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He specializes in many topics, including strategic innovation from regulations and balancing the risks and benefits of GDPR. He is also a researcher with a focus on innovation, business models and regulations. In his research Åke aims to increase understanding of the interplay between regulatory compliance and digitization to create innovation. He earned his PhD in 2017 at the Stockholm School of Economics. In his thesis Åke reported on how companies master the impact of regulatory change.

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## EMIR and MIFID II:

### From reactive compliance to proactive competitive advantage

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**Firms must leverage their investment in compliance to build data supply chains and manage complex ecosystems within securities markets.**

MiFID II and EMIR requirements have changed products, processes and customer relationships in the securities markets industry, and firms have invested heavily in compliance. However, most companies start too late, scramble through compliance catch-up and miss out on strategic opportunities beyond pleasing the regulator.

The platforms created in response to MiFID II and EMIR are excellent foundations for future competitive advantage. Specifically, capital market firms have built capabilities to address functional requirements regarding reporting of data (transparency, quality, capture, distribution) and communication processes between parties. The resulting improved transaction management and communication technology can be used for proactively responding to forthcoming regulations.

Over time, regulations have evolved from static reporting to product and process transparency. Today's regulations focus on customer protection, and in the future we can expect this focus to also encompass complex ecosystems and interfaces. Based on regulatory evolution, two opportunities for value creation within securities markets emerge:

### 1. Building a foundation for a data supply chain

Major investments have been made to meet EMIR and MiFID II requirements for improved transaction integration and data management. In addition, BCBS239 and GDPR are zooming in on the fundamental issues of data quality and transparency. Investments in these initiatives should be used

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as a foundation for competitive advantage towards managing future regulatory requirements concerning big data, trading book reporting and securities financing.

## 2. **Creating a function to manage parties in complex ecosystems**

Recent regulations have pushed firms to improve their capabilities around the primary function of the securities industry – managing transactions between parties exchanging value. As the financial industry evolves, its processes and business models become more complex and involve an increasing number of players. This new ecosystem needs to be managed. Future regulations will address its complexity through requirements involving the use of APIs, the demand to control counter-parties across jurisdictions as well as sustainable investments.

Businesses have always treated regulations as a necessary evil and managed them through reactive and siloed approach aimed at minimum mandatory compliance. However, regulatory change will not go away, but rather persist in the form of new regulation, deregulation and reregulation. These changes should be viewed as a source of innovation and growth opportunities. It is this mindset that will set apart firms customers turn to in a complex and turbulent future.

In a series of upcoming posts, I will be exploring the two value creation trends in more detail.