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Project Management role in MiFID II adoption process

The role of Project Management and its Key Success Factors within the adoption process of MiFID II by financial institutions: a comparative analysis between a commercial bank and an investment bank

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1. Introduction

In 2008 bad management, relaxed oversight and corrupt business practices led to a global economic crash that left millions of people in many countries without their life savings, and would change the way the world did business forever. Properly managed changes were needed in financial institutions to comply with new standards that would prevent such a disaster from happening again. In response to the financial crisis of 2008, the European Council and Parliament have striven to define new measures to ensure bad management of the financial system will not occur again in the future. In May 2014 they emended a European Directive in order to increase transparency, better protect investors, reinforce confidence, address unregulated areas, and ensure that supervisors are granted adequate powers to fulfil their tasks. Starting from January 3, 2018 the MiFID II - Markets in Financial Instruments Directive - and the MiFIR - Markets in Financial Instruments Regulation - have entered into force in the European Union. It has been following a long and complicated adoption process of the MiFID II at the Italian national level by financial institutions that involves a transformation of business operations. This transformation process is referred to in this thesis as the MiFID II project. Credit institutions running the MiFID II project are aware it involves several internal business functions, units, divisions as well as external parties such as regulators, suppliers, manufacturers and other financial institutions offering complementary services. To cope with the high level of complexity, banks have employed a Project Management team – referred to from now on as PM team – to better manage the entire process. A PM team plays an integration role, it provides administrative support, programming, controlling, reporting and monitoring over the entire project's life. It helps all the parties involved in the project to coordinate and align in terms of schedule and objectives. Among its activities, it keeps track of working progress and facilitates the communication process. It allows to exploit potential synergies inside and outside the bank's boundaries and among different projects in place. The PM is a key element to the successful transformation of business operations by credit institutions offering investment services in order to comply with MiFID II and MiFIR. We are going to explore its role and activities within the process of business operations transformation triggered by the MiFID II issuance by comparing two analogues projects carried out by two players in the same sector. We are going to outline two different PM approaches and report the resulting projects' success in order to understand what the main drivers of such a complex transformation process are. This thesis is intended to set out a table codifying key PM drivers of the MiFID II projects' success. This is the final contribution of this thesis to the project management field of literature.

The scope of analysis within the investment service sector has been limited to 2 different banks adopting the MiFID II. They offer investment services to different market segments of investors and have respectively launched the MiFID II project in the commercial banking and investment banking industries. The analysis is based on this two case studies because they are representative of two distinctive types of business addressing two different types of investors. This choice allows to understand what are the differences, if any, in the PM approach between these two opposed types of banks. The sovereign scope of analysis is the Italian national level. In the 2 case studies the PM team in charge of MiFID II Project is provided by a consulting company, therefore it is external to the financial institution it works for. The analysis has been conducted personally by the author thanks to her first-hand internship experience within the contracted PM team in charge with MiFID II for the account, and on behalf of the consulting company's clients. The author has attended the project implementation, monitoring and closing phase of one of the two financial institutions compared by this analysis. As regards the project the author has not been directly working on, analytical documentation has been provided by the consulting company to support the analysis and it has been integrated by interviewing and surveying two project managers engaged in the two MiFID II projects of the case studies.

2. Project management

2.1. PM concepts and definitions

In order to perform a comparison and a technical analysis of project management (PM) practices undertaken by two different case studies, it is necessary to introduce some technical definitions regarding PM. This chapter will, therefore, introduce basic concepts and notions about the discipline of PM to enable a good understanding of the empirical analysis developed in this thesis.

2.1.1. Project definition

This chapter is introduced by the definition of project, the very first element of our analysis. P. Sanghera, the author of the most adopted study guide to PM, states "A project is a work effort made over a finite period of time with a start and a finish to create a unique product, service, or result. Because a project has a start and a finish, it is also called a temporary effort or endeavor"[1] From this definition we can derive two project's main features: uniqueness and ephemerality. Projects can differ in the length of time, they can require just few working days or years to come to an end but they are all limited in time. This is

1. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

the main difference between a project and running activities that are typical of ongoing business operations. For example, a civil engineer project undertaken to build up a bridge can require many years, recording a song can require a few days before the public release, designing the new season line in the fashion industry usually takes 6 months to roll it out, even draft laws can be considered projects and they can take years before being approved. It is clear from these examples that projects are very different in their lifetime, industry and goals. Even if we can find projects sharing the same goal as in the case of our case studies, whose common objective is the adoption of a regulatory framework called MiFID II, they differ in the implementation process. In fact, during the project life cycle different obstacles and problems can arise that undermine the successful implementation of projects. Even the way those issues are handled and solved differs from project to project. It will be evident from the two projects under comparison, that they greatly differ in the way they approached the project and managed to accomplish common goals. The empirical analysis will confirm the uniqueness of PM characteristics as well as the uniqueness of the two analogue projects.

2.1.2. PM definition

This thesis aims at providing an understanding of the practical implementation of project management in real-life projects within the financial sector. In order to have a good understanding of project management (PM), it is good to start this analysis by clarifying what it is. It is important to provide a commonly accepted definition of PM and a general explanation of its role before exploring its practical application with two case studies. The Project Management Institute (PMI), the world leading project management organization, provides a widely adopted definition of PM. Among the activities carried out by the PMI association there is the promotion of standardized practices for professionals around the globe[1]. Within the scope of this activity, PMI authored the PMBOK Guide – A Guide to the Project Management Body of Knowledge - to harmonize PM practice with guidelines and rules. PM is defined by the PMBOK Guide as “the process of applying knowledge, skills, tools, and techniques to describe, organize, and monitor the work of the project to accomplish the goals of the project”[2].

I think an interpretation of this definition can be a useful basis to start this analysis. The above definition refers to knowledge as one of the elements involved in the project management process, hence we can try to understand what type of knowledge it refers to. The knowledge applied to accomplish the project is in nature comprehensive of the many aspects concerned with the project, so it encompasses the project objective and implications for the company. It is the awareness of all the structures affected by and required for the project. But of course, it isn't a deep understanding of all the business functional areas that relate to the project and are needed to carry out the project goal. Functions inside the company specialize in their individual silos by developing vertical expertise in their area of competence. The PM process doesn't replicate functional knowledge, but it recognizes the contribution required to each function to accomplish the common project goals. It is important in PM to be aware of which functions have to be asked for advice or appointed as the owner of a specific activity. The PM's knowledge concerns the functions' roles and scope of action. Functions' effort must be coordinated by the PM team, in this way the

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1. PMI WEBSITE: https://www.pmi.org

2. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

functions' vertical knowledge can be exploited to serve the project. So we can affirm that PM team has a horizontal understanding of the project and of business functions, a more general knowledge that allows for an integration of functional silos' work. Without this knowledge it would be impossible to break silos barriers efficiently. Can you imagine a scenario where, after the project's roles and activities have been assigned, functions carry out their own tasks and results are not complementary? For example, imagine that the structure in charge of the definition of business procedures issues a new manual. When workers attempt to perform their task according to the procedure expressed by the manual, they find out the IT system can't deliver what is necessary to complete the activity they are assigned to. Only when this issue arises the IT function is asked to initiate a process of transformation of the IT system in place. For the moment the adoption of new procedures is postponed. After a while, the IT function delivers a new upgraded IT system that empowers workers to accomplish their tasks in line with new business procedures. This IT solution has been developed with extra costs. Unfortunately, the company faces a huge unplanned expense to pay the IT system development and experiences an opportunity cost due to the delay in the implementation of new procedures. So the consequence is a double drawback, a cash outflow is faced and an increase in cash inflow doesn’t occur due to the time taken to find a solution. This is an example of consequences from functions isolation provoking a causal chain of events. The waste of money and time could have been avoided from the beginning by breaking down functional silos. The structure in charge of setting down new procedures must be able to identify and consult the concerned functions before issuing the manual. When a large project is undertaken there are many functions and units involved, as well as different external stakeholders and outsourced activities. It is essential to be aware of all business aspects affected, all parties potentially involved and their precise role. This is the type of knowledge expected by a PM team in order to coordinate effectively the project. Of course, the PM knowledge also includes the organization’s vision, mission and culture that define the context where the project takes place. This is a general starting requirement for every person working in an organization. These concepts cannot be taken for granted or underestimated, otherwise the project may come to an end but stakeholders won’t be satisfied. Such a project cannot be deemed to be successful if completed, because the desired final outcome must be to satisfy the organization and its stakeholders. For example, imagine your project goal is to develop a new product that appeals to young people, so it must be cool and possibly cheap. You develop a very good proposal and the project is assigned to you. When it comes the moment of choosing a key component supplier to get the needed input for production, you decide for the one providing good quality material at a relatively cheap price. Your proposal is denied. Unfortunately, stakeholders are really dissatisfied with it because it doesn't respect the company culture. In fact, the organization has recently committed to adopting an environment-friendly approach to run the business. It turns out that the component manufacturer exceeds the cap set on air pollution. Bad news are still to come, after a research you discover that the only manufacturers complying with the cap charge a very expensive purchasing price for the component you need. Setting a final sale price that appeals to your young target market, means no margin for the company if contracting the emission-free supplier. If the organization signs a contract with the supplier respecting the air pollution cap, revenues will barely cover fix costs and a part of variable costs, so the organization will incur a loss but save its reputation. If the organization decides to keep the project and engage with the suppler you proposed at first, they will have a drawback in reputation and the whole business may suffer from it. The third option is to discard the project, register a loss equal to project development cost faced up to now and save the reputation. However, there maybe be one further viable option: to get rid of that component. If there is a way to assemble the product without making use of that specific component it would be possible to bypass the issue, but if the component is key to the product it may be impossible to find an alternative suitable design.

This is just an example to show how serious problems can derive when organizations' culture is not properly taken into consideration.

Regarding the PMI definition, what are the skills needed to accomplish the goals of the project? We can answer by simply thinking about the activities performed by a project manager and its team. We said he must coordinate third parties and functions' activities within the project framework. Coordination is not something imposed from the top, it is best provided at the very same level it is intended to be achieved. The coordination of all the activities requires collaboration and compromise. Communication is key to these features. The PM team supports and generates the main part of the communication of the project. Therefore, communication skills are probably the most important PM skills[1]. Also, organizational skills are key to stay focused on different tasks at the same time, to manage smartly the available time and hence to boost efficiency. Organizational skills include time management and information management. To efficiently manage time, you have to prioritize tasks. Understanding which tasks are most urgent, viable and in what order can be carried out is not easy. You have to deal with limitations in terms of budget and people available over a certain time period. You have to keep in mind which tasks must be completed before being able to start a new activity and which tasks must be undertaken simultaneously because they are complementary. You have to judge whether it is more important to complete a task in time or it is more important to deliver a perfectly accomplished activity, but take a little bit longer. There is always a trade-off between being precise and being on time. The right balance depends on the context and the project manager must be able to find that balance every time. Information management skills are very important since the PM team can be overwhelmed with information flows from all parties working on the project and stakeholders having an interest in it. Organizing emails, messages, calls can be

1. HELDMAN, K., *Project Management Jumpstart*, fourth edition,_John Wiley & Sons Inc., Indianapolis, Indiana, 2018.

very tough when you have many daily activities in place. Again, it is good to prioritize information and set aside for later what you think is not urgent. You must use the right information tool for the right purpose and because every communication tool suits a specific tone of voice or level of formality you will select it according to the intended receiver. To be useful information must be released in the right way (brief and straight to the point or more detailed and with a context introduction) to serve its purpose. Also, the time at which you send a communication is important and depends on the receiver and on the content of the information. To send and receive the information at the right time is important, if sent too late it can be useless, if sent too early it can be forgotten. To sum up this concept we can report the formula for effective communication is to deliver the right information to the right people at the right time through the proper channel.

Talking about PM tools and techniques, there are many methods used to operate and produce deliverables. They can be used to carry out different tasks, for example, to depict roles and responsibilities at the initial phase you can use a matrix, to properly manage time allocated to the project life you can develop a time schedule, software tools can be used for scheduling meetings, to create an effective presentation you can use slides templates tailored to the company, graphs can be set to keep track of activities' progress status, to evaluate realized performance against the desired one you can establish key performance indicators… etc[1]. Depending on the project, you select and apply the most suitable tools and techniques, because even a good tool can be ineffective if wrongly applied. In fact, even if they can potentially be a valid help in enhancing the probability of project success, what really matters is how they are employed by the project manager. It is up to him to select the appropriate tools and techniques and their tailoring on the project. Tailoring tools and techniques

1.SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

means to choose and customize them according to the project and organization features to better suit their purpose[1]. Applying any standardized template, graph or matrix is never a good idea because it won't perfectly satisfy all the requirements that called for its adoption. There is always a degree of subjectivity in project requirements because, as you remember from the project definition, every project is unique in its features. Any tool and technique must be adapted to the project specificities to obtain an effective result from their adoption. With the same reasoning, we can use the same tool or technique to more than one activity during the project life by simply adapting it to different activities. We will mention some useful tools and techniques while going through the business case studies later.

2.1.3. PM role

We can state that PM is employed with the purpose of successfully completing a project. This is the PM's primary role in the company. From my personal experience I would define the PM team's role as a support and integration role. It follows all the project progress since its beginning (and sometimes even before its formal start) to its end boosting the flow of activities. The PM team provides for the project's success by formalizing the smaller tasks needed to complete a bigger activity, by assigning those tasks to the right party and by making sure that due dates are met. Subdivided activities are easier to be accomplished because you perform all single steps one by one and you can better track their status and address obstacles. A project is indeed a set of small projects lumped to reach a unique final goal[1]. I use the word "support" to define PM role because the

1.SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

PM team sustains other people developing the project, it doesn't carry out the project itself. The PM team supports the project team in many ways, for example by scheduling meetings, performing analysis and providing the documentation in support of meetings. This helps all the parties involved in the project to coordinate and align in terms of schedule and objectives. If the level of coordination is poor inefficiencies arise and wastes are inevitable. One of the cases where it is hard to obtain coordination is when functional teams inside the organization try to integrate their work for the project purpose. To integrate working activities means to combine them in order to become more effective and to end the functional separation for a moment. When it comes to put together different expertises to solve an issue there are often difficulties due to the distance between the areas of competence, in fact it is common for people from different fields to have a different working approach. Given the different points of view, they often disagree about how to deliver a certain output, and an impasse situation emerges. When an issue arises and a deeper insight is needed or a compromise has to be reached to overcome an impasse, the PM manager schedules a meeting and acts as a moderator for the discussion. In this case, the moderator role of the PM team is key to lead the project team to a commonly accepted solution. This is an example of how the PM supports the completion of project activities to meet the project's goal and provides for integration. There are many aspects requiring integration and benefitting from the PM team presence in a project. In some cases the PM team aligns the projects' activities with other projects in place at the same time to exploit potential synergies. Interdependencies between different projects can be a potential source of value, because previous experience from one project can be used to generate a transfer of knowledge to the benefit of another project. Synergies exploitation derives from integration, in fact it is about combining different projects in a valuable way. The PM also makes sure that activities fit the overall company picture, because if coherence and consistency lack there may be potential for internal conflicts or contradictions that in turn weaken the overall organization. Another good point calling for the PM attention is the interdependence between structures internal to the organization and the company's external environment. It would be a mistake to forget the many external parties dealing with the organization for the project purpose. It is important to promote coordination between them and internal structures to avoid situations where individually provided solutions do not fit each other and provoke gaps and inefficiencies in the strategy execution.

Whether all this support and integration can be achieved without a PM team depends on the size of the project. Small projects involving just few internal structures imply a limited amount of communication flows that can be easily handled by the structures themselves. In fact, the fewer actors involved, the narrower the relationship network of the project. The level of complexity is limited also in case the organization is undertaking just a single project. Furthermore, if the organization already has the expertise required to run the project there is no need for outsourcing of a PM role. In all these cases, projects are quite simple to be managed and can be run without charging a team with support and integration duties nor outsourcing the project to a consultancy company. On the other hand, there are cases where the project's success is harder to be obtained. In large-size projects many different actors are working on it together. To foster project success they need to align their vision and share the same goal otherwise conflicts can emerge. Furthermore, they must coordinate efficiently to avoid waste of time, effort and budget. In this situation the project network is wide and generates a huge flow of communication. It is better to have somebody managing the project's information to ensure a good level of coordination all the time. If you have many projects in place you may need extra people not to overload your employees. It is very expensive to hire new people, to train them and then fire them when the project comes to its end because they are not necessary anymore. Sometimes, companies decide to engage in a contract PM with one or more consulting companies. This is the easiest way to obtain highly skilled management experienced in project management. In this case, the PM team can be contracted to manage a collective set of projects undertaken simultaneously by the organization. It is good to centralize PM because there can be interdependencies between projects under the same organization and there must be somebody overseeing the bigger picture. By having a single project monitoring and controlling actor there is no room for managerial competition for resource allocation between different project managers. Hence, having the same PM team in charge of many different projects allows for a better allocation of resources and coordination of activities. Finally, the role of the PM is also to monitor and control on an ongoing basis the progress status of tasks, to update all the actors concerned and to report to stakeholders. The purpose of the monitoring and controlling duty is to ensure that the project stays on track (meaning it is performing as it is supposed to according to the plan) and if it goes out of track to implement counteractions to take it back on track[1]. This last role is not less important than the already mentioned roles. The project manager plays the monitoring and controlling role because he is the ultimate responsible person for the successful outcome of the project, so it is essential to be always aware of the project performance and be able to handle unforeseen events and potential risks that materialize during the strategy execution.

2.1.4. PM composition

The project manager is the head of the PM team, he leads it and reports to the project leader. Depending on the project governance in place, the project manager can be a functional manager as well or not[2]. If the project requires great

1. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

2. HELDMAN, K., *Project Management Jumpstart*, fourth edition,_John Wiley & Sons Inc., Indianapolis, Indiana, 2018.

time and attention or there are more projects run at the same time, having a functional manager in charge of the project management can result in lack of focus and attention[1]. When appointing a functional manager for the management of the project there is the risk to incur in potential conflicts of interest. The function's needs and priorities can conflict with the project's ideal allocation of time and resources. To avoid conflicts of interest the project manager can be identified as an independent individual. When the project manager is an independent person, conflicts of interest can be avoided but there may be drawbacks. The independent project manager has no direct authority over the functional teams, who are liable to execute what the functional manager mandates. Sometimes the project manager must engage in a negotiation with functional managers to obtain their commitment, this can happen because of many reasons. The functional manager may simply not trust the project manager decisions and opinions, or it maybe give more priority to other working activities and is reluctant to spend more time on that functions tasks.

Sometimes organizations who want to keep centralized the authority over projects, create a Project Management Office (PMO): a business unit established on a permanent basis or long-term basis to assist project managers, teams and various management levels on strategic matters and functional entities throughout the organization in implementing PM processes and procedures[1]. Its actual structure and function largely depend on the needs of the organization[2]. The main PMO types are: controlling type, supporting type and directive type. The first type holds the softest degree of control over project operations, where in contrast, the directive PMO type has the highest level of decisional power on the project[1]. Organizations adopting a PMO employ full-time project managers with

1. XIAOYI DAI, C., WELLS, W. G., An exploration of project management office features and their relationship to project performance, International Journal of Project Management vol. 22 (2004) p. 523–532, Elsevier, Management Science Department, School of Business and Public Management, The George Washington University, Washington, USA, 2004

2. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

a high level of authority and high power over the allocation of available resources[1]. This is suitable for organizations undertaking often new projects. For example, it is common in creative industries, such as the movie or game industries, where the business is mainly run employing business projects. Every time a new game has to be created or a new movie to be made, an ad hoc project starts. The business environment is very unstable and there is not a permanent default set of running operations to be run. In fact, their core business activities constitute projects rather than operations, because their activities are temporary and unique in nature instead of being ongoing and stable[1]. We can refer to organizations with this type of business model as to project-oriented organizations.

Another key figure is the project leader. This label is more common in functional organizational structures with several levels of hierarchical authority[1]. The project leader is appointed by and acts on behalf of the project sponsor (the structure or entity who decides to start the project and has decisional power over budget, time and hold final say on project matters). He is appointed to lead the project by creating and inspiring vision while motivating managers to accomplish that vision[1]. The project leader is a higher-level role compared to the manager role, in that he has to makes clear goals whereas manager's duties are more practical[1]. They are both accountable for project success. The project leader is consulted by the project manager to have the approval to proceed at each handoff and start the next activity. This figure is often appointed when the organization engages in a contract PM, because the PM manager and its team cannot take key strategic decisions without prior approval from the company they are working for. This is because strategic decisions affect the organization's resources, short term milestones and long-term goals beyond the time frame of the project. In other circumstances the project leader and the project manager are identified in the

1. HELDMAN, K., *Project Management Jumpstart*, fourth edition,_John Wiley & Sons Inc., Indianapolis, Indiana, 2018.

same person who approves strategic decisions and manages the project daily activities at the same time.

3. MiFID II and MiFIR

3.1. Introduction to the Directive and the Regulation

Now that we have clarified some basic concepts about PM we can introduce our case studies. This is essential to get the complexities of the two projects and to understand which factors are critical to project management success. The two case studies analyzed by this thesis are two projects undertaken as a consequence of the amendment of a European directive and the issuance of the related regulation by the European Parliament and Council: MiFID II and MiFIR. MiFID II, namely the Directive on Markets in Financial Instruments and the Regulation on Markets in Financial Instruments. The MiFID II was issued by the Parliament and the Council of the European Union on 15 May 2014 in order to amend the previous directive (MiFID) released in 2004. MiFID had regulated the market in financial instruments in the European Union (EU) from 31 January 2007 to 2 January 2018[1]. Back in 2004, the first MiFID had been issued to foster harmonization of the legal framework of the Union as a response to last developments that had been taking place in financial markets concerning the widening range of services and instruments available to investors and the increasing number of investors. To that end, harmonization was needed to offer investors a high level of protection and to allow investment firms to provide services throughout the Union international market, on the basis of home country supervision[2]. Starting from 2007 the 5-year bull run of the market turned out to be fake, it was the product of overly risky conduct and misrepresentation to

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1. CONSOB: http://www.consob.it/web/area-pubblica/mifid-2

2. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014

investors by financial institutions, and in 2008 the bear market was confirmed by a sharp fall of the stock market index. Since 2008 the financial crisis has changed the features and needs of the financial market all over the world. It is clear that a system crack has occurred, showing weaknesses in the functioning and transparency of the market in financial instruments, including where trading in such markets takes place over-the-counter (OTC)[2]. The market developments called for a new update of the legal framework of the EU to avoid this issue arising again in the future. In particular, one of the main contributors to the crisis had been identified in a weak corporate governance by financial institutions. The lack of monitoring and controls within financial institutions combined with imprudent risk-taking exposed this weakness and led to the financial crises all over the world[1]. This risky and unwise behaviour by financial institutions leads to bad customer service and sometimes even unethical abuse of clients' good faith. The economic collapse unveiled to the great public such misconducts by financial institutions and, consequentially, led to the loss of investor confidence. Banks have been blamed for misrepresentation of the riskiness of the investments they proposed to clients to their own profit. Moreover, the crises rose awareness about the misrepresentation of shares value in trade venues. In fact, the inflation of shares price provoked overconfidence in investments until the bubble blew up and real value was found to be well below the listed price. In short, we can conclude that the financial crises brought to a trust and confidence crisis among the public towards banks and regulators. The EU Parliament and Council issued MiFID II with the intention to set, among the others, provisions governing the authorization of financial business, the investment service provision, the operating conditions to ensure investor protection and of course to rule the duty and power of Member States' governing authorities in monitoring and sanctioning unlawful behaviours by actors in the financial market. The primary intention is to re-establish investors' confidence and trust in the market in

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014

financial instruments. In line with the rationale under the creation of the European Union, the long-term objective of MiFID II is to foster a common playfield of provisions as part of the harmonization process of the European international market[1]. From this perspective, the MiFIR has been issued to avoid potential regulatory arbitrage among Member States under the MiFID and hence to minimize legal uncertainty and regulatory complexity within the EU. After all, Regulations are the main EU tools directly applicable to Member States to foster the uniformity of national requirements as a result of the transposition of a European Directive and promote a common European Market without any market obstacles against fair international competition[1].

MiFID II together with MiFID and MiFIR are the legal instruments forming the legal framework ruling requirements set out for investment firms, regulated markets, data reporting services providers and third country firms providing investment services or activities in the Union. The specific aim of the MiFID II is to cover investment firms, defined as undertakings providing investment services and/or performing investment activities on a professional and regular basis, including credit institutions[2]. This Directive applies to investment firms providing services such as portfolio management, investment advice and execution of orders on behalf of clients, underwriting financial instruments, etc[2]. Given the recent development of financial institutions and related firms offering complementary services (such as Central Counterparties, Organised Trading Facilities, Systematic Internaliser…etc.), this Directive strives to provide a definition of new entities involved in the market in financial instruments in order to provide a degree of clarity and transparency and to allocate duties and limitations to the freedom of offering services. Describing in details such figures goes beyond the scope of this thesis. Anyway, for the sake of clarity and to allow

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1. EUROPEAN PARLIAMENT AND COUNCIL, Regulation (EU) No 600/2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, 15 May 2014

2. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014

a better understanding of the projects we will provide a definition of the financial instruments and financial parties concerned with the case studies we are going to compare later in this paper.

In this paragraph we are going to explain the main requirements and provisions of MiFID II. This overview is important to understand the complex implications of such requirements in undertaking the MiFID II adoption project within a bank offering investment services. It is important to say that this overview focuses on the aspects most useful to the case studies empirical analysis, therefore it is not supposed to be a complete summary of most important changes brought in the financial market by the Directive. Its presence is purely instrumental to the specific technical analysis of the two banks analysed in this thesis in the next chapters and is therefore a partial resume of certain regulatory aspects ruling the market in financial instruments today.

3.1.1. Prudent management

As we already mentioned, poor business governance has been recognized as one of the causes of the financial crisis of 2008. Given this evidence, this Directive provides for a strengthening of the role of management bodies in investment firms, regulated markets and data reporting services providers[1]. The Directive especially focuses on the field of risk attitude to foster investor protection and market integrity. A more prudent managerial approach is needed on behalf of investors' interests with respect to the past when risk prone enterprises have been too superficial in assessing risk. The management body

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014

should be held responsible for firms’ business strategy with particular care to the business risk profile adopted. Risk strategy should be clearly addressed and stated by firms. A sound and prudent management should be monitored and ensured over time by the enterprise itself.

With this intention, the management body should take care of defining and adopting sound criteria for the selection and training of personnel. The personnel competence and knowledge must be sound and up to date because of the complexity of investment products available on the market and their continuous development and innovation. The personnel in charge for advising clients or managing clients' portfolio must be trained properly to ensure the best degree of investor protection. It is necessary to set down overall policies governing the provision of services and activities to clients, with special attention the approval of products that will be distributed to the audience, in order to ensure prudence. The concept of prudent management is stressed by this legal instrument because before the crises bad investment advice lead clients to undertake investments not in line with their risk attitude and out of their ability to bear such an investment risk. Bankers advising investors should be properly instructed to adopt a prudent approach when delivering the service to avoid a too risky placement of products.

3.1.2. Conflict of interest

According to the MiFID II, another key issue to be faced is the potential conflict of interests inherent to investment services offering advice and management of investors capital. The widening of investment enterprises’ activities in recent years increased the room for disruptive conflict of interests between those activities and the intended audience. If this potential for conflict materializes again as in the past, clients will be worse off and the financial institutions' integrity will be compromised. Investment firms should provide investment services and products on an independent basis to mitigate the potential for conflict of interests to arise and to safeguard investors. To satisfy the need for independency the Article number 23 of the Directive states that investment firms have the duty to identify and prevent conflict of interest and manage it when any mitigation action is not enough to offset its occurrence on behalf of clients. Countermeasures concern for sure remuneration schemes for front desk personnel. They cannot be set in a way that obstacles the best possible viable solution for clients. Firms are also forbidden to assess their employees performance in a way that conflicts with the duty to act in the best interests of clients[1]. This is an important point in the light of pre-crisis operative misconduct that was motivated by performance remuneration incentives to act against the best interest of their clients[2]. This had been one of the most unethical evidence emerged in Italy when the early century crisis exploded and one of the main sources of lack of trust by people towards banks. In this circumstance personal interest has been placed before clients' interest through an intentional breach of ethical principles. Once again we can affirm this circumstance was due to the common weakness of corporate governance in the industry[2] and to its neglect in setting proper remuneration schemes for financial intermediaries at that time. Where some residual risk of detriment to the client's interests nonetheless remains, a clarification of the general nature and/or sources of conflicts of interest to the client and the steps taken to mitigate those risks should be made before undertaking business on its behalf. Moreover, the risk prone attitude assumed by financial institutions was prompted as well by remuneration schemes to prioritize short-term profits against long-term sustainable performance of

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014

2. INTONTI, M., Crisi Finanziaria e Politiche di Remunerazione Nelle Banche,Banche e Bnchieri n.2 (2011) p.130-142, EMB, Università degli study di Bari, Italy.

financial intermediaries[2]. Regarding remunerations, any commission fee or benefit issued from third parties to investment firms providing investment advice and portfolio management among their services should not be accepted. In particular, rebates for the distribution of the manufacturer's financial instruments to the end-clients, are not allowed under MiFID II. Regardless, they are accepted rebates whose objective is to improve the service quality or the product quality for the benefit of investors. They can be accepted only if they are non-monetary in nature and not relevant to potentially create a conflict of interest threat. Rebates perceived by investment firms must be noticed to clients in a periodic disclosure. This is one of the necessary conditions for providing investment advice on an independent basis.

3.1.3. Records of conversations and electronic communications

To ensure transparency the European Parliament and Council had already allowed each Member State to mandate for telephone records of conversations or electronic communications involving client's orders, with the new MiFID II the European Parliament and Council have provided for further mandatory rules. This decision has been triggered by the increased need for clients' protection and information transparency. In the past, it had been already recognized the need to provide evidence of clients' order request and explicit agreement on terms and conditions of such orders, as well as the need to prove the compliance of the terms by the investment firm when executing any given order related transaction on behalf of its clients. This is the minimum set of information disclosure for enabling the competent authority to implement a check of proper execution of client's orders by banks and to detect any potential abuse carried out against the interest of investors or any lack of customer request in support of financial activities. In light of early 21st century events and the subsequent lack of trust in banks and financial institutions acting as investment intermediaries, this legal provision is even more important and it is fundamental to ensure its application. Therefore MiFID II tries to clarify the scope of the obligation in recording transactions and electronic communications between firms and clients. MiFID II contribution to this objective is to establish the application of this requirement to all equipment provided by the firm or whose usage is allowed by the investments firm in carrying out business activities. Furthermore, the Directive states that firms are liable for preventing the employment of private communication equipment in relation to transactions executed for clients. To strengthen the mandatory power of this statement, MiFIR issuance (Regulation of Market in Financial Instruments) establishes the enforcement of such measures and establishes that such records are to be made available to competent authorities upon request. Based on the supervisory role of Member State authorities, this fulfillment is mandated to find out firms' behaviours not complying with the legal framework in place for the regulation of financial investment market activities. These records should also be made available to show the development of the firm-client business relationship with regards to client orders and the firm's execution of transactions.

3.1.4. Algorithmic trading

With regards to transactions and client orders, new tools have been developed lately in the market in financial instruments. Particularly, the spread of trading technology brought to extensive use by market participants of trading algorithms. To cope with this recent trend in trading, MiFID II sets down the following definition of algorithmic trading: "computer algorithm that automatically determines aspects of an order with minimal or no human intervention. The use of algorithms in post-trade processing of executed transactions does not constitute algorithmic trading" and it recognized the risks arising from such practice[1]. The reason why this aspect is specifically addressed by this Directive is the attempt to regulate algorithmic trading and minimize drawbacks from its inherent risks. For example, if not properly regulated too many computers making trades could crash the stock market indexes in few minutes.

3.1.5. Information disclosure to clients

The value of transparent and complete information is one of the pillars of the MiFID II with a view to renewing the confidence in the financial system. MiFID II establishes unprecedented disclosure requirements to inform customers and MiFIR rules the application of such requirements at the national level. In order to give all relevant information to investors to empower them to take informed and reasonable decisions about the instruments and services offered, it is appropriate to require investment firms providing investment advice and portfolio management to disclose pre and post transaction and trade information on a timely basis, to inform the client whether the offer is provided on an independent basis or not and to disclose in a clear and understandable fashion any incentive received by third parties upon the provision of services to clients.

All the costs and charges concerning the investment service and the financial instrument (else from those attributable to the underlying market risk) shall be periodically disclosed to the client by investment institutions ex ante and ex post

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014.

the provision of the professional service. Upon the client request the representation shall be provided as itemised breakdown and should be delivered in a clear and understandable form for the sake of transparency. Investment firms or credit institutions distributing a certain financial instrument to the audience are responsible for making clients aware of all costs and associated charges relating to the provision of their services in relation to a financial instrument[1]. This means the previously mentioned entities have to declare costs and charges due to third-party actors involved in the construction, detention, distribution, or any accessory and complementary activity linked to the financial instrument concerned. Care should be paid in disclosing to clients the impact of financial instruments related costs on the overall client profitability of the investment once a year on a regular basis. This requires a huge flow of information from many sources to be managed and tracked by firms. To enable them to comply with disclosure requirements, the Directive recognizes the duty of information suppliers and manufacturers to make available such pre-trade and post-trade data.

3.1.6. Suitability

Moreover, The MiFID II provides for an explanation of the rationale behind the advice provided, meaning there must be disclosed evidence of good faith and best execution for clients. The advice must be supported by a reasonable explanation of its suitability. The same holds for portfolio management, whenever a sale or purchase takes place on behalf of the investor an analysis has to be implemented to justify the transactions executed by the investment firm. This proves the beneficial effect of the service for the client. The reputation and

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014.

training of the person providing the service are not enough to gain investors' trust anymore, this is why it is appropriate to prove the beneficial effect of the service.

3.1.7. Best execution obligation

The theme of best execution of the service in clients' interest is addressed by the Directive in Article number 27, among the information to be disclosed by investment firms. The European Parliament and Council acknowledge there has been a lack of rigor in the way execution policy is communicated to clients. This lacks a good understanding of orders execution terms and conditions and generates uncertainty about firms' compliance with their duty to execute orders on term most favorable to clients[1]. To enhance the degree of investor protection in the European market in financial instrument, this Directive asks Member States to require that investment firms provide appropriate information to clients on their order execution policy[1] in a clear, detailed and easily understandable way. When executing orders on behalf of clients, the investment firms shall take into account not only the price of the financial instrument but also the execution costs of the order, including execution venue fees, clearing and settlement fees, any fees paid to third parties involved in the execution. Investment firms shall determine which trading venue can deliver on a consistent basis the best possible result for their clients. For this reason the Directive mandates for the annual issuance by financial intermediaries, for each class of financial instruments, of the top five execution venues where they executed client orders the previous year.

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1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014.

3.1.8. Target market classification, financial instruments clusters and ongoing suitability

Another key new requirement introduced by Article number 24 of the MiFID II is a limit to the offer of investment solutions proposed to clients. In fact, the marketing strategy of financial products is subject to some restrictions in order to protect investors from bad investments. Bad investments are, for example, those not in line with the client's investment time horizon, experience, risk profile or with its ability to bear losses. Given the asymmetry of information between investors and investment firms on financial instruments, the materialization of market failure at the expense of clients has been heavy during the last economic crisis. In the attempt to prevent the occurrence of inefficiencies deriving from this information asymmetry, limits on the freedom of offering investment solutions to clients have been set. This limitation defines clusters of equivalent financial instruments that are suitable for classified target markets based on financial instruments' features and target markets' needs. Both the manufacturer and the distributor of financial instruments must take into consideration the suitability of their offer to the target market. The distributor of financial instruments, meaning the investment firm, shall understand the financial instruments constituting its offer and assess whether they suit the specific needs of the clients enjoying their services[1]. Of course, as already clarified by best execution provisions, financial instruments are to be offered or recommended to investors only in their best interest. On the other end, manufacturers of financial instruments shall ensure their offer is designed and structured to fulfil the end market specific needs and suit its specific features[1]. The target market evaluation is the fundamental criteria to assess the range of offer accessible to a given target client. In other words, to be sure a client is offered the right set of products, he is

1. EUROPEAN PARLIAMENT AND COUNCIL, Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, 15 May 2014.

asked to fill and submit a survey to classify him according to his corresponding target market type. Investment firms managing clients' portfolio or advising clients investments are not allowed to operate or advise the subscription to a product not in line with the client profile and they must specify in a written statement on suitability how the given operation or advice aligns with the investor profile and relative needs. In the case the firm is executing a client's order to subscribe an investment not suitable for him, the firm has the obligation to notify the lack of suitability to the client and describe the disadvantages of the ordered transaction. These notifications must be provided in good time to clients or potential clients. When an investment firm runs portfolio management mong its business activities, it shall perform on an ongoing basis and report periodically a suitability assessment to inform clients whether their investments are matching the suitability criteria or not. In this way, the client will be aware of the degree its portfolio of investments is aligned with his personal preferences, goals and other peculiarities. The Directive gives Member States the freedom to specify standard forms and time schedules to send such information reports to clients.

3.1.9. Trading obligations

The European Council and Parliament have tried to harmonize the regulatory framework and enlarge the definition of trading venues by introducing the concept of Organized Trading Facility (OTF). The definition includes any multilateral facility that executes orders outside a regulated market or a Multilateral Trading Facility (MTF), in other words a facility that operates Over The Counter (OTC). The introduction of OTF as a new type of trading venue allows to apply to OTC-derivative instruments the same provisions already covering financial instruments traded on regulated markets and MTF. This attempt to regulate OTC market goes further with the introduction of the Systematic Internalizer concept. A Systematic Internalizer is an investment firm that, on an organized, frequent, systematic and substantial basis, deals on own account when executing clients orders outside a trading venue (regulated market, OTF or MTF) and does not operate a multilateral system itself. For the sake of clarity, a multilateral system is a system or facility where multiple third-parties interact to buy and sell trading interests in financial instruments. The MiFID II strives to impose trading obligations on OTC-derivative instruments because covering unregulated areas is important to prevent new systematic failures in the financial market as those that caused the 2008 economic crisis. Articles 23 and 28 of the MiFIR cover trading obligations on shares and derivatives. Investment firms shall ensure that trading in shares takes place on regulated markets, MTF or Systematic Internalizer only. Among others, there is the duty for investment firms and operators of trading venues of a 5-years record keeping of transactions and orders in financial instruments[1].

1. EUROPEAN PARLIAMENT AND COUNCIL, Regulation (EU) No 600/2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, 15 May 2014

4. Case studies

4.1. Analysis of implications and main issues from the 2 case studies

So far so good, MiFID II requirements sound reasonable, clearly stated and quite simple while reading the legal text. It is not like they are asking for the moon here, just for basic minimum requirements that should underpin the financial industry. For anybody whose working life is not part of any financial institution it maybe even seems not too hard to adopt such basic measures. Easier said than done. The main part of people thinks about banks simply as the front office they deal with as clients and have no idea of what stands behind. The backside not experienced by clients provides for the final service and products and it is much more complicated and wider than the distribution side of the market. The market in financial instruments links many entities in the supply chain made of different players such as distributors, suppliers, complementary service providers, trading venues, all connected in an overwhelming network of entities with many diverse and interrelated roles. The MiFID II concerns the whole market chain and every actor taking part in it. For those entities, adopting MiFID II means transforming the whole business operations from their foundations, starting from policies and internal regulations to the way business daily activities are carried out, monitored and controlled. Of course, once the transformation is completed and everything set for the better it will be easy, but planning and implementing successfully such a transformation process is hard even to imagine. From now on we will refer to the operation transformation process experienced as to the MiFID II project.

In this paragraph we will try to explain what the main implications and complexities of the MiFID II project are, based on the empirical observation of two case studies concerning the Directive adoption. The two cases have undertaken two analogue projects sharing the common goal of aligning with the Directive requirements and comply with the Regulation and national provisions covering their business industry. The case studies are about two Italian credit institutions offering investment audit and asset management services. In particular, one bank offers investment services to private and corporate investors and the other bank mainly to retail investors. The selection of the case studies is based on this feature, because comparing these two different types of banks looks more interesting rather than studying many cases of mixed businesses. Also, the two credit institutions studied cover together all the main target markets of the investment industry: private investors, corporate investors, retail investors online investors. This is important for the thesis because the final aim of the MiFID II and MiFIR is investor protection and therefore it is good to consider each type of investor. For non-disclosure commitment binds the author from disclosing sensitive information we will call the protagonists of the two case studies “Investment Bank” and “Commercial Bank”. The Investment Bank is so called because the investment services constitute the core business of the bank. The Commercial Bank on the contrary offers investment services but they cannot be considered the main part of the business. We will identify them with these labels through the thesis text to distinguish and compare them. We will first catch the level of complexity brought by the MiFID II project and then study how they have been faced and managed by means of first-hand working experience and by interviewing project managers appointed by banks.

4.1.1. *Project network and communication lines*

To start having a sense of the degree of complexity faced by the Investment Bank and the Commercial Bank just think about how many stakeholders are involved in the bank core business activities concerned with the Directive. Let's put ourselves in the shoes of our case studies protagonists. Both the credit institutions considered run the MiFID II project with an extremely high level of complexity due to their big networks of stakeholders. It is not easy to handle a transformation process involving many interrelated actors. I will provide first an insight of the established network under normal operating conditions of the business (different from the project extraordinary set-up) just considering one division of the business, the PB Division of the smallest of the two banks studied, the Investment Bank. Private Banking is the Division of the Investment Bank offering personalized financial solutions to the high-net-worth individual clients of the bank. The financial services delivered are generally distinguished between the clients' portfolio management and the investment audit. In order to deliver these services, the bank relies on two different Information Technology (IT) Service Providers, some back-office functions are therefore outsourced by the bank. Other counterparties regularly dealing with the PB Division network are of course constituted by financial institutions offering complementary services and/or products to this bank. They are, for example, issuers of financial instruments, called manufacturers under the product governance perspective because they design and create financial instruments placed by the bank. From the product governance perspective, we can refer to the Investment Bank as to the distributor since it places and recommends the products designed and provided by manufacturers. As you may imagine, the wider the offer of the bank, the higher the number of manufacturers of the Division network. The execution of audit services is performed by the Investment Bank also through its group entities (subsidiaries and affiliates) that make part of the network as controlled individual legal entities. Furthermore, even if the bank enters into a contract with the client, the client can opt for a different depository bank who safekeeps the client's money. This is a further actor in the PB Division network. Even if the bank enters into a contract with the client, the client can opt for a different depository bank who safekeeps the client's money. This is a further actor in the PB Division network. Moreover, even if the bank plays the distributor role, it can be the case there are more intermediaries banks in the distribution chain. In this case the bottleneck of the industry is longer, a distribution vertical de-integration takes place and the Investment Bank is considered as a sub-distributor for the reason it is appointed by the main distributor to place its products on the end-market. The vertical de-integration of the industry has recently increased the competition level and enlarged the banks business networks. This was just one example of the many new vertical relationships occurring in the financial industry nowadays. About the bank's network, we cannot forget the internal bank functions and business units that work for many of the bank's divisions included the PB division. They have to be included in the network of relationships even if part of the bank because the information flowing back and forth from them is to be considered as separated from one another and also the respective relationships among functions and units are to be considered individually. Moreover, the exchange of information between the internal environment and the external actors is managed by specific functions and units in charge of it. For example, if the bank wants to engage with a certain IT provider to outsource part of its activities, the IT function of the bank is the one allowed to contact the IT external operator and it is deemed responsible to keep in touch with it. Other key structures of the bank, else from the IT function in charge with the management of the information system, are the Compliance function, liable for reputational and legal risk and the alignment of internal policies with legal requirements, the Business Support function, who monitors the bank's credit portfolio and market opportunities, Group Organization, who defines operational and best practice procedure, Financial Service Operations functions, dealing with back-office activities, Wealth Risk Management unit, handling product and service risks, Products & Services, taking care of the offer development for the Division… etc. All those actors cover key roles under common business regimes within this specific division dedicated to the wealthier segment of the market, without their contribution the business wouldn't be able to serve clients. We have mentioned just the core players and structures, but there are many others whose services are peculiar to certain orders or are ancillary services. Considering both external entities and internal structures we have just mentioned, we can try to figure out how many relationships would link them in a network made of one-to-one flows of information. We all have a gut feeling about the number of communication lines deriving from this real empirical example. But maybe we still underestimate the situation the PB Division is facing when it comes to communication flowing in and out its borders. For those willing to double-check our instinctive perception the famous lines of communication formula suits our curiosity. The formula determines the number of communication channels in a network given the number of individual actors involved (n). The formula is: $(n*(n-1))/2$. Assuming we just have one legal entity playing the previously mentioned roles in the market (an unrealistic assumption made just to simplify our calculation) we end up with 5 legal entities and 7 internal structures, for a total of 12 actors. So, by substituting in the formula n with the number 12 we get 66 different lines of communication. Now let's make it a bit more realistic by assuming 100 manufacturers instead of 1 (99 manufacturers more than before). This time we will insert in the formula 111 actors involved in the same network . The result, still very far from reality, is now 6105 communication channels to be properly managed during the regular business regime of the PB Division. Keep in mind we are referring just to one division of the many inside the bank. Moreover, when a project is started the number of actors involved increases due to extraordinary and temporary needs like legal advice, national competent authority's approvals, special technical IT support… etc. Taking care of the resulting volume of communication flows and the information exchanged is a full-time task. There must be effective and efficient management of communication to make sure all actors are aligned, no information is missed, the right person is provided with the right information at the right time. Communication is one of the most challenging factors of both MiFID II projects undertaken by the two banks. Since very technical fields are addressed within the project, the language adopted is very specific and it is important to set down clearly all relevant information in an easily understandable fashion, otherwise misunderstandings between people from different business units and functions arise and threaten the successful implementation of the project strategy. This complexity is common to both the projects, it reached even higher levels for the second case study (Commercial Bank). In fact, while for the Investment Bank the project approach is to implement the adoption process of the Directive separately for each Division and therefore to undertake each division transformation as a separate MiFID II project, on the contrary for the Commercial Bank the MiFID II project scope is comprehensive of the every division. This means that the communication channels pertaining to the whole Commercial Bank's business are managed collectively within the same project. This latter approach is more centralized in terms of communication flow but it produces an escalation of communication lines and information volumes caused by a giant network whose participants are dispersed all around the globe. When the network reaches global levels implications about language and time schedule arise. Globalization has never been felt so real. Hundreds of different entities are concerned with the same project network, whose sponsor is a single bank headquartered in Italy.

4.1.2. Organizational structure and project governance

Another key issue emerging from the two case studies and peculiar to the financial sector derives from their organizational structure. The Investment Bank and the Commercial Bank are organizations whose business is structured according to both functions and divisions. The organization groups employees according to their technical specialization or the similarity of roles and tasks, in other words, according to their function with regards to the business. Functions inside the bank structure allow for deep specialization in specific fields of knowledge like information technology, human resources, legal, compliance. Each function develops the expertise required to comply with their specific tasks within the bank. Divisions, on the contrary, are set according to products or services, each aimed at serving a well-defined segment of the investment market. The prevailing design criteria defining the banks' organizational structure is the divisional separation of activities. The divisional setting of the business allows the bank to better serve specific needs shared by each market segment. The Retail Division for example, also known as commercial banking or consumer banking, includes services designed for the vast majority of the public: small enterprises and individual people. Among its services it also offers investment audit to small investors. These investors are usually considered unsophisticated and less knowledgeable and commit small capital amounts. The Private Banking (PB) division serves high-net-worth individuals by offering them financial management services. It is exclusively reserved for clients having a substantial amount of capital available for investments, in fact it is usually available only to the most affluent clients of the bank. It usually provides a highly personalized investment audit that is tailored to the client's profile. This division provides an exclusive set of investment services and products often at special terms and interest rates. Sometimes services are provided individually to clients, other times investors are gathered into pools sharing common features and needs to allow them to enter investments at more convenient terms or that would otherwise be not affordable to single investors. The Corporate and Investment Banking (CIB) division serves a different category of the market, with fewer restrictions on the portfolio size of clients. The intended target of this division is medium and/or large enterprises and their specific investment needs. The Brokerage Division of the bank offers clients the ability to enter the trading market. In this case, it addresses a segment of the market more short-term oriented who seeks high liquidity and flexibility while investing. We can also mention the Online Banking Division, which allows clients to engage in transactions via the internet. Today only a few transactions cannot be performed online by investors and this brings banks to run a virtual business without physical branches. Online investors use the web to research, trade and track investments, they use the online channel to invest because it better serves specific needs and user characteristics. By designing the organization structure with both functions and divisions the bank can better serve each segment of clients and at the same time having technical expertise in many areas. Some of the functions are horizontally applicable to more divisions, others are specifically required within single divisions. This hybrid organizational structure is very complex, it has a high number of hierarchical levels. It is the most complex type of organizational design we can find. Moreover, both the credit institutions analyzed are large businesses and form large corporate groups owning shares in many subsidiaries that form an individual economic entity and whose structure is huge and complex. Sometimes this organization type is said to have a virtual organizational structure because people at not gathered together physically in the same place, rather they connect via the internet or corporate network from different departments[1]. Organizational structure is a key component of firms' environmental factors in every industry of the economy. It has tremendous influence over projects because it at least partially determines the governance

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1. HELDMAN, K., *Project Management Jumpstart*, fourth edition,_John Wiley & Sons Inc., Indianapolis, Indiana, 2018.

structure of the project[1]. With a hybrid organizational setting it is hard to start a project and to establish the project governance. The project governance, i.e. the management framework within which project decisions are made, is one of the first matters to address before the official kick-off. It defines roles, accountabilities and responsibilities linked to roles. It is a key element for every project and its design depends on the specific context of the project. In hybrid organizations, projects are set and run in a complex context, with many authority lines and many levels of hierarchy. The project governance chart should create a sound and effective decision-making framework. Many questions are arising when trying to establish the project organization chart. We could wonder whether it should be better to launch a project within a single division or among several divisions. Setting the same project separately for each division means dealing with smaller analogues projects that are easily managed. A more specific focus reduces the complexity of the project activities, but a more comprehensive focus allows for synergies' exploitation and consistency between divisions. Again, we can ask ourselves whether it is enough to appoint a functional manager in charge of the project on a part-time basis or it is better to establish a full-time PM role. A functional manager is an expert in his field and has a deep understanding of certain specific areas and has direct authority over the function team, but he has to deliver other regular business tasks and cannot allocate all of his time to the PM activities. On the other hand, a full-time project manager has more time to dedicate to PM activities, he is *super partes* given he has no interest in one specific function, but he may lack grip on functional teams[2]. What is the right level of PM authority in order to succeed in the project? should the PMO or project manager be delegated with decisional power over resource allocation and other strategic decisions? Or should it be left with delegated tasks to accomplish

1. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

2. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

higher-level decisions? There are no general rules for project governance and organization. The answers really depend on the project itself since, by definition, every project is unique. Later we will check how the Investment Bank and Commercial Bank address the problem according to their subjective features of the organizational structure and compare their approaches

4.1.3. Extraordinary corporate transactions and operations transformation

There is a third critical issue that affected the successful implementation of the MiFID II project strategy of the banks. It derives from the peculiar organizational context present in both holdings at the time the project has been undertaken. In fact, both groups have been subject to relevant changes in their ownership structure during the last years. They faced extraordinary corporate transactions that occurred at the same time the EU Parliament issued the new legal requirements and provisions. So the banks found themselves in a tough position, they had to go through two different transformation processes, one involving business operations and the other involving structural reorganization. The two processes of transition cannot run in parallel as separate and autonomous courses of action. They talk to each other and are deeply interconnected. The Commercial Bank faced a merger for incorporation that allowed the Group to enlarge its service offering and to strengthen its competitive position in the market. This decision was made before the project planning and initiation phase, but the implementation of the transition from the previous individual businesses to the new organization took partially place during the project lifetime. Interestingly, the application of the new legislative framework and the legal effect of the merger were enforced at the same time in 2018. As regards the Investment Bank, a merger has been faced to strengthen the market strategy and the product offering to the bank's clients. The incorporation of another bank gave birth to one of the main divisions of the bank. These ownership transactions turned into a structural transition period that overlapped with the project. The timing of the project development was bound by the European legal framework establishing the date of adoption of the MiFID II and MiFIR provisions. Hence the banks have not been able to plan the project timing in a way that didn't affect the structural transition of the Group.

4.1.4. Legal framework interpretation

The Directive and Regulation have been adopted by the Italian government through a Legislative Act and the national regulator (Consob) and bank (Banca d'Italia) have issued recommendations about how to comply with new provisions. Recommendations are first of all issued by the European regulator (Esma) to guide investment firms through the adoption process and then recognized by the national regulator and adapted to the national context. The investment firms facing this regulatory framework had first of all tried to design the solutions they have to implement to comply with the new legal requirements. This is usually done at the early phase of normative projects. An As-Is Analysis is performed to understand what is the current position of the bank in terms of legal requirements, the starting point from which the bank moves. It identifies and evaluates the business processes in place before the MiFID II adoption. Then a Gap Analysis is implemented, it compares the current situation against the desired future state and detects gaps. Revealed gaps correspond to non-compliant areas of the business. The Gap Analysis is used to design solutions to fill gaps in order to align with new legal provisions. Designing solutions means to understand how to transform business processes. This latter analysis links the starting point to the arrival point. It has emerged since this early project's phase that the regulatory framework is not always straightforward and clear when it comes to defining solutions. There are many cases where the interpretation is not easy and there is need for more guidance on certain aspects. Even if the law covers all the subjects involved in the investment business, it is hard for banks to address every specific practical case when it comes to implementing the general prescriptions. There can be several reasons for this ambiguity and there are different ways to face it. The safest way is to collect doubts from investment firms and send questions to the regulator. To collect, approve and sent questions and publish an answer requires a lot of time, so this way is not always feasible. Another way is to solve doubts individually inside the bank by scheduling meetings. Often ambiguity creates room for different interpretations inside the same project team. At meetings different points of view are usually discussed to come up with the optimal solution, but not always a compromise can be met between team members. Project managers are called to solve this situation in the best way possible according to the specific case and context.

4.1.5. Unpredictable events management

One of the MiFID II projects has lasted until this summer, and it has been going through the lockdown imposed by the government to face the Covid-19 health emergency. As we all know, the spread of this new virus has resulted in a pandemic that is still affecting all the economies around the world. Fortunately, given the high level of digitalization of financial services and their essential role in nowadays society, the project has not been postponed. In this case all the project activities as well as the running business activities are performed from home without accessing the bank offices. Working from remote limits some internal business units and functions whose tasks are binding milestones to move forward with the project. For example, the Information Technology function is not equipped with powerful technological tools while smart working from home. This slows down all the daily activities owned by the function and in turn the stream of project activities. Also, in Italy we were not used to working from remote and firms didn't know whether it was possible or not and how to do it efficiently. A certain degree of freedom has been left to firms in deciding how to organize their business, they had to decide whether to stop business activities or find alternative ways to run the business safely. Beyond the mere technical obstacles during the lockdown period, there are other problems to be faced. For example, the psychological effect on a project performance must not be underestimated. Project participants are individually contributing to the project performance and the way they face and react to social distancing and changing working modes must be taken into account. In crisis times high moral is a booster of performance. This is an unprecedented event in our century, people were not expecting this type of risk during our times and no mitigation plans were in place. Remediation actions taken by the government are decided from week to week with no time for firms to get ready to face what it comes next. To cope with the unexpected and uncertainty is not easy. How to manage the unpredictable when it materializes is a question that managers have always tried to answer and leadership can play a big role in response.

4.2. Key success factors in PM

In the last paragraph we raised awareness about the main issues faced by the Investment Bank and the Commercial Bank in planning and implementing the MiFID II project. Now that we know what the problems are we can look for solutions. The main purpose of this thesis is to codify key factors and drivers to PM success and it is impossible to reach such an objective without understanding the obstacles to the project success. Having an understanding of MiFID II main issues enables us to understand what are the project needs and try to figure out how to satisfy them. In other words it would be impossible to talk about factors that are key to the specific project success without knowing project needs. To deliver this output we will define a set of Key Success Factors (KSF) and discuss it on the basis of empirical evidence from the two case studies. The set of KSF will be developed starting from a review of past literature about key success factors in PM. Once we have revised general key success factors identified by previous authors we can apply the deriving specific theoretical framework of factors to reality. We will apply this new theoretical framework to an empirical context, from abstract knowledge to real evidence in the investment sector. We will provide real examples of how the KSF have been implemented and managed during the project life cycle. This original contribution to the literature will be delivered thanks to an interview and a survey with the project managers appointed by the Investment Bank and the Commercial Bank to the MiFID II project, and from first-hand participation in the PM team by the author.

4.2.1. Literature review on PM key success factors

Starting from previous literature on the field of PM we have derived a set of Key Success Factors (KSF) of projects and project management. There is a smoothed difference between project success and project management success that is often confused when talking about KSF in the studies revised[1]. It is not so important because PM objectives and project's objectives are overlapping and they often coincide. In fact, PM is aimed at providing support and the degree of integration required to implement successfully the project strategy, in turn, the successful implementation of the project strategy delivers the project's goals, that is the ultimate success of the project itself. But for the sake of clarity we can state that PM is about creating and transmitting business value and project success is about delivering established goals or objectives[1]. This distinction is not always considered from previous literature when addressing this subject, so the overview of KSF we provide below is a mix of both factors. These are the KSF identified by the literature[1]:

- Stakeholder satisfaction
- Communication
- Knowledge transfer
- Human asset
- Time
- Quality
- Budget

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1. ABYLOVA, V., SALYKOVA, L. N., Critical success factors in project management: a comprehensive review, In: *Project Management Development – Practice and Perspectives - 8th International Scientific Conference on Project Management in the Baltic Countries*, University of Latvia, Riga, Latvia, April 25-26, 2019.

- Leadership
- Clients satisfaction

A misleading point emerging from the previous literature is that identified factors are sometimes leading to project success and other times represent the successful outcome itself. Sometimes they seem to be drivers of good performance and sometimes the deliverables. For example, stakeholder satisfaction at the end of a project can be a parameter against which measuring the level of success reached. The same is true for client satisfaction, it can be measured when the project ends and can be a signal of success or failure. On the contrary, communication is a factor to be properly managed in order to succeed in the project. Some of the listed factors can be viewed both ways, for example, budget can be a driver of success or a parameter used to measure whether the project has been implemented successfully (meaning within budget) or not (over budget). It can be a constraint to the performance or a success parameter depending on the way you consider it.

4.2.2. Hypothesis on key success factors of the MiFID II project

Given that the final output of this thesis is a table codifying drivers to be managed by the PM for leading to the success of the project, we will start from the list of KSF from past literature that predict the project performance and are considered drivers of success. So we exclude those factors considered by the literature that are expressions of success itself: stakeholder satisfaction and client satisfaction. The list will be integrated with some factors not considered by the literature review. These added factors are peculiar to the MiFID II project from the two case studies. Therefore our starting point is a personalized list of factors fostering the final expected success of the MiFID II project, namely the adoption of the European regulatory framework within the deadline mandated by the EU Authorities and within terms prescribed by both the MiFIR and the national regulator.

Here we report some considerations and hypothesis on the KSF suggested by the literature. Of course we expect time, quality and budget to be relevant for the MiFID II project. They are the most classic and traditional PM factors determining desired outcomes and are often called the triple restriction or the project triangle[1]. The quality of deliverables impacts the resulting performance of the project, the milestones' timely accomplishment avoids wastes and costs, lastly the budget management is very important not only when planning activities but also during the project implementation to drive the whole performance.We expect time to be the most important factor of the project triangle for both the projects, because the MiFID II project is a normative project and success is strictly related to the legal enforcement date of the directive.

An other KSF emerging from the literature overview is human asset. Of course human asset is a success driver because a high quality team can make the difference. It is the main reason why the Investment Bank and the Commercial Bank decide to outsource the PMO to an external consultancy company. By engaging in a contract PM banks are able to access qualified professionals that are experienced in managing projects in the sector.

Knowledge transfer is the concept that experience in PM impacts on project outcome. Knowledge transfer is the iterative process of applying the knowledge

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1. ABYLOVA, V., SALYKOVA, L. N., Critical success factors in project management: a comprehensive review, In: *Project Management Development – Practice and Perspectives - 8th International Scientific Conference on Project Management in the Baltic Countries*, University of Latvia, Riga, Latvia, April 25-26, 2019.

derived from previous experiences to new projects[1]. Innovation and change is something banks rarely face, and they are not used to implement it. Banks can access innovation services and PM knowledge in the financial and investment industry and positively influence the project implementation by means of external consultancy. The decision to engage in a consultancy contract can be motivated also by this concept. In fact, employing a skilled PM team already experienced in similar projects and with specific expertise in the financial industry guarantees ongoing improvement and value generation for the project. According to this, knowledge transfer is a good candidate for key success factors in the PM of the MiFID II project.

Among the factors mentioned by the literature we find also leadership. Leadership is always important in projects, it inspires and drives the project team towards the right direction. It is particularly important during hard times. All projects go through them, but with regards to the project of the Investment Bank there has been a really tough one. As we explained, during the final phase of the MiFID II project run by the Investment Bank the Covid-19 showed up in Europe and in first place in Italy. At the time nobody was imagining a pandemic was about to force us all to a long quarantine and when unforeseen risks materialize no mitigation plan was already available to the project team. All the economic sectors suffered from the lockdown that followed the spread of the virus. In this situation the leader role is essential to keep the team on track, keep up with plans and meet milestones.

Since client satisfaction is not a driver of project success but the final successful outcome of the project, it will not be considered in the list. But it will be substituted by client perspective. Probably in other projects client perspective is the most relevant factor affecting activities and leading to project success. But

1. ABYLOVA, V., SALYKOVA, L. N., Critical success factors in project management: a comprehensive review, In: *Project Management Development – Practice and Perspectives - 8th International Scientific Conference on Project Management in the Baltic Countries*, University of Latvia, Riga, Latvia, April 25-26, 2019.

in the MiFID II project, a regulatory project, it is not so critical. Even if the Directive and the Regulation have been issued with the primary intention to protect investors and reinforce their trust in financial and credit institutions, their point of view in the adoption of the regulatory framework is not so relevant in the sponsors' perspective. It is important for example that information disclosed to clients is understandable and transparent as much as possible, but it is so because of the collateral effects provoked by non-compliance conduct by investment institutions. Firms that are deemed guilty of non-compliant behaviors, for example, in their duty of ongoing monitoring or best execution obligation on behalf of clients can be fined by national competent authorities. This is very far from considering clients' needs while implementing the project strategy. So we expect this last KSF to be the last in terms of relevance for the project performance.

Another big issue concerning the PM is the complexity of the project network. From this feature we can expect communication to be a key success driver for the project success and the literature agrees with this hypothesis. The PMO must effectively manage communication while implementing the MiFID II project's strategy, otherwise there is no chance to accomplish the mandatory legal requirements. To make an example, manufacturers' and distributors' duty to provide information about financial instruments they issue or place in the market materialize in a huge flow of communication. Information about financial instruments flows both inside the bank's borders and crossing the organization's borders. The communication management in this case affects the timeliness and correctness of the disclosure to clients of the Investment Bank and the Commercial Bank.

To sum up, from past literature on KSF we take quality, time, budget, leadership, communication, human asset, knowledge transfer. Also, we add client perspective to substitute client satisfaction. From my personal experience I believe these KSF are not enough to explain and represent performance drivers of the MiFID II project. So I will propose a few more factors that are peculiar to this project. The table below summarizes the KSF kept and edited out form the literature review and the KSF added by this thesis.

Integrated KSF	**Literature KSF**	
	Kept	**Edited out**
Leadership	Communication	~~Client satisfaction~~
Technical support	Knowledge transfer	~~Stakeholder satisfaction~~
Integration	Human asset	
Vendors commitment	Time	
Key stakeholders commitment (namely the sponsor)	Quality	
Client perspective	Budget	

Table 1 - Table of KSF Framework

As already mentioned one of the main sources of complexity in the case studies is the bank's hybrid structure. As explained, the hybrid design of the Investment Bank and the Commercial Bank satisfies the need for both functional expertise and divisional focus (even if the divisional focus prevails). By coordinating functions and divisions the business generates value. The project mirrors at least in part the same needs and adopts the same structure of the organization. In the MiFID II project are involved functions, divisions, business units, and they all coordinate. A good degree of coordination is ensured through the integration of the parties. Integration is another factor critical to PM success for the banks and it concerns not only the coordination of internal structures but also the coordination with external vendors involved in the project.

Generally speaking a project concerns extraordinary activities that are aimed at setting down future run operations for the business. Given the extraordinary effort involved in a new project before it turns into permanently established operations, the project calls for a high allocation of available resources. Also, considering the particular moment of structural transition faced by the Investment Bank and the Commercial Bank while running the MiFID II project, the available resources maybe not enough. Internal functions may need extra support to carry out quickly the project activities. Therefore technical support can be considered as another KSF fostering good performance in PM.

There is a further performance driver observed in the MiFID II project implementation phase, it is the support and motivation of the sponsor (the primary stakeholder of the project). The analysis of the main issues of two cases suggest that the sponsor's commitment is very important in hybrid organizational structures with dual authority cases and many projects in place. If the project receives poor priority and attention from the main stakeholders and if it is left to the willing of functional managers, there is little the project manager can do to ensure a good performance of the project. This is especially true for the case studied since the project manager of the banks is not a functional manager and has no authority over functional commitment. Also, the PMO components have no grip on internal structures' commitment because they are external to the bank since the PM is provided through a contract PM. If internal structures are not motivated to dedicate time and effort to the project and if the sponsor doesn't support the project, the final performance will be poor. On the contrary, if the project sponsor motivates all the bank's structure to focus and dedicate to project's activities the project can be successfully managed by the PMO.

Observing the important role covered by information providers, suppliers of financial instruments, networks of investment funds, IT Governance providers and other external companies providing the Investment Bank and the Commercial Bank with ancillary and complementary services, we can state that vendors commitment is a KSF as well. Of course, vendors commitment largely depends on the power of money and hence on the budget allocated to operations outsourcing. From this perspective, vendors' motivation can be sometimes seen as a symptom of the sponsor's purchasing power. But sometimes their willingness to provide services and solutions well-performing for the bank depends on other reasons. Maybe the sponsor is a big client for them or maybe they want to compete aggressively to gain market share. Whatever the reason is, their attitude towards the project activities heavily affects the final performance outcome and it can make the difference in PM.

In light of the real project requirements the list of KSF proposed as a starting point of discussion is the following:

- Communication
- Knowledge transfer
- Human asset
- Time
- Quality
- Budget
- Leadership
- Technical support
- Integration
- Clients perspective
- Key Stakeholders commitment
- Vendors commitment

It derives from my first-hand experience in the project and an interview with the PM appointed as external consultants by the Investment Bank and the Commercial Bank.

4.2.3. Method

The above mentioned KSF appear to be the main drivers in PM for the case studies, this analysis will start by trying to compare them between different business divisions to understand whether their impact on the project performance differs depending on the banks' specialization in a certain target market. The business divisions considered in the comparison are: Private Banking (PB), Retail Banking (Retail), Corporate and Investment Banking (CIB) and Online Banking. Two consultants appointed by the Investment Bank and the Commercial Bank to manage the project have been asked to fill a survey via email and to answer an interview via Skype. The survey's results have been collected in 3 tables available in the Appendix. The tables collect quantitative data representing the qualitative aspects of the project. They have been created to evaluate and compare the KSF importance and to catch the difference, if any, between the KSF of each division. The tables also consider the MiFID II topics concerning each division. With MiFID II topics we mean the main aspects and requirements covered by the directive that we explained in the previous chapter. In other words, we try to understand if the MiFID II requirements are equally important for every division or not. In the project each requirement is treated as an individual workstream aimed at complying with certain requirements. Therefore, we also tried to understand which KSF impacts each individual project stream and in turn the bank's ability to satisfy the MiFID II requirements addressed by each stream. The interview has been conducted to explore the real effect and management of the KSF, to better understand how they impact the project's activities and how the PMO have dealt with them. This content is summarized in Table 3 and 4 available in the Appendix section. My personal experience in the project has been integrated with evidence from the interview to provide practical insights about KSF in the project from the point of view of PM.

4.2.4. Evidence from the survey

Here we report the main results from the survey and we will compare them with expectations formulate in the last paragraph.

		0-10 evaluate according to their importance											
		Key Success Factors											
		Communication	**Knowledge transfer**	**Human asset**	**Time**	**Quality**	**Budget**	**Integration**	**Technical support**	**Leadership**	**Client perspective**	**Commitment of vendors**	**Commitment of key stakeholders**
Divisions	**PB**	5	9	8	10	9	7	9	5	7	2	10	10
	CIB	6	8	7	10	8	10	7	6	8	3	8	9
	Retail	7	7	7	9	8	10	7	6	8	6	8	8
	Online	6	7	7	9	8	10	7	5	7	6	8	8
	average	6	7,75	7,25	9,5	8,25	9,25	7,5	5,5	7,5	4,25	8,5	8,75

Table 2 - Table of KSF importance for each Division.

The main and most important evidence emerging from the survey, as shown by the table above, is that each KSF has about the same importance between the bank's divisions for the project success. This result is confirmed also by a further table available in the Appendix showing the importance of KSF for each topic of MiFID II. Despite the type of business of the bank (retail or private banking) the KSF are the same and have the same importance in the project. Therefore, regardless the final investor of the business the KSF in PM are the same and have the same impact on the project. This is due to the fact that all the MiFID II requirements are equally concerned with each division and this leads to similar actions triggered by the adoption process.

A second evidence from Table 2 is about what are the most and least important KSF in PM for the project. Given that all the KSF are fundamental to reach project goals successfully, the top ranking for importance are: time, sponsors commitment, vendors commitment, budget and quality. Time is one of the most relevant KSF because the MiFID II project is a normative project and therefore it implies a mandatory adoption schedule for banks. Time pressure for on-time delivery rules. It is even more important than quality, in fact the level of completeness and optimization of a new procedure or process becomes less important when time schedules are mandatory and prescriptions adoption cannot be postponed. Consolidation and fine-tuning can be faced at a later stage after normative requirements have been satisfied. Of course there is always a minimum level of quality to be met for any activity to be considered complete. This means quality is always relevant despite in this project timely delivery weights more than optimal results. This evidence is in line with the expectations formulated earlier in the text. Since it is very difficult to meet deadlines and to deliver high-quality outcomes at once in really complex projects like this, after January 2018 (the enforcement date of MiFID II) many banks invested part of their capital in a consolidation phase. This phase's goal is to fix details and automate new business procedures for the new processes to become run operations. After all, a project ends when the extraordinary operations stabilize and become part of the established business's regular operations. This happened in the Investment Bank because it employed the main part of its resources in the merger taking place. Resources allocated to the project fell short because of the merger, the time available wasn't much and the topics to be covered were many. This caused a delay in the milestones to be accomplished and the fine-tuning of operations' transformation was sacrificed to meet the enforcement date in January 2018. A second phase of the project was started later on to remedy gaps between the adopted model and the regulatory framework requirements, to stabilize what had been done up to that moment and to consolidate processes and procedures. This is why the MiFID II project of the Investment Bank lasted about three years (2 after the enforcement date) and the analogue project of the Commercial Bank ended more or less in one year. The merger of the Commercial Bank had already started before the project kick-off and available resources were enough for the project.

As the saying "A good paymaster never wants workmen" an employer who pays well is never short of talented staff and this usually solves time shortage, poor-quality outcomes, need for outsourcing activities. Budget, according to one of the interviewed managers, is the most important factor leading to project success. As long as your budget is flexible during the implementation of the project strategy, you can overcome almost any obstacle you face. A project usually requires extra temporary stuff to support functions, execute integration tasks, coordinate streams of activities and the team, develop new software etc. If you can afford external consultants and outsourcing activities to the best vendors, it is much easier to manage well the project. More realistically your budget is limited but still it is one of the most important factors to deal with. Budget management is key, a good budget plan allocates the correct amount of financial resources to the project and saves some for facing risks and unexpected issues. To allocate the correct budget amount means not to waste it on unnecessary or overestimated services and not to cut it on important matters. Usually the project sponsor has to find compromises because the budget is limited and must be optimally allocated, otherwise the project will fail and it will never come to an end.

As we said, among top-ranking KSF there is sponsors and vendors commitment. Interestingly, they appear to be equally valuable according to the survey. We could argue that the sponsors commitment affects performance more than vendors commitment, because vendors are bound by contract to provide services under certain conditions and terms, on the contrary, sponsors are moved by their personal interest and motivation. Generally speaking it is true, but contracts are usually in place for run operations and cover the provision of established services. When extra requests are made by the bank to its suppliers there is a degree of uncertainty on the feedback. Unparalleled requests emerging from project needs may not be regulated even if they are related to established contractual relationships. When a request is not legitimate by contract it is up to the supplier whether and how to answer. Of course the regulation and the directive provide for some vendors' obligation towards the investment firms, but some borderline cases are not straightforward and there is room for interpretation. Since vendors play an essential role in the topics covered by the directive, their commitment can be as relevant as the sponsor commitment.

The KSF evaluated as the least important by the PM consultants is client perspective, this is in line with the previously reported expectations. It is also the only factor that is evaluated differently between banks' divisions, in fact all the other KSF appear to be equally affecting the project when compared between PB, CIB, Retail and Online Division. The difference in this case is visible and it is due to the main sponsor of the MiFID II project. The sponsor for the Investment Bank is the compliance function. In the Commercial Bank there is a second main sponsor that is the business side of the organization. Of course the business side is more focused on the client and is interested in potential business opportunities and threats deriving from the adoption of the directive.

Lastly, it emerged from the survey that despite the fact that MiFID II topics are many and different, they are equally important from the point of view of the PM because of their normative validity. The following table shows the relative survey's result.

0 = Topic not covered by the project; 1 = Topic covered but with limited importance for the project; 2 = Relevant topic of the project; 3 = Core topic

		MiFID II topics										
		MiFID Survey	**Product Governance - Target Market**	**Disclosure ex ante**	**Disclosure ex post**	**Inducements Management**	**MiFID II Suitability**	**Best execution on behalf of clients**	**Communications and conversations recording**	**Obligations of algo-trading, HFT, Market maker, DEA**	**Trading obligation**	**Personnel assessments and training**
Divisions	**PB**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	CIB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Online	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Even if the topics' content may differ, their normative nature makes them equally important in the project. It is not possible to state that a topic is more relevant than another because are all mandated by law.

Table 3 - Table of MiFID II topics importance

4.2.5. *Limitations*

Of course the survey cannot be considered for statistical purposes, in fact the sample is limited to two elements. This is not a limit from the point of view of the analysis. The aim is to apply a theoretical and general framework to a practical and specific context and bring insights from these cases that are characterized by two distinctive types of business. In fact, one bank is a pure investment bank ad the other is a commercial bank and their comparison can be more interesting than an analysis of many banks with mixed types of business. By focusing on just two cases it is possible do develop a vertical and in depth analysis rather than a horizontal analysis covering a wider number of banks. Nevertheless, by means of analytical reasoning it is possible to derive some potentially universally applicable conclusions.

Also, numbers are the expression of qualitative aspects whose evaluation is subject to the PM consultants answering the survey. It is hard to objectively compare numbers about a subject that is strictly qualitative in nature. For this reason it is better not to consider small differences between numbers evaluating the KSF importance between divisions and it is preferable to keep the comparison at a macro level analysis by just considering the more marked delta as relevant. For the same reason, during the research and analysis phase of the study I have decided to contribute personally with practical examples and insights from real-life situations I have experienced during the project. This seems more valuable also in light of the survey's results. In the following paragraph I will talk about KSF in PM practice: how the PM team I made part of dealt with them trying to foster a good strategy performance and what results were obtained.

4.2.6. Evidence from personal experience and the interview

Given that the KSF importance do not differ relevantly from the Investment Bank to the Commercial Bank, I wanted to understand how their application differs. Are their implications the same? How does the PMO deal with them? The interview helps to answer these last two questions and I will take real examples from the project I took part in. KSF implementation and effects are summarized in Table 4 and Table 5.

KSF	Implementation	Effect on the project performance
Communication	Proactive and transverse communication, negotiation, influencing, and problem solving	If communication works strategy is implemented easily, if communication encounters problems like information misunderstanding, no feedback, wrong attitude… etc. the project suffers
Knowledge transfer	Identify what knowledge, why to transfer it, to whom	If executed properly it improves performance, otherwise it wastes time and leads to wrong results
Human asset	Contract skilled PM, proper staffing	If done properly, it positively affects quality of performance, otherwise it negatively impacts the project
Time	Time pressure approach, prioritizing and planning activities according to time	Timely enforcement of prescriptions, may cause drawbacks in terms of quality
Quality	Meet minimum quality level at every handoff, address the completeness and fine tuning in a second phase	In time achievement of milestones and timely adoption of the directive, but requires more time to be allocated to the project

Table 4 - Table of KSF implementation and effect

KSF	Implementation	Effect on the project performance
Budget	Balance budget trade-offs with compromises	Good budget management brings to the completion of the project, bad budget management brings to the project failure
Integration	Coordination, exploitation of synergies, alignment of efforts	Fosters the project performance, slows down the stream of activities
Technical support	Support functions and business units working on the project	Speeds activities completion. If there are not enough people supporting the project, activities' completion slows down
Leadership	Convey vision, keep high moral and align goals	Leadership boosts performance and mitigates the risk of deviating from the plan
Client perspective	Consider the client's feedback only when it can affect the business	Avoids potential drawbacks and exploit business opportunities from the directive's prescriptions implementation
Commitment of vendors	Ask for exceptional flexibility and priority lines, keep in touch daily to update during critical moments	It can fill budget gaps and help boosting activities. On the contrary, a low level of commitment can slow down activities and negatively affect quality of deliverables
Commitment of key stakeholders	Active participation of executives at work's progress meetings	Internal structures' commitment increases. If sponsors participation lack, internal structures can neglect the project in favour of other activities and the project progress slows

Table 4 - Table of KSF implementation and effect

KSF	Investment Bank	Commercial Bank	Affected issue
Communication	Mainly horizontal and transverse	Mainly vertical	Complex and wide network; legal framework interpretation; Unpredictable events and crisis
Knowledge transfer	Between functions and from contract PM	Between functions and from contract PM	Functional silos
Human asset	Adequate in number and skills	Sometimes undersized in number but adequate in skills	Fill budget gaps
Time	Plan and prioritize activities according to time pressure	Plan and prioritize activities according to time pressure	Short time
Quality	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Short time
Budget	Lower and less flexible	Higher and flexible	Merger and operations transformation

Table 5 - Table of KSF, PM approaches and affected issues.

KSF	Investment Bank	Commercial Bank	Affected issue
Integration	Divisional approach	Comprehensive approach	Merger and operations transformation
Technical support	Available and flexible	Available and flexible	Lack of human asset
Leadership	Strong	Strong	Unpredictable events and crisis
Client perspective	Very limited	Limited to some aspects	Business opportunity
Commitment of vendors	Asked for extra commitment	In line with contractual terms and conditions	Short time
Commitment of key stakeholders	Project leader participation to work progress meetings	Business executives participation to work progress meetings	Potential lack of cooperation

Table 5 - Table of KSF, PM approaches and affected issues.

4.2.7. Communication

The presence of a PMO allows managing communication involved in the MiFID II project in many ways according to the specific context and needs. Talking about Retail Banking, the main issue with this KSF is to communicate to all the branches that execute commercial activities for the bank the changes implemented with the project. The retail business of the bank has many branches across Italy were consultants meet end-clients suggesting to them how to invest their money. Retail consultants must be aware of new measures directed to retail investors and must be able to introduce such measures to their clients. This one-to-one relationship is at the base of the business, the front office (the side of the business directly talking with clients) of both retail and online banking divisions deals with the vast majority of the investors in terms of client volume. This means that vertical communication flowing from the top to the front office of the bank characterizes the MiFID II project for these two divisions, hence for the Commercial Bank. The difference between the two types of banking is that Online Banking has no bricks and mortar branches and delivers services via the internet and phone. The services are offered from the same central office, this allows for more centralized management and control of the front office's activity. Retail branches, on the contrary, are physically located close to clients and offer them the possibility to schedule an appointment to meet the consultant at his desk. Therefore in the case of Retail Banking the recipients of the information regarding new business services and disclosure practices are usually geographically dispersed and are many. The vertical communication and relationship lines to be managed in this case are more. One of the project outcomes is a change in the information disclosure to clients. The project introduces, for example, the regular communication of investments suitability to the client, the annual report about costs' impact on investments' profit, the declaration to new clients of the degree of banks' independence when offering investment services, the disclosure of any monetary or non-monetary rebates received by third parties... etc. These new set of disclosures must be notified to the front office before the roll out. Consultants must have a sound understanding of the rationale behind such data and information to be able to explain their meaning and origin to clients.

On the contrary, PB and CIB have a slim organizational structure on the commercial side of the business, with few bankers facing a limited number of wealthy and big investors. Divisions running their core business in these sectors of the market manage the project communication with a different approach. The main part of the vertical communication flow in this case concerns mainly the communication between the project sponsor and manager, it seldom reaches bankers and assistant bankers (the front office). So, for the Investment Bank, vertical communication is quite limited in volume and frequency during the project life cycle if compared to the Commercial Bank. More often the PMO has to manage horizontal and transverse lines of communication.

Horizontal flows of communication regulate exchanges of information between people at the same hierarchical level in different structures within the bank's division. The PM deals with many different people from different areas of the business and must adapt the tone of voice and technical vocabulary according to them. To express itself with the right vocabulary and thus to fill the language gap it is essential to make information clear and to avoid misunderstandings. This concept applies also to projects involving people speaking different languages. At the same time, using the best tone of voice helps to build a positive working relationship and a cooperative environment. To make an example, some people only deliver what they are asked to, others go further by taking their own initiative. Understanding the person you are working with means to ask for precise tasks who needs to have precise instructions and to leave space of self-initiative to who doesn't need to receive orders and prefers to volunteer to perform an activity. In the first case the manager pulls communication from the receiver, in the second case the sender pushes communication to the manager of the project. This is just an example of character types you can find in a team. It can be the case that the project manager is asking different internal structures to perform the same task to split the charge of work between different people. It may happen that some functions or units are willing to cooperate and to deliver regular updates about the task progress to keep the project manager informed while others are not sending any feedback and are not willing to keep in touch with the project manager. This can happen because of many reasons. The unit that is not cooperating as expected may prefer to focus on other activities not related to the project or it can disagree on the task it has been assigned to.

Whatever the reason is, if no feedback arrives upon request and the project is stuck there is an escalation of request. The PMO must understand whether it is appropriate to ask a manager from a higher level to send the same request hoping the unit will react positively. These situations are delicate, because asking for an escalation can put the business unit in bad light and ruin the relationship between the PM and the business unit. For this reason there are many trials of communication from the PMO before the project manager, the project leader and in the end the sponsor are involved in the communication line. On the other side, waiting too much can delay the entire project and compromise the time schedule. A third example of communication approach adopted by the PMO is to act as a mediator. When many internal structures with different expertise and point of view work together and meet to take a decision together it is hard to find a compromise satisfying everybody. Since internal structures are at the same hierarchical level it is hard to take a common decision and conclude the meeting. The project manager or his team tries to lead the discussion constructively toward a conclusion but without imposing his opinion over the others and leaving space for everybody to express his idea. He tries to keep the focus on priorities and adopts a practical approach to move over the impasse. He decides when to take decisions autonomously at the project team level and when to scale up and ask the sponsor for advice.

Transverse communication connects the organization's people at all levels with external stakeholders that are part of the bank's business network. To manage communication with external parties the bank designates individual entry points receiving and sending information to specific stakeholders. Each entry point is a single person working in the bank that is taken as a reference and takes care of the relationship with a certain stakeholder. Every individual with this role updates the PM who stays at the center of the project network receiving, sending, filtering and redirecting information. It usually receives information inputs, analyzes the information and elaborates an output that is addressed to the right person. There are tools (like the project chart, the RACI matrix or even the company functional diagram) used to identify the right person to address with information to be sure of who is the proper receiver of the communication. A brief explanation of these tools is provided in the sub-paragraph about human asset.

However, the PM is not only a vehicle of information, it has a proactive role that influences the information and creates value for the project. To communicate proactively means to answer questions before they are asked and to handle complaints before they arise. By mitigating problems before they threaten the project and by anticipating steps that will be necessary in the future the PM boosts the project performance. It cannot just report in a better shape what team members do or share. The PM is expected to act and communicate proactively in a way that adds value. This is strictly linked to knowledge transfer and it will be explained better with an example later in the dedicated text section.

Communication is key in both the MiFID II projects when interpreting ambiguous aspects of the Directive. As already explained there are mainly two ways to address this issue, internally or directing a question to the national regulator. To decide how to proceed, the first step is to point out the problem and discuss it at a meeting with the project team. Here all the opinions are expressed and the result is a set of viable actions to be explored. The list of possible solutions is analyzed with proper checks, detailed studies and follow-up meetings if necessary. This process usually excludes some of the identified proposals and deepens the understanding of the others. The shorter list now clarifies what are the consequences, direct and indirect possible implications deriving from each viable option and also the requirements to be obtained in order to implement them. The project manager must understand if he can take a decision based on what is on the table or if he has not the authority to do it and should rather scale it up to the sponsor. The main sponsor is the compliance function and has the role of ensuring the business compliance with national and European law, good practice standards and the bank policy. The risk of noncompliance can disrupt the business reputation and violate legal duties. If legal validity is at stake, the project manager has no say on the decision. We move from horizontal communication between the project team to vertical communication flow that reaches upper hierarchical levels. In case a Q&A session is necessary we have a transverse communication line with the external regulator (CONSOB). A topic that has been addressed by the compliance function first and then moved to another entity is the cost-benefit analysis made for investment advice and portfolio management services offered by the bank. For portfolio management services it was not clear how to prove that for a sale or purchase decided and conducted on behalf of the investor the benefits exceed costs, because the portfolio management involves many financial instruments together and their performance has to be assessed overall. Given the ambiguity on the topic, the sponsor (the compliance function) decided that the analysis had to be performed on the switch of the asset allocation line. Every time a switch of the management line occurs the capital is invested according to a new approach, for example, it can move from an aggressive line that takes on more risk and can reach higher profit to a more moderate line that is aimed at ensuring a gradual increase of the clients' capital at a lower risk. Control of the beneficial effects deriving from the switch of the management line makes more sense according to the sponsor. In the end the requirements in compliance with the regulatory framework have been defined but a model of analysis has not been developed by the project team. Given that the credit institution has not the means to execute such control, the analysis has been delegated to the group's entity that provides the service of capital management to clients.

Finally the PM must monitor communication. When the sender directly emails the recipient without passing the information to the PM team in advance, the PM team must at least receive an email copy. In this way the communication is monitored and the PM team is aware of any fact or issue occurring and it can check that the right information reaches the right person at the right moment. For this reason any important decision or information must be sent via email, in fact this channel is used to keep track of communications. A call phone is less formal than an email and doesn't suit the monitoring activity of the project because it doesn't leave a proof after its occurrence. Vocal calls can be used for unofficial communications that do not need to be tracked because they are less important. Meetings are useful to exchange opinions, discuss and take decisions together. The project manager and his team schedule meetings according to the group agenda and then participate to meetings as coordinators, meaning they introduce the topic, explain what has to be discussed and why, and invite the right team members to speak up. After active listening the project manager sums up what has been decided and proposes next actions to be taken by the group members. After the meeting an email is sent by the PM to recap the main points discussed, the decisions taken and the next step established. The recap and the next steps are communicated to all the people who took part in the meeting and also to those interested in the topic discussed. Decisions, trends and milestones reached are to be reported via email to the project sponsor or to the project leader (representing the sponsor in the project) by the PM. Usually such information is exchanged in the form of official project documents and is not simply reported in the email text.

A good example of how communication management adapts to different working conditions is the extensive use of telecommunication channels like Skype, Windows Teams, Zoom and others working via the internet during the Covid-19 emergency. Given that social distancing was a must even at work, face to face communication was to be replicated with remote communication channels that break the geographical barrier. Real time and quick communication channels are to be preferred to solve the same function of face to face talks and meetings.

We can conclude that proper management of communication is key to sustain the project success and that bad communication management put at risk the project performance.

4.2.8. *Knowledge transfer*

The decision by the Investment Bank to contract a different consulting company for the PM after one year can be seen as an attempt to create a transfer of knowledge. After one year from the start of MiFID II project the bank hasn't transformed its procedures and processes to comply with the new requirements yet. The new consulting company contracted for the recovery phase of the project had already successfully completed an analogue project for another bank. So in this case the PMO didn't participate to an end-to-end project but joint it after its start. To apply knowledge derived from previous experience to new projects is beneficial and it may be the reason why the Investment Bank decided to engage with the new consulting company. From the bank's point of view acquiring such an expertise and knowledge is useful when starting the second phase of the project. Anyway projects are unique by definition as we explained and acquiring knowledge from the external environment is not enough to guarantee goals accomplishments.

Talking about knowledge transfer, another strength of the MiFID II project is the functional and divisional competence and expertise retained by the respective internal structures of the bank. The threat is that such potentially valuable knowledge is kept inside functional silos that hardly communicate with each other. This causes an opportunity cost in terms of missed exploitation of knowledge. In fact, if kept inside functions, data do not generate value for the business division. On the contrary, if data are shared in a way that generates useful information then knowledge can be used to perform activities and reach goals. I will report an example of proper management of the knowledge transfer process regarding the ex post information disclosure of costs and rebates of financial instruments held by clients in their investment portfolio. As we explained in the paragraph dedicated to the MiFID II, the bank must disclose costs underling the distribution, structuring and management of the financial instruments held by clients in the annual profit report to investors and must show how costs impacted the overall portfolio performance. Also, the bank must disclose rebates received by third parties for the distribution activity of financial instruments among clients and that have been passed on investors (since they cannot be retained). The two banks rely on external information providers to collect the main part of information about costs and rebates underlying the financial instruments they distribute, but it can be the case that not all the products' data are covered by the information provider. For those uncovered cases the bank has to directly contact the manufacturer of the financial instruments and ask for data. This activity involves a knowledge transfer process that starts from the identification of the right data needed (input), goes on with the data processing into information and ends with the elaboration of such information into knowledge (output). Finally, the output is delivered to the right person to generate value. Input data necessary to address the costs and rebates request to manufacturers are provided by three different internal structures: the IT function, the products and services unit, the front office of the bank. Data obtained by the IT function from the IT system regards the financial products distributed by the bank such as the International Securities Identification Number (ISIN), the number of portfolios where the product is placed, the average stock of a product in the client portfolio over the number of retention days in the year, the product related time period that is taken into account to determine the MiFID II requirements application, whether the products are tangible or intangible... etc. Based on these data an analysis is performed by the PM and the compliance function (the sponsor) to understand which of the uncovered instruments are out of scope of disclosure. Financial instruments out of scope are deleted from the list and no request is send to recover their costs and rebates data. The analysis comparing data is the information that allows to draw conclusions. Conclusions represent knowledge resulting from the interpretation of the information, in this case the conclusion is the acknowledgement of which products are in scope and which not. Then, data from the products and services unit and from the front office are used to sent requests to manufacturers. The front office provides the right email contact of the person having access to costs and rebates inside the manufacturer's organization is of course necessary to address the request. If this point of contact with the manufacturer is not available, the email address reported on the official website of the manufacturer is used. The products and services unite informs about the type of contractual relationship between the bank and the manufacturer. It must be taken into account because it can be a lever to obtain positive feedback. At first, requests are sent by a consultant appointed by the bank to support the back office function working on the project. Then the PMO handles and tracks feedback from manufacturers and sends reminders in case of missing response. This is an example of how data from different fields of the business are put together and become information that when interpreted becomes knowledge. This knowledge is transferred to people who need it to exercise their tasks. In this way the process generates value for the project.

4.2.9. Human asset

Other things equal the human asset factor can make the difference in a project. People are authors of the workstreams' activities and they drive project success from inside. It is important to allocate the right number of people to the project. The human asset cannot be oversized otherwise resources are wasted nor it can be undersized because it would cause inefficiencies inside the project. Also, it is important how people are allocated inside the project. The optimal allocation of duties and responsibilities maximizes the generation of value deriving from individual know-how and competencies. Since the number and the way the human asset is allocated to the project are so important they have to be taken into consideration from the beginning. The staffing of human asset at the beginning of the project is key to make sure people can materially contribute in the best way possible. Human asset allocation refers to both the banks' employees and to external consultants that are supporting the MiFID II project for the bank. At the beginning of the MiFID II project the project organization chart and the RACI matrix are created with the help of the PMO and approved by the sponsor to make clear who is the right person and what is the right internal structure in charge of every workstream.

The project chart is a document identifying the project governance, it tells who is in charge of a specific role within the project. This tool identifies the sponsor representative, the project leader, the project manager and it is essential to understand who are the business leaders and the workstream leaders of each internal structure (function or business unit) involved in the project. The chart attributes role labels to individuals and explains duties and responsibilities.

RACI matrix stands for Responsible, Accountable, Consulted and Informed and it is used to identify the structures' role within every workstream of the project. In other words it relates resources with activities they are allocated to within the scope of a project workstream. The responsible structure is the owner of a specific workstream's activity, so it undertakes specific tasks within a workstream scope. The accountable structure is responsible for the activity outcome and usually it differs from the responsible structure to avoid conflicts of interest. The consulted structure provides support to the activity owner and the structure to be informed about the activity status is usually the PM. The RACI matrix maps these 4 responsibilities by matching all the workstream's activities with internal structures of the bank, for every match the role of the structure is specified. Both the RACI matrix and the project chart are created during the kickoff phase of the MiFID II project. The projects cart and the RACI matrix are tools necessary to optimally allocate resources on the project. They are used by both the Investment Bank and the Commercial Bank.

4.2.10. Time

To recall the survey's result, this KSF is very important for the two case studies because the MiFID II project is a normative project with mandatory adoption dates to be fulfilled. From the interview and from my experience it is evident that the PM by the two banks approaches time factor similarly. In both cases the PM prioritizes activities and plans milestones according to time. The available time depends on the enforcement date of the MiFID II prescriptions, hence it dictates which activities have to be performed first and when milestones are to be achieved. The Commercial Bank successfully met the project's milestones and respected the law requirements in time. On the contrary, the Commercial Bank strove to respect the planned time schedule for the MiFID II project and delayed the activities' completion as we know. As we mentioned, in January 2018 the project was far from showing expected results and a second phase was necessary to enforce the new legal requirements. The approach here is again to prioritize and plan activities according to time pressure. In the second phase 3 Gantt graphs are used to plan milestones. Gantt graphs are useful tools to represent master plans, they show project streams and respective milestones over future months by using horizontal time lines. The first graph of the recovery phase shows the project plan over the first semester of 2018 which is dedicated to high priority topics. High priority topics have to be revised in order to fix mistakes, accomplish closest due dates and recover overdue activities by re-planning milestones. After this remediation phase went live, a stabilization plan was defined and implemented to suit the developed model to the normative framework enforced after January 2018. A second Gantt graph is used to illustrate this plan's milestone, it covers the next 2 semesters of the business activity. Finally the third and last plan is about the consolidation of new processes by fine tuning procedures, updating internal policies, manuals and reports and by automatizing procedures as much as possible to avoid manual intervention that can create errors and waste time. We can conclude that the PM approach that gave priority to the achievement of mandatory due dates well suited the normative project even if the Commercial Bank was behind schedule because of mismanagement of other factors affecting the project performance. We will explore the causes of the delay in the next sub-paragraphs.

4.2.11. Quality

Quality is one of the most important key success factors, even if considering the level of completion and fine tuning of the new procedures and activities is less important than time. There are minimum quality level standards to be achieved to move on to the next activity at each handoff and reach the workstream completion. For example, in the workstream regarding the disclosure of costs and charges concerning the investment services provided and the financial instrument distributed it wasn’t possible to recover all the information to be disclosed. The coverage was good but not one-hundred percent and the PM had to face a trade-off: whether to postpone the issuance of the annual report to clients or to issue on time but with some missing information. At the end the PM proposed to the sponsor to postpone the issuance date in order to collect as many information as possible, but for a limited number of cases was not possible to get the information required despite the longer time. This is an example of how the minimum level of quality necessary to generate reports was ensured. Of course clients have been notified about eventually missing information due to lack of response from manufacturers of the financial instruments. Later the bank considered contracting a different provider of information that allows to cover a higher number of data and to fasten the gathering of data. In this way, the next year's reporting activity will be superior in terms of quality. Therefore the winning approach when managing quality in projects with many features and binding time schedules is first of all to reach the minimum quality level necessary to complete an activity and secondly to complete and fine-tune the activity as soon as possible.

4.2.12. Budget

An example of budget management from the PB Division of the Investment Bank is to balance the need for customized solutions and the need to stay in budget. In fact, the MiFID II project faced many change requests to adapt documents concerning the annual investment performance reports and periodic bank statements to better suit the normative framework and improve the clients' understanding. Change requests are sent to an external supplier of IT services that generates such documents for the bank and proposes a time schedule and a price to develop and apply changes. The topics concerned with the change requests can be related to the documents' wording, layout, data calculation and exposure... etc. As long as the bank is fine with the standard service offered to the market the price and time of the IT governance services are relatively low, but when customized services are requested to the supplier time and price rise. The bank takes compromises not to go overbudget: it adapts the reporting documents when it is possible and it makes its best with what is available when it cannot afford the proposal from the external provider. Sometimes it is worth to deviate from the budget baseline and spend extra money on clients' disclosure activity, to deliver complete and transparent information. Other times is it enough to make do with what the bank already has to ensure coherence and correctness. If too much budget is spent over this topic other activities will be short of resources and will fail. To lead the project to its completion it is necessary to find balance when controlling the budget. It is key to understand which details to sacrifice at the benefit of others and vice versa. Budget decisions are usually not taken by the project manager but by the project leader who represents the sponsor. We can affirm that the presence of a PMO and the PM conducts has limited beneficial effects on budget management for the two case studies. Nevertheless this fact can change from project to project.

4.2.13. Integration

An example to understand how to properly integrate activities to generate value is provided by the Investment Bank. As we explained, the Commercial Bank succeeded in managing the project within the MiFID II enforcement day. The project in this case was undertaken with an eye on the overall structural transformation of the group. The change management from the merger and the business model transformation from the MiFID II project were interrelated in that they affected each other's implementation. A comprehensive approach has been adopted for the MiFID II project to manage the big picture movement: a unique project concerning all the business divisions was undertaken. About the Investment Bank, the bank adopted a Divisional approach, meaning it started an individual project for each business division (PB and CIB). This multiplied the number of resources necessary to carry on the projects because all the activities were replicated for each division and this required several project teams working on parallel tracks. Different sponsors, PMO, project leaders and functional specialists have been appointed for each division. This approach didn't link common activities between divisions, for example the definition of requirements has been replicated twice. Links were not exploited in this case and potential synergies were not caught. Synergies exploitation could have benefited the projects thanks to cooperation between teams. Efficiency is the sunk cost deriving from this approach.

Talking about day-to-day activities' integration, the PMO is usually in charge of ensuring coordination and alignment of the project team. It is one of the PMO main roles to provide for integration. This factor is linked to communication and knowledge transfer in order to brake functional silos and ensure coherence and complementarity between activities. The more complex the project is and the more features it has, the more work and time is necessary to manage integration. So having a full-time team with an integration role in the project is essential in this case. Now an example will be introduced of how the project team broke paper walls between divisional MiFID II projects in the Investment Bank during daily meetings. During a meeting of the MiFID II project for the PB (Private Banking) division, the group has been updated about the activity of annual disclosure of ex post costs and charges to clients from the CIB division. It emerged that the CIB (Corporate and Investment Banking) MiFID II project had encountered the same difficulties while executing planned activities. Since the PB MiFID II project has already found a solution to the issue, the PM structure shared such solution with the CIB MiFID II project. In this example, the touch point is identified and exploited efficiently and this benefits the CIB division undertaking the analogue project. This is an example of good integration between different projects that generates value. From this perspective, it is good when the same PMO participates in different projects, especially if they present analogies.

4.2.14. Technical support

An other factor concerning the PMO role is technical support to the bank's functions and business units working on the project. To make an example of how technical support fastens the completion of activities, the PM team helped the IT function to implement tests to check and correct anomalies emerging from new procedures' output. In fact, when processes are transformed the output delivered by new procedures must be verified in order to roll out the procedure and hence to validate the process. An other example is the support in the communication activity with external financial institutions to collect information. The contracted PM team can send emails to external entities on behalf of the bank or at least prepare emails to be sent by a bank's manager that has no time to dedicate to this activity. Almost every activity, if not too technical, can be supported by a contract PM that should be flexible and able to move from one activity to another when necessary. The main reason to outsource the PM is to stay flexible and this is important for a project because it involves extraordinary activities that are not yet standardized. A project is more like an experiment, and you cannot know in advance how many trials, tests and checks you will need to complete a project. So it is hard to distribute peoples' effort and keep their number stable, you will need to play your wildcard from time to time depending on the situation. Without a flexible PM team supporting different functions at different stages of the project the flow of activities slows down and threatens the timely completion of milestones.

4.2.15. Leadership

Leadership conveys vision, keeps high moral and aligns goals within the project team. But the hardest challenge for a leader who is trying to manage uncertainty is to keep balance. The psychological side of the Covid-19 emergency brought to two extreme behaviors. On one side being completely terrified, assuming pessimistic attitude and stopping activities and on the other extreme being very optimistic, seeing it as an opportunity to change and do not take proper counteractions. It is important to keep balance between who is depressed and willing to take negative decisions for the business and who is not going to react at all and thinks that working from home is not an option. It is hard to take decisions with uncertainty, especially at the beginning of the crisis, when the government hasn't provided recommendations nor administrative orders yet. What has been done in that circumstance in the MiFID II project is to listen at everybody to catch every point of view and hence interpret the situation correctly. The fear to take wrong decisions causes people to postpone decisions and to pass on responsibilities. This behaviour negatively impacts on both projects and run operations, in fact it is fundamental to take short term decisions promptly. Short term actions suit the future uncertainty but it is also important to act with a long term vision. Of course it is hard to have a vision about an unparalleled situation like this crisis, but it is important that leaders share a vision with the project group, because without a common vision people will never agree on decisions and actions will lack of coherency. If leadership had been absent the project would have suffered from the lack of guidance. In other words leadership boosted the performance and mitigated the risk to deviate prom the plan.

4.2.16. *Client Perspective*

As the survey shows, end-clients of banks are not considered much during the project life cycle (this is especially true for the Investment Bank). The only aspect related to the client that sometimes is considered during the projects is his satisfaction. This happens especially for the Commercial Bank whose project was sponsored also by the commercial side of the business that of course is interested on the client. In this case, the PM decided to involve the front office in some aspects of the MiFID II project because it well knows the clients' perspective. The front office supported activities related to those aspects of the project that are more concerned with the investor, that is the information disclosure topic, the survey for the target market evaluation and the investments' ongoing suitability to the client profile. The PM made sure that from the client perspective the level of bureaucracy was not too much and was not confusing, because it would be a drawback rather than an improvement. About the other case studied, the Investment Bank, the approach was different: there was a more limited consideration of the client perspective and the front office wasn't involved in the project's activities. The bank just made sure that information disclosed to clients were not misleading and were correctly reported.

4.2.17. *Commitment of vendors*

According to my experience and to the interview, this factor has probably influenced more the successful implementation of the MiFID II project for the Investment Bank. In fact, the budget was lower as well as its flexibility compared to the Commercial Bank that can be considered a bigger player with a higher purchasing power. This difference makes more important the commitment of vendors in the project from the Investment Bank. The suppliers of complementary services contracted by the two banks are not the same, they offer different service quality, more or less flexible and inclusive and of course at different prices. Given that the provider engaged by the Investment Bank offers a more standardized service, its willingness to support the bank with superior efforts influenced positively the project. To make an example, the PM decided to ask the vendor to have the possibility to cope with time shortage by having access to a priority line compared to the standard procedure provided by contract. Also, the external vendor has been asked by the PM to improve the communication with the bank by having more frequent up dates and by answering promptly to new requests. This is very useful to improve the flowing of the activities' stream of the MiFID II project during hard times. These examples show how the PM can pool vendors' commitment in order to boost the performance and sometimes fill budget gaps. On the contrary, lack of vendors' commitment can seriously obstacle the project by slowing down activities completion and negatively affect the quality of deliverables.

4.2.18. Commitment of key stakeholders

A good example of how the commitment of key stakeholders (in this case the project sponsor) can improve the project's performance is provided by the case study on the Commercial Bank. Here the MiFID II project benefits from the active participation of executives at work progress meetings that are held regularly during the project life cycle. This boosts activities and the project team commitments because avoids that some functions or business units not willing to focus on the project obstacle the whole project team. In fact, if a member of the project team is not collaborating as he should the PM cannot do much about it since the project manger is not a functional manager and has no direct authority on team members belonging to different functions. This behavior freezes next activities that depend on the completion of the task assigned to that team member. Instead, executives can exercise authority on any team member belonging to any organizational structure. This overcomes many problems that may arise by converging everybody's effort on the project and hence positively affects the overall project performance. About the sponsors commitment in the MiFID II project form the Investment Bank, the project leader (namely the sponsor representative) joined work progress meetings. I would say that the level of sponsors commitment here is lower and its beneficiary effect less strong. To increase stakeholders commitment is really hard because it really depends on their own willingness and on their interest on the project, but it is possible to manage sponsors engagement and this is up to the PM structure. In fact, the PM has to keep the sponsor updated and aware about project's dynamics and state of progress. Keeping the project sponsor in touch with the project reality will increase the probability of success[1].

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1. SANGHERA, P., CAPM® in Depth: Certified Associate in Project Management Study Guide for the CAPM® Exam, second edition, Apress, San Francisco, California, USA, 2019.

5. Conclusions

This analysis can be divided in three consequential steps of research and analysis, each step is the natural continuation of the results developed at the previous stage. The first step starts from a review of commonly accepted KSF by the Project Management (PM) field of literature concerning different models, theories and points of view and it integrates this universally applicable theoretical framework by adding 6 KSF observed in real PM practice. This contribution to the theoretical KSF framework is based on first-hand experience and from an interview with two Project Managers that have been contracted to work on many projects (not only on the MiFID II project) and therefore have a wide and rich experience in the PM field within the financial sector. This thesis contributes to the literature with a more comprehensive KSF framework that is generally applicable and not limited to the specific MiFID II project scope. The 12 KSF identified are: communication, knowledge transfer, human asset, time, quality, budget from the literature review and editing; client perspective, integration, technical support, leadership, vendors commitment and key stakeholders commitment from the interview. The table below shows the KSF selection and editing from the literature and the added factors.

Integrated KSF	Literature KSF	
	Kept	**Edited out**
Leadership	Communication	~~Client satisfaction~~
Technical support	Knowledge transfer	~~Stakeholder satisfaction~~
Integration	Human asset	
Vendors commitment	Time	
Key stakeholders commitment (namely the sponsor)	Quality	
Client perspective	Budget	

Table 1 - Table of KSF Framework

I think that the 6 KSF added by this study are generally applicable to any project because they involve the definition of PM (defined as a support and integration role) and the concepts of leadership, vendors and stakeholders that are shared by any business activity nowadays in the contemporary economy. This first result can be used as a tool to develop new researches on a wider data collection sample to explore the subject from a statistical perspective. These KSF are important drivers of good performance because they can solve the main complexities of the project, such as a wide business network, a complex organizational structure, the merger occurring during the MiFID II project, time pressure, limited budget for the project, the materialization of unpredictable crisis... etc. To deal with all these issues the PMO must properly manage the 12 KSF to mitigate complexities and threats that can otherwise negatively influence the project performance. Given the high complexity and the binding time schedule of the activities, the adoption by the banks of this dedicated team on a full-time basis to manage and program the MiFID II project positively influences the strategy implementation. The PMO shall properly approach the KSF in a way that boosts the project performance and leads to goals' achievement. For this reason, we can affirm that establishing a PMO is a key determinant of project success.

This thesis proceeds by trying to compare the KSF between different types of banks and their divisions through a survey that quantifies qualitative aspects of the MiFID II project. Moreover, the survey is designed to catch potential correlations between the importance of KSF, MIFID II topics faced by the projects, and business divisions. These is an attempt to explain the overall difference, if any, in KSF importance between the two types of bank. The survey has been submitted to two Project Managers contracted to work on the MiFID II project by two different banks: a Commercial Bank and an Investment Bank. The choice of these two case studies allows to compare two different types of business and hence to catch any relevant difference in the KSF importance. Furthermore, the two banks cover together the whole investors' market that the MiFID II and MiFIR are intended to protect and are therefore representative of the great part of the credit institutions' sector. The survey's main results are represented in the following table.

		0-10 evaluate according to their importance											
		Key Success Factors											
		Communication	**Knowledge transfer**	**Human asset**	**Time**	**Quality**	**Budget**	**Integration**	**Technical support**	**Leadership**	**Client perspective**	**Commitment of vendors**	**Commitment of key stakeholders**
Divisions	**PB**	5	9	8	10	9	7	9	5	7	2	10	10
	CIB	6	8	7	10	8	10	7	6	8	3	8	9
	Retail	7	7	7	9	8	10	7	6	8	6	8	8
	Online	6	7	7	9	8	10	7	5	7	6	8	8
	average	6	7,75	7,25	9,5	8,25	9,25	7,5	5,5	7,5	4,25	8,5	8,75

Table 2 - Table of KSF importance for each Division.

The survey's results suggest that the identified KSF are equally important for the MiFID II project regardless the division and the type of business the bank runs (i.e. commercial banking or investment banking). The only relevant difference in importance between divisions is about the client perspective factor that is slightly more relevant in the Retail and Online Divisions that pertains to the Commercial Bank. However, this factor is overall the least important among the KSF identified, because of the normative nature of the project: its implementation does not depend on a business opportunity but on law enforcement. Lastly, assuming that all the factors are key drivers of project success, it emerges from the table that the most relevant KSF are quality, time, budget, sponsors and vendors commitment.

In light of this acknowledgement I have decided to move the focus of the comparison. In this third step of the analysis I conduct a further interview to understand the main differences between PM approach to the KSF and their effect on the MiFID II project performance. The answers by the Project Managers show that some KSF have been approached similarly and others differently by the Commercial Bank and the Investment Bank. The inclusion in the KSF framework of 5 new factors increases the number of elements under comparison and also the points of divergence. The management and effects of KSF differ because of the subjective features and context of the two projects. This result stresses the concept that a project is unique by definition. Also, some of the resulting PM approaches depend on the organizational structure of the bank. This fact stresses the influence of the organizational design on the project. For example, the PM approaches similarly the transfer knowledge factor because both the undertakings have a hybrid structure and need a cross-functional transfer of knowledge. On the other hand, communication factor is managed differently by the banks because the organizational structure slightly differs depending on the type of business the bank runs (i.e. Commercial or Investment Banking). Finally, the integration factor is handled differently because the organizational design was different, but this last divergence is probably not strictly related to the type of bank, rather, it is due to the organizational set-up in place at the beginning of the merger transition period. If this extraordinary condition was not occurring, the PM approach adopted by the banks would have probably be the same for this factor. To conclude, this analysis' findings regarding communication and knowledge transfer factors can be potentially valid for any credit institution under ordinary conditions. This insight provides room for future research at a statistical level.

The table below summarizes the PM approach adopted to deal with each KSF for the two types of bank and the main complexities that are affected by managing the KSF. The Table of KSF shows in white the KSF derived by the literature overview, in light blue the KSF integrated to the list by this study.

KSF	Investment Bank	Commercial Bank	Affected issue
Communication	Mainly horizontal and transverse	Mainly vertical	Complex and wide network; legal framework interpretation; Unpredictable events and crisis
Knowledge transfer	Between functions and from contract PM	Between functions and from contract PM	Functional silos
Human asset	Adequate in number and skills	Sometimes undersized in number but adequate in skills	Fill budget gaps
Time	Plan and prioritize activities according to time pressure	Plan and prioritize activities according to time pressure	Short time
Quality	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Short time
Budget	Lower and less flexible	Higher and flexible	Merger and operations transformation
Integration	Divisional approach	Comprehensive approach	Merger and operations transformation

Table 5 - Table of KSF, PM approaches and affected issues.

KSF	Investment Bank	Commercial Bank	Affected issue
Technical support	Available and flexible	Available and flexible	Lack of human asset
Leadership	Strong	Strong	Unpredictable events and crisis
Client perspective	Very limited	Limited to some aspects	Business opportunity
Commitment of vendors	Asked for extra commitment	In line with contractual terms and conditions	Short time
Commitment of key stakeholders	Project leader participation to work progress meetings	Business executives participation to work progress meetings	Potential lack of cooperation

Table 5 - Table of KSF, PM approaches and affected issues.

In the case studies the PMO manages these KSF with only two limits: it doesn't have the ability to allocate resources and it cannot affect the sponsor's commitment to the project. This is because it is not representing the project sponsor and hence has no power over budget. Nevertheless, the PMO can influence and affect the sponsor's engagement in the project and can manage properly the resources that have been allocated on the project by the sponsor. Even with these two constraints the project performance largely depends on the PMO dealing with the KSF.

Regarding specific KSF we can sum up the following observations.

We can affirm that the employment of a contract PM involving people already experienced and skilled in managing similar projects has a beneficial effect because of the knowledge transfer factor. Also, the presence of a PM full-time role fosters a good implementation of the knowledge transfer process that can generate value for the project and the bank. The fact that the two banks have hybrid structures creates the need for cross-functional transfer of knowledge. This is a PM approach directly determined by the organization structure.

Regarding the communication factor we can conclude that the PM approach depends largely on the banks' organizational structure. Because the Commercial Bank is characterized by a wider number of downstream branches that generates a huge vertical downward communication flow within the project. On the contrary, the Investment Bank has a rather slim downstream network made of a limited number of bankers. The Investment Bank's communication within the project focuses more on the external environment and on the back-office side of the organization, therefore it is more concerned with horizontal and transverse communication lines. The PMO must communicate proactively, act as a moderator or be able to negotiate when necessary and have a problem solving approach that is inclusive of all the opinions. Having a PMO managing properly all the communication concerning the project fosters efficiency and effectiveness.

About the triple triangle (quality, time, budget), all its elements are essential but results suggested that time is more important than quality (interpreted as completion and fine tuning) because of the normative nature of the project. Also, the budget is the factor that probably affects the most every other factor and critical aspect of the project. Quality, time and budget are strictly correlated and they often raise trade-offs such as whether to give priority to activities' fine tuning or timely delivery,and whether to go overbudget and complete the task as required or to stay within budget but do not reach the maximum level of quality. To manage the triple triangle means to find and keep the right balance through compromises.

Human asset is the author of project's activities and therefore it is essential for driving the project to completion. Having a high-level human asset can even overcome budget difficulties in some circumstances. The PM helps to better organize the team's roles, duties and tasks to make sure everybody can work at his best. Also, to contract an external PM team to support the bank's project manager is a good way to acquire from the external environment the necessary expertise to ensure the right know-how to complete the project.

Client perspective is found to be the least important KSF for both the banks undertaking the MiFID II project because of the normative focus of the project. However its importance slightly differs depending on the sponsor composition. In the Commercial Bank case, the sponsor is more business oriented and not purely compliance oriented. Of course, this changes the PM approach that keeps an eye on business opportunities and threats deriving from the client focus.

Integration and technical support are probably among the KSF that most benefit from the presence of a PMO. Because this office is established to provide the project team with full-time integration of and support to activities. This is very important for the MiFID II project because it has many internal and external inter-dependencies and short time available to perform every activity. The choice of establishing a dedicated or cross-project PMO is a key determinant of the project completion and depends on the organizational structure and governance in place. This result remarks the fact that the project chart and scope is at least affected by the organizational design of the bank.

Leadership approach is necessary to sustain the project during hard times not to fall short of motivation and to keep a vision. The project manager must lead the team to goals by taking shared decisions and keep a positive attitude.

Lastly, vendors' and sponsors' commitment can make the difference and it can be managed by the PM by generating more or less engagement according to the situation and project's needs. Stakeholders commitment can solve lack of cooperation within the project team, vendors commitment can overcome time and quality issues by making an extra effort on the project activities.

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Executive summary

This thesis is the final result of a comparative analysis performed autonomously on two different empirical case studies: a commercial bank and an investment bank undertaking the MiFID II project. The MiFID II project's goal is the adoption of the second European Directive ruling the Markets in Financial instruments that emended the previous MiFID I in 2014 and that is in force since 2018. The two empirical case studies concerns analogue projects but different financial institutions. The Commercial Bank and the Investment Bank selected to characterize the analysis are two outstanding Italian credit institutions among the leading players of the banking sector. The selected sample is representative of the main banking businesses at the Italian national level. This thesis is original for its procedural and qualitative methodology.

Since its first issuance, the MiFID has been widely covered by many thesis and studies and its effects have been largely explored by academics. This topic is treated from an original, direct and empirical perspective in this thesis. In fact, the focus of the previous studies on this subject mainly concerns the regulatory historical changes in the industry over time and the potential future effects on wealth management. Differently, this analysis focuses on the business implementation of the MiFID II by individual credit institutions offering investment services. Indeed, it explores the business operative implications within the adoption process of the new normative requirements. This unprecedented thesis has the goal is to analyze and compare the MiFID II projects started by a commercial and an investment bank from the Project Management (PM) point of view: meaning to investigate what are the Key

Success Factors (KSF) of the MiFID II project and how to manage them in order to drive the project to completion. The MiFID II project is a transformation process whose intended output is new internal procedures, directives and run operations. This project involves all the investment products and services offered and executed by banks on behalf of their clients. It encompasses the whole business divisions, units and functions, from the top management to the front office dealing with end clients. Hence, it crosses horizontally and vertically the organization. The project concerns also transverse relationships since its activities engage the entire microenvironment making part of the banks' business network. The MiFID II project is a very complex bridge to be built in order to cross the new compliance gap. It is the link between the governmental prescriptions that came down from above and the empirically established operations by the sector players. It covers the missing step in the literature in terms of well structured procedural schemes that haven't been considered yet by academics. This step lies in between the legal framework analysis and the predictions about effects on wealth management.

As explained, within the scope of adoption of the MiFID II this comparison focuses on the factors that are key determinants of project performance (called Key Success Factors - KSF) and on the Project Management (PM) approach. To move from a sound theoretical basis, this analysis starts from a literature review about PM and the EU secondary law. The past literature on the PM field is made of conceptual models and theories about Key Success Factors and guide manuals for PM practitioners. The body of law supporting the thesis regards official legislative documents such as the Directive 2014/65/EU on markets in financial instruments, the relative Regulation (EU) No 600/2014, the ESMA and CONSOB official recommendations and deliberations. The empirical analysis of the two business models (i.e. the commercial and the investment bank) follows the initial theoretical notions and occupies the main part of the thesis. The empirical methodology is based on direct observation of facts and research as an active member of the PM Office (PMO) in one of the projects studied and on official documentation of the other MiFID II project. The research has been carried out through quantitative surveys and interviews with PM experts appointed by the banks from one of the world's leading consulting companies and thanks to first-hand experience as Project Manager. These tools supported the collection of comparative data and the development of quantitative and analytical tables for the analysis. These tables allow for the interpretation of final results and the enrichment of findings with interesting insights from real examples.

The sample of case studies has been limited to one commercial bank and one investment bank because, in absence of previous research on this precise topic, it is better to focus on a vertical in-depth analysis of two appropriate representatives of the main types of banks business in Italy. The depth of methodology and the complexity of the analysis do not allow for a horizontal exploration that would cover a wider number of cases with a surface investigation. The intention is to lower a conceptual theoretical framework into real practice. With this approach it is possible to have a more precise understanding of the PM dynamics within the MiFID II project and to derive conclusions that are based on empirical observation and analytical reasoning. Some of these conclusions can potentially be valid for the entire population represented by the sample. This generalized conclusions can be double checked by future statistical research at a wider data collection stage using this thesis as a starting tool. Given the limited number of cases, the choice of the two banks is essential to qualify the analysis.. The two banks are characterized by a completely different business model: one of them is a commercial bank and the other is an investment bank. These two different businesses address well-defined segments of the market and together cover the overall investors' spectrum. This comprehensive approach is in line with the Directive primary purpose to protect investors. This choice qualifies the sample because it allows to catch any potential difference in KSF and PM approach directly or indirectly derived from the type of business the banks run.

The first chapter of this thesis introduces the context that brought to the start of the MiFID II project by investment firms all around Europe in the attempt to increase transparency and good management practices, cover unregulated areas of the industry (included where financial instruments are traded over the counter), reinforce trust in in the system and better protect investors. This normative project involves the whole investment firm's organization and its micro-environment and that there are binding due dates to be met by law. Therefore, it is essential to have a good management of the project in order to lead each activity to completion and to ensure the correct implementation of the project strategy. For this reason, the chapter number two introduces some concepts and definitions about PM to provide a basic understanding of the role and functioning of the PM structure inside a project. About the specific project undertaken in the two case studies, the project object is explained by the following chapter that provides an overview of the new normative requirements. This third chapter summarizes the main topics covered by the directive and faced by the MiFID II project. We can easily understand how each duty mandated by the Directive materializes in a given stream flow of activities. The stream flows lump together deliver the project as a whole. The presence of so many different activities and short time available to implement them increases the project complexity. The degree of complexity of the subject itself is worsened by some issues and circumstances that are peculiar to the MiFID II project and to the specific bank of the case studies. These further complexities are to be deeply understood by the PM to be able to solve them and mitigate the risk of project failure. The main issues of the case studies and their implications are analyzed and discussed. Being aware of the complexities underlying the project is important to understand how the KSF affect the implementation of the project strategy and how much the PM is important in dealing with the KSF. At this point, we have an understanding of underlying topics and concepts and the real comparative analysis takes place in chapter number four.

The empirical methodology adopted to perform the comparison evolves in three consequential steps that are the logical and natural continuation of the previous stage’s results. Comparative data, tables of analysis, interpretations and real examples supporting this analysis are carried out by means of quantitative surveys, interviews with PM experts and first-hand experience as Project Manager. The first step of the analysis moves from a literature review about Project Management KSF and integrates this theoretical framework with 6 more KSF. The added factors are defined thanks to the author’s direct experience and an interview with professional Project Managers with wide and sound knowledge in PM field. The resulting KSF framework is made of 12 components, 6 more than the starting conceptual framework. This is the starting point of the comparative analysis and the first relevant contribution to the literature. Interestingly, this first result derives from the empirical observation of two specific cases but, despite the fact it emerges from the observation of a particular element, it can be assumed as universally valid. The second part of this analysis explores the importance of the identified KSF for the two case studies to understand whether their relevance differs and why. The comparison of the KSF importance is made between banks, divisions and topics covered by the Directive. This comparison is made through surveys summarized in tables that try to quantify strictly qualitative aspects in the attempt to implement an objective comparison. Please note that numbers are the expression of qualitative aspects whose evaluation is subject to the Project Managers answering the survey. It is hard to objectively compare numbers about a topic that is strictly qualitative in nature. For this reason it is better not to consider small differences between numbers and it is preferable to keep the comparison at a macro level analysis by just assuming the more marked delta as relevant. For the same reason, the qualitative nature of the subject, during the research and analysis phase I have decided to contribute personally with practical examples and insights from real-life situations I have experienced during the project. This seems more valuable also in light of the survey's results. The survey results encourage the analysis to take a new direction and follow a different path. In fact, given the evidence that emerged from this second stage of analysis, the comparison moves its focus to the PM approach adopted to deal with the KSF and its implications. At this point an interview is conducted because it suits better the research. It allows to explore the many PM decisions and implications that cannot be simply listed as a limited set of options ex-ante and then surveyed. The main information from the interview is summarized in analytical tables to simplify the analysis and allow for interpretations. The improvement of the KSF framework appears to be useful at this stage of analysis because it increases the number of elements under comparison and also the points of divergence. Also, in this third phase of the analysis, the interview and the hands-on experience allows to provide an original contribution with real examples of how the PM manages the KSF to cope with project complexities.

The first result from this analysis and probably the most relevant contribution to the literature is the integrated KSF framework. The most important factors to be managed within a project as drivers of performance are:

Integrated KSF	**Literature KSF**	
	Kept	**Edited out**
Leadership	Communication	~~Client satisfaction~~
Technical support	Knowledge transfer	~~Stakeholder satisfaction~~
Integration	Human asset	
Vendors commitment	Time	
Key stakeholders commitment (namely the sponsor)	Quality	
Client perspective	Budget	

Table 1 - Table of KSF Framework

The factors added by this thesis are technical support, integration, key stakeholders commitment (namely the sponsor), vendors commitment, leadership and client perspective. During the analysis of the KSF identified by the previous literature, the client satisfaction factor has been edited out because it is considered as an output rather than a driver of good performance. In fact, the level of client satisfaction can be used to measure the total success reached at the end of the project. Project Managers can account for the client's point of view while running the project to ensure a good outcome will be reached. The same holds for stakeholders satisfaction that has been edited out as well. These added 6 factors can be considered as generally applicable to any project. Integration and technical support derives from the PM role definition itself and are therefore fundamentally connected to every project. The concepts of vendors and sponsors, and more generally of stakeholders are key concepts shared by every firm in the current economy and cannot be excluded when running a project. This holds for the concept of leadership as well, whose value is universally recognized nowadays. We can reasonably conclude that this framework can be applied to any project.

As regards the second step of the analysis, the following table is the most representative of this phase results.

		0-10 evaluate according to their importance											
		Key Success Factors											
		Communication	**Knowledge transfer**	**Human asset**	**Time**	**Quality**	**Budget**	**Integration**	**Technical support**	**Leadership**	**Client perspective**	**Commitment of vendors**	**Commitment of key stakeholders**
Divisions	**PB**	5	9	8	10	9	7	9	5	7	2	10	10
	CIB	6	8	7	10	8	10	7	6	8	3	8	9
	Retail	7	7	7	9	8	10	7	6	8	6	8	8
	Online	6	7	7	9	8	10	7	5	7	6	8	8
	average	6	7,75	7,25	9,5	8,25	9,25	7,5	5,5	7,5	4,25	8,5	8,75

Table 2 - Table of KSF importance for each Division.

The survey's results suggest that the identified KSF are equally important for the MiFID II project regardless of the division and the type of business the bank runs (i.e. commercial banking or investment banking). The only relevant difference in importance between divisions is about the client perspective factor that is slightly more relevant in the Retail and Online Divisions that pertain to the Commercial Bank. This depends on the sponsor composition of the project. However, this factor is overall the least important among the KSF identified, because of the normative nature of the project: its implementation does not depend on a business opportunity but on law enforcement. Lastly, assuming that all the factors are key drivers of project success, it emerges from the table that the most relevant KSF are quality, time, budget, key stakeholders and vendors commitment.

Moving to the third step of the analysis, the answers by the Project Managers show that some KSF have been approached similarly and others differently by the Commercial Bank and the Investment Bank. The table below summarizes the PM approaches adopted to deal with each KSF for the two types of banks and the main complexities that are affected by managing the KSF. The Table of KSF shows in white the KSF derived by the literature overview, in light blue the KSF integrated to the list by this thesis.

KSF	Investment Bank	Commercial Bank	Affected issue
Communication	Mainly horizontal and transverse	Mainly vertical	Complex and wide network; legal framework interpretation; Unpredictable events and crisis
Knowledge transfer	Between functions and from contract PM	Between functions and from contract PM	Functional silos
Human asset	Adequate in number and skills	Sometimes undersized in number but adequate in skills	Fill budget gaps
Time	Plan and prioritize activities according to time pressure	Plan and prioritize activities according to time pressure	Short time
Quality	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Short time

Table 5 - Table of KSF, PM approaches and affected issues.

KSF	Investment Bank	Commercial Bank	Affected issue
Budget	Lower and less flexible	Higher and flexible	Merger and operations transformation
Integration	Divisional approach	Comprehensive approach	Merger and operations transformation
Technical support	Available and flexible	Available and flexible	Lack of human asset
Leadership	Strong	Strong	Unpredictable events and crisis
Client perspective	Very limited	Limited to some aspects	Business opportunity
Commitment of vendors	Asked for extra commitment	In line with contractual terms and conditions	Short time
Commitment of key stakeholders	Project leader participation to work progress meetings	Business executives participation to work progress meetings	Potential lack of cooperation

Table 5 - Table of KSF, PM approaches and affected issues.

The inclusion in the KSF framework of 6 new factors increases the number of elements under comparison and also the points of divergence. The management and effects of the KSF differ because of the subjective features and context of the two projects. This result remarks the concept that a project is unique by definition. Also, some of the resulting PM approaches depend on the organizational structure of the bank. This fact remarks the influence of the organizational design on the project structure. For example, the PM approaches similarly the knowledge transfer factor because both the undertakings have a hybrid structure mainly characterized by a divisional set up in response to the need for a cross-functional transfer of knowledge. On the other hand, the communication factor is managed differently by the banks because the organizational structure slightly differs depending on the type of business the bank runs (i.e. commercial or investment banking). Finally, the integration factor is handled differently because the organizational design was different, but this last divergence is probably not strictly related to the type of bank, rather, it is due to the organizational set-up in place at the beginning of the merger transition period. If the restructuring due to the extraordinary transaction has already occurred in the Investment Bank, the PM approach adopted by the banks would have probably been the same for this factor. To conclude, this analysis's findings regarding communication and knowledge transfer factors can be potentially valid for any credit institution under ordinary conditions. This insight provides room for future research at a statistical level.

In the case studies the PMO manages these KSF with only two limits: it can't allocate resources and it cannot affect the sponsor's commitment to the project. This is because it is not representing the project sponsor and hence has no power over the budget. Nevertheless, the PMO can influence and affect the sponsor's engagement in the project and can manage properly the resources that have been allocated on the project by the sponsor. Even with these two constraints the project performance largely depends on the PMO dealing with the KSF.

As a general result, we can say that this thesis contributes to the KSF framework with 6 new factors and so it promotes a more comprehensive and detailed view of the drivers of performance to be addressed by PM.

Regarding the KSF individually considered we can sum up the following observations.

We can affirm that the employment of a contract PM involving people already experienced and skilled in managing similar projects has a beneficial effect because of the knowledge transfer factor. Also, the presence of a PM full-time role fosters a good implementation of the knowledge transfer process that can generate value for the project and the bank. The fact that the two banks have hybrid structures mirrors the need for cross-functional transfer of knowledge. This functional transfer of knowledge within the project is a PM approach directly determined by the organizational structure.

Regarding the communication factor, we can conclude that the PM approach depends largely on the banks' organizational structure. Because the Commercial Bank is characterized by a wider number of downstream branches that generate a huge vertical downward communication flow within the project. On the contrary, the Investment Bank has a rather slim downstream network made of a limited number of bankers. The Investment Bank's communication within the project focuses more on the external environment and on the back-office side of the organization, therefore it is more concerned with horizontal and transverse communication lines. The PMO must communicate proactively, act as a moderator or be able to negotiate when necessary and have a problem-solving approach that is inclusive of all the opinions. Having a PMO managing properly all the communication concerning the project fosters efficiency and effectiveness.

About the triple triangle (quality, time, budget), all its elements are essential but results suggested that time is more important than quality (interpreted as completion and fine tuning) because of the normative nature of the project. Also, the budget is the factor that probably affects the most every other factor and critical aspect of the project. Quality, time and budget are strictly correlated and they often raise trade-offs such as whether to give priority to activities' fine tuning or timely delivery, and whether to go overbudget and complete the task as required or to stay within budget but do not reach the maximum level of quality. To manage the triple triangle means to find and keep the right balance through compromises.

Human asset is the author of the project's activities and therefore it is essential for driving the project to completion. Having a high-level human asset can even overcome budget difficulties in some circumstances. The PM helps to better organize the team's roles, duties and tasks to make sure everybody can work at his best. Also, to contract an external PM team to support the bank's project manager is a good way to acquire the necessary expertise from the external environment to ensure the right know-how to complete the project.

The client perspective is found to be the least important KSF for both the banks undertaking the MiFID II project because of the normative focus of the project. However its importance slightly differs depending on the sponsor composition. In the Commercial Bank case, the sponsor is more business-oriented and not purely compliance-oriented. Of course, this changes the PM approach that keeps an eye on business opportunities and threats deriving from the client focus.

Integration and technical support are probably among the KSF that most benefit from the presence of a PMO. Because this office is established to provide the project team with full-time integration of and support to activities. This is very important for the MiFID II project because it has many internal and external inter-dependencies and short time available to perform every activity. The choice of establishing a dedicated or cross-project PMO is a key determinant of the project completion and depends on the organizational structure and governance in place. This result stresses the fact that the project chart and scope are at least affected by the organizational design of the bank.

Leadership approach is necessary to sustain the project during hard times not to fall short of motivation and to keep a vision. The project manager must lead the team to goals by taking shared decisions and keep a positive attitude.

Lastly, the commitment of vendors and key stakeholders (namely the sponsors) can make the difference and it can be managed by the PM by generating more or less engagement according to the situation and project's needs. Sponsors commitment can solve the lack of cooperation within the project team. Vendors commitment can overcome time and quality issues by making an extra effort on the project activities.

Appendix

Integrated KSF	Literature KSF	
	Kept	**Edited out**
Leadership	Communication	~~Client satisfaction~~
Technical support	Knowledge transfer	~~Stakeholder satisfaction~~
Integration	Human asset	
Vendors commitment	Time	
Key stakeholders commitment (namely the sponsor)	Quality	
Client perspective	Budget	

Table 1 - Table of KSF Framework

Tables from the survey:

		0-10 evaluate according to their importance											
		Key Success Factors											
		Communication	**Knowledge transfer**	**Human asset**	**Time**	**Quality**	**Budget**	**Integration**	**Technical support**	**Leadership**	**Client perspective**	**Commitment of vendors**	**Commitment of key stakeholders**
Divisions	**PB**	5	9	8	10	9	7	9	5	7	2	10	10
	CIB	6	8	7	10	8	10	7	6	8	3	8	9
	Retail	7	7	7	9	8	10	7	6	8	6	8	8
	Online	6	7	7	9	8	10	7	5	7	6	8	8
	average	6	7,75	7,25	9,5	8,25	9,25	7,5	5,5	7,5	4,25	8,5	8,75

Table 2 - Table of KSF importance for each Division.

0 = Topic not covered by the project; 1 = Topic covered but with limited importance for the project; 2 = Relevant topic of the project; 3 = Core topic

		MiFID II topics										
		MiFID Survey	Product Governance - Target Market	Disclosure ex ante	Disclosure ex post	Inducements Management	MiFID II Suitability	Best execution on behalf of clients	Communications and conversations recording	Obligations of algo-trading, HFT, Market maker, DEA	Trading obligation	Personnel assessments and training
Divisions	PB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	CIB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Online	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Even if the topics' content may differ, their normative nature makes them equally important in the project. It is not possible to state that a topic is more relevant than another because are all mandated by law.

Table 3 - Table of MiFID II topics importance

PB Division - Mark the top 3 KSF for each MiFID II topic

MiFID II topics	Key Success Factors: Communication	Knowledge transfer	Human asset	Time	Quality	Budget	Integration
MiFID Survey				X	X		
Product Governance - Target Market				X			
Disclosure ex ante				X			
Disclosure ex post				X			
Inducements Management				X			
MiFID II Suitability				X	X		
Best execution on behalf of clients				X			
Communications and conversations recording				X		X	
Obbligations of algotrading, HFT, Market maker, DEA				X			
Trading obligation				X			
Personnel assessments and training				X			

MiFID II topics	Key Success Factors				
	Technical support	Leadership	Client perspective	Commitment of vendors	Commitment of key stakeholders
MiFID Survey					X
Product Governance - Target Market				X	X
Disclosure ex ante				X	X
Disclosure ex post				X	X
Inducements Management				X	X
MiFID II Suitability					X
Best execution on behalf of clients				X	X
Communications and conversations recording					X
Obbligations of algotrading, HFT, Market maker, DEA				X	X
Trading obligation				X	X
Personnel assessments and training				X	X

CIB Division - Mark the top 3 KSF for each MiFID II topic

MiFID II topics	Key Success Factors						
	Communication	Knowledge transfer	Human asset	Time	Quality	Budget	Integration
MiFID Survey				X		X	
Product Governance - Target Market				X		X	
Disclosure ex ante				X		X	
Disclosure ex post				X		X	
Inducements Management				X		X	
MiFID II Suitability				X		X	
Best execution on behalf of clients				X	X		
Communications and conversations recording					X	X	
Obbligations of algotrading, HFT, Market maker, DEA				X		X	
Trading obligation				X		X	
Personnel assessments and training						X	

MiFID II topics		Key Success Factors				
		Technical support	Leadership	Client perspective	Commitment of vendors	Commitment of key stakeholders
	MiFID Survey					X
	Product Governance - Target Market					X
	Disclosure ex ante					X
	Disclosure ex post					X
	Inducements Management					X
	MiFID II Suitability					X
	Best execution on behalf of clients					X
	Communications and conversations recording					X
	Obbligations of algotrading, HFT, Market maker, DEA					X
	Trading obligation					X
	Personnel assessments and training				X	X

Retail Division - Mark the top 3 KSF for each MiFID II topic

MiFID II topics	Communication	Knowledge transfer	Human asset	Time	Quality	Budget	Integration
						Key Success Factors	
MiFID Survey	X			X		X	
Product Governance - Target Market				X	X	X	
Disclosure ex ante				X	X	X	
Disclosure ex post				X	X	X	
Inducements Management				X		X	
MiFID II Suitability				X		X	
Best execution on behalf of clients				X		X	
Communications and conversations recording				X		X	
Obbligations of algotrading, HFT, Market maker, DEA				X		X	
Trading obligation				X		X	
Personnel assessments and training				X	X	X	

MiFID II topics	Key Success Factors				
	Technical support	Leadership	Client perspective	Commitment of vendors	Commitment of key stakeholders
MiFID Survey					
Product Governance - Target Market					
Disclosure ex ante					
Disclosure ex post					
Inducements Management					X
MiFID II Suitability					X
Best execution on behalf of clients					X
Communications and conversations recording				X	
Obbligations of algotrading, HFT, Market maker, DEA				X	
Trading obligation				X	
Personnel assessments and training					

Online Division - Mark the top 3 KSF for each MiFID II topic

MiFID II topics		Key Success Factors						
		Communication	Knowledge transfer	Human asset	Time	Quality	Budget	Integration
	MiFID Survey				X	X	X	
	Product Governance - Target Market				X	X	X	
	Disclosure ex ante				X	X	X	
	Disclosure ex post				X		X	
	Inducements Management				X		X	
	MiFID II Suitability				X		X	
	Best execution on behalf of clients				X		X	
	Communications and conversations recording				X		X	
	Obbligations of algotrading, HFT, Market maker, DEA				X		X	
	Trading obligation				X		X	
	Personnel assessments and training				X	X	x	

MiFID II topics	Key Success Factors				
	Technical support	Leadership	Client perspective	Commitment of vendors	Commitment of key stakeholders
MiFID Survey					
Product Governance - Target Market					
Disclosure ex ante					
Disclosure ex post					X
Inducements Management					X
MiFID II Suitability					X
Best execution on behalf of clients					X
Communications and conversations recording				X	
Obbligations of algotrading, HFT, Market maker, DEA				X	
Trading obligation				X	
Personnel assessments and training					

Tables from the interview:

KSF	Implementation	Effect on the project performance
Communication	Proactive and transverse communication, negotiation, influencing, and problem solving	If communication works strategy is implemented easily, if communication encounters problems like information misunderstanding, no feedback, wrong attitude… etc. the project suffers
Knowledge transfer	Identify what knowledge, why to transfer it, to whom	If executed properly it improves performance, otherwise it wastes time and leads to wrong results
Human asset	Contract skilled PM, proper staffing	If done properly, it positively affects quality of performance, otherwise it negatively impacts the project
Time	Time pressure approach, prioritizing and planning activities according to time	Timely enforcement of prescriptions, may cause drawbacks in terms of quality
Quality	Meet minimum quality level at every handoff, address the completeness and fine tuning in a second phase	In time achievement of milestones and timely adoption of the directive, but requires more time to be allocated to the project
Budget	Balance budget trade-offs with compromises	Good budget management brings to the completion of the project, bad budget management brings to the project failure

Table 4 - Table of KSF implementation and effect

KSF	Implementation	Effect on the project performance
Integration	Coordination, exploitation of synergies, alignment of efforts	Fosters the project performance, slows down the stream of activities
Technical support	Support functions and business units working on the project	Speeds activities completion. If there are not enough people supporting the project, activities' completion slows down
Leadership	Convey vision, keep high moral and align goals	Leadership boosts performance and mitigates the risk of deviating from the plan
Client perspective	Consider the client's feedback only when it can affect the business	Avoids potential drawbacks and exploit business opportunities from the directive's prescriptions implementation
Commitment of vendors	Ask for exceptional flexibility and priority lines, keep in touch daily to update during critical moments	It can fill budget gaps and help boosting activities. On the contrary, a low level of commitment can slow down activities and negatively affect quality of deliverables
Commitment of key stakeholders	Active participation of executives at work's progress meetings	Internal structures' commitment increases. If sponsors participation lack, internal structures can neglect the project in favour of other activities and the project progress slows

Table 4 - Table of KSF implementation and effect

KSF	Investment Bank	Commercial Bank	Affected issue
Communication	Mainly horizontal and transverse	Mainly vertical	Complex and wide network; legal framework interpretation; Unpredictable events and crisis
Knowledge transfer	Between functions and from contract PM	Between functions and from contract PM	Functional silos
Human asset	Adequate in number and skills	Sometimes undersized in number but adequate in skills	Fill budget gaps
Time	Plan and prioritize activities according to time pressure	Plan and prioritize activities according to time pressure	Short time
Quality	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Ensure minimum quality level at each handoff, address completeness and fine tuning as soon as possible	Short time
Budget	Lower and less flexible	Higher and flexible	Merger and operations transformation

Table 5 - Table of KSF, PM approaches and affected issues.

KSF	Investment Bank	Commercial Bank	Affected issue
Integration	Divisional approach	Comprehensive approach	Merger and operations transformation
Technical support	Available and flexible	Available and flexible	Lack of human asset
Leadership	Strong	Strong	Unpredictable events and crisis
Client perspective	Very limited	Limited to some aspects	Business opportunity
Commitment of vendors	Asked for extra commitment	In line with contractual terms and conditions	Short time
Commitment of key stakeholders	Project leader participation to work progress meetings	Business executives participation to work progress meetings	Potential lack of cooperation

Table 5 - Table of KSF, PM approaches and affected issues.