References** from similar asset managers (verifiable, not marketing claims)

BackPro AI

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Schedule a confidential governance & ROI discussion