



Degree Program in Management

Course of Markets, Regulations, and Law

How does Financial Regulation Shape Innovation Strategies in Financial Organisations?

Prof. Luca Arnaudo

SUPERVISOR

Prof. Giuseppe Colangelo

CO-SUPERVISOR

Linnea Ström 788521

CANDIDATE

Academic Year 2023/2025

Abstract

This thesis explores the relationship between financial innovation and financial regulation based on regulatory and non-binding industry standards such as the Wolfsberg Principles, affecting strategies connected to innovation efforts in the financial industry. The financial industry is continuously changing and evolving because of technological development, and thereby also led to a more complex regulatory environment which has forced financial organisations to reevaluate their compliance strategies. This study adopts a qualitative methodology using semi-structured interviews with experts in the financial industry in Sweden and Lichtenstein. Thematic analysis is used to analyze the empirical data, dividing insights from operations, compliance, product development among other perspectives into relevant categories. The findings present a dual perspective on financial regulation and innovation, as it can act as a barrier due to heavy administration initially, but also as a catalyst long term due to encouraging process development, especially with the help of Regulatory Technology (RegTech). The Wolfsberg Principles act as an example of how self-regulated frameworks, with wide adoption and alignment with formal Anti Money Laundering (AML) regulations, contribute significantly in the work of building trust and strategic positioning. Well implemented compliance with these frameworks can drive innovation in financial organisations in terms of data analytics, automation and risk management. This thesis contributes additional insights regarding the role of financial regulation in terms of acting as a barrier or catalyst in relation to innovation. It provides evidence that the perception depends on organisational context, strategic intent and organisational roles. The findings from the qualitative data suggest that organisations in the financial industry, which integrate regulatory compliance early in their innovation processes, cope better in fast paced and complex legal environments and are able to achieve sustainable growth long term. The discussion in this thesis provides valuable insights for financial innovators, compliance professionals and policymakers seeking to understand how to approach compliance and innovation simultaneously.

Keywords: Financial innovation, Financial regulation, Regulatory frameworks, Wolfsberg Principles, Compliance strategy, RegTech, Non-binding regulation

Acknowledgements

“Adventure is the life of commerce, but regulation is its safety.” – Walter Bagehot

This is a quote by Walter Bagehot, a British economist and editor in chief of the Economist during the 19th century. His quote captures the balance between the pursuit of innovation and the necessity of structure built by regulation in the financial sector – the main topic explored in this study. Writing this thesis has also been a balance, but of discipline, curiosity, and support.

My sincerest thank you goes to the financial experts who participated in the interviews and shared their time and insights. Your knowledge and reflections shaped the empirical foundation of this research and made this thesis possible.

I want to express my gratitude to Professor Luca Arnaudo, my supervisor, and Professor Giuseppe Colangelo, my co-supervisor, for their valuable feedback, patience, intellectual generosity and reliable encouragement throughout this process.

Thank you to my colleagues and to the management team in my workplace, who have supported me in balancing my academic and professional development while conducting this research, and fostering an environment where curiosity and growth are always encouraged.

Last but not least, with heartfelt gratitude, I thank my family and friends for being a constant source of perspective and encouragement. Your support has been my compass throughout this journey.

Gothenburg, 2025-06-03

Linnea Elisabeth Love Ström

Table of Contents

Abstract	2
Acknowledgements	3
Glossary	6
1. Introduction	7
1.1 Background to Research Question - Why Financial Regulation Matters in Innovation.	7
1.2 Problem Discussion	8
1.3 Purpose and Research Question	10
1.4 Structure of the Thesis	11
2. Literature Review	12
2.1 Financial Innovation in a Regulatory Context	12
2.2 The Wolfsberg Principles: Self-Regulatory Frameworks as Regulatory Forces	14
2.3 Organisational Strategy, Compliance Costs and Regulatory Response	16
2.4 Regulation: Constraint or Catalyst?	17
2.5 Balancing Responsibility, Regulation and Innovation in Finance	19
2.5.1 Corporate Responsibility and Regulation in Finance	19
2.5.2 Financial Regulation and Innovation	19
2.5.3 The FinTech Revolution and Regulatory Challenges	20
2.5.4 Regulation Adaption and Global Governance in Financial Innovation	21
2.6 Navigating Financial Innovation in an Evolving Regulatory Environment	23
3. Methodology and Research Design	24
3.1 Data Collection	25
3.1.1 Primary Data Collection and Thematic Analysis	25
3.1.2 Interview Guide and Question Development	25
3.1.3 Interviewee Schedule	26
3.1.4 Secondary Data Collection	27
3.2 Thematic Analysis	28
3.3 Limitations of the Study	30
3.3.1 Limited Sample of Companies	30
3.3.2 Limited Sample of Frameworks	30
3.3.3 Limited Geographical Scope	31
3.3.4 The Time Aspect	31
3.4 Credibility, Transferability, Dependability and Confirmability	31
3.5 Ethical Consideration	32
4. Empirical Findings	33
4.1 Focus area 1 - Regulations' Impact on Business & Innovation Strategy	33
4.2 Focus area 2 - Compliance as a Barrier or Enabler of Innovation	40
4.3 Focus area 3 - The Role of RegTech	44

5. Discussion	47
5.1 Regulation as Both a Barrier and Enabler of Innovation: A Dual Role	48
5.2 Navigating Strategic Tension Between Compliance and Innovation	49
5.3 RegTech	50
5.4. Risk Appetite, Regulatory Adaption and Strategic Response	51
5.5 Self-regulated Frameworks and Ethical Signaling: The Wolfsberg Principles	52
5.6 Compliance as a Cultural Driver of Innovation	54
6. Conclusion	55
6.1 Academic Contribution	57
6.2 For Future Research	57
References	58
Appendix	62
Appendix 1	62

Glossary

AML: Anti Money Laundering

CTF: Counter Terrorism Financing

FinTech: Financial Technology

RegTech: Regulatory Technology

InsureTech: Insurance Technology

AUM: Assets Under Management

UX: User Experience

KYC: Know Your Client

AMH: Adaptive Markets Hypothesis

CR: Corporate Responsibility

IPR: Intellectual Property Rights

1.Introduction

Financial innovation affects companies' growth but also introduces new potential risk (An et al., 2021). Regulation evolves in response to developments in the business environment and it is fundamental to understand its influence on innovation (Suriñach et al., 2009). This study explores how regulatory frameworks affect innovation strategies for companies in the financial sector.

1.1 Background to Research Question - Why Financial Regulation Matters in Innovation.

Financial innovation is the creation but also the implementation of new financial technologies and instruments (Kim et al, 2013; Yang, 2022) and it is also said to be a fundamental driver in economic competitiveness (Suriñach et al., 2009). On the other hand, innovation is also connected to risk, in terms of, for example systemic, liquidity and credit risk (An et al., 2021).

Financial regulation is often perceived as a crucial factor in the conversation about maintaining integrity and stability of the financial system (Yang, 2022) as it provides financial organisations with guidelines and rules set by established financial bodies (Yang, 2022). The financial history, including the 2008 Global Financial Crisis, is linked to the history of financial innovation and financial regulations as an era of financial technology solutions emerged as a result of professionals in the financial sector trying to find new opportunities amid tightened credit markets (An et al., 2021; An et al., 2025). Some authors suggest that financial innovation can be encouraged by financial regulation, because companies need to adapt to new regulations to remain profitable despite new rules getting in the way (An et al., 2021; Cui, 2024). One example of this is the Revised Payment Services Directive (PSD2) in the EU, which required banks to rethink their payment infrastructure, paving the way for open banking and FinTech innovation, as a result of a regulatory push (Petrović, 2020). Regulations are usually introduced in order to promote a healthy development of the financial industry and the economy as a whole (An et al., 2021). Optimistically, financial regulation will enhance transparency of market information and

also reduce market failures (An et al., 2021). Proper regulatory policies can even assist listed companies to innovate (An et al., 2021).

On the other hand, there are also more pessimistic views, saying that financial regulation may have a negative effect on corporate risk taking and innovation (Allen et al., 2022). Too strict regulations can lead to a decrease in innovation initiatives (An et al., 2021) as financial regulations usually lead to increased internal controls and thereby hurdles for risky investments, which may be essential for explorative innovation (Allen et al., 2022). The intensified use of resources associated with regulation can become a real problem for companies (Allen et al., 2022) and the debate on how to balance supporting financial organisations in their innovative efforts while supervising to avoid risk is highly relevant (An et al., 2021).

1.2 Problem Discussion

The financial industry is dynamic and characterized by innovation and evolving regulatory frameworks. New financial products, services, strategies and other innovations enable improvements in efficiency, increase access to financial services and stimulate economic growth (Sant'Anna et al., 2024). Simultaneously, regulation in the financial sector plays an important role in maintaining stability in the market, preventing systemic risk and protecting customers (Kim et al., 2013; Di Noia et al., 2009). Understanding the complex relationship between innovation and regulatory frameworks is fundamental as it is possible for regulations to both constraint and stimulate financial innovation (Yang, 2022; Di Noia et al., 2009).

The ongoing global challenge concerning illegal financial activities such as money laundering and terrorism financing, has intensified in the last twenty years, which has led to a complex set of both national as well as international regulations. Various self-regulations and other types of multi-stakeholder initiatives have emerged as key complements to formal legally binding frameworks (Maggetti, 2014). One example of such initiatives are the Wolfsberg Principles against money laundering which were established in 2000 when 13 world leading banks assembled in a castle (named Wolfsberg) in Switzerland and acted in coordination with Transparency International and decided to implement a general set of principles to improve the standard of AML guidelines in private banking (Haynes, 2004). In 2001, the group formalised its structure and became a legal entity under Swiss law, with their headquarters located at the Basel

Institute on Governance in Basel, Switzerland. This formalisation aimed to enhance the group's independence and sustainability. These principles represent the possibility of global collaborations between major international banks getting together to promote common standards in the field of AML, CTF and KYC. Despite the principles being of voluntary nature, failure to comply with the principles can lead to repercussions such as reputation harm, exclusion from financial networks and increased regulatory scrutiny (Maggetti, 2014). Find links to the most commonly mentioned Wolfsberg Group resources - *The Wolfsberg Group – Developing an Effective AML/CTF Programme August (2020)*, *Wolfsberg Group Guidance on Digital Customer Lifecycle Risk Management (2022)*, and *Wolfsberg Group Correspondent Banking Due Diligence Questionnaire (CBDDQ) V1.4 (2023)* - in the reference list.

The Wolfsberg Principles are self-regulatory guidelines developed by the thirteen largest banks in the world with the purpose of combating terrorist financing and money laundering. These specific principles were chosen as an example for this study because of the interviewees' deep knowledge and insights regarding what the principles are, what they entail and how they affect innovation efforts in their separate organisations and the financial industry in general. As previously described, the Wolfsberg Principles are not legally binding. However, they represent member institutions' dedication to adhere to higher standards of corporate responsibility in the financial industry, more specifically private banking, an area where money laundering risks are high because of frequent cross-border transactions, offshore investments and a tradition of high discretion in client services (Maggetti, 2014). There are multiple potential factors which may influence financial institutions' decision to join the Wolfsberg Group. These factors include conditions linked to organisation, regulation and macro economics. One example of a key factor identified is pre-existing code of conduct and public ownership (Maggetti, 2014).

Despite an increase in research and literature on the subject of the broad landscape of innovation and financial regulation, a gap remains in further understanding the particular ways in which such frameworks shape companies' innovation strategies of financial institutions and other financial organisations.

Regulations are naturally perceived as a burden and potential hinder for innovation because it increases administration, costs and the need for resources connected to compliance (Kim et al., 2013; Di Noia et al., 2009). However, new regulations can also act as a catalyst for innovation by

generating new needs in the market and opportunities for companies which can develop efficient compliance solutions (Yang, 2022). One example is how the escalation in complexity of anti money laundering and counter terrorism financing can navigate companies into new developments within RegTech solutions and general digitisation and automation of compliance work by improving data analytics and improving risk management.

The available research on the Wolfsberg Principles specifically, covers mostly the various characteristics of the member institutions as well as the drivers of adoption (Maggetti, 2014). Less research exists connected to how such principles influence companies innovation strategies. Does committing and following the Wolfsberg Principles give rise to innovation in compliance-related processes and technologies or does it affect the more general overall innovation agenda of financial organisations? Perhaps it is perceived by financial organisations as mainly restrictive with regard to their innovation initiatives and does not create opportunities for innovation at all (Maggetti, 2014).

This thesis aims to address the gaps by exploring the regulatory framework's role in shaping innovation strategies of financial organisations. This is done by investigating the perceived impact of regulatory principles, using the Wolfsberg Principles as an example, on innovative business strategies. The thesis presents various challenges and opportunities linked to compliance and how financial organisations integrate technologies to meet various emerging regulatory requirements. The study seeks to provide deeper understanding on whether regulatory frameworks act as mainly restrictive or enabling, or perhaps both, for financial innovation. Ultimately, this research aims to contribute to further understanding of the very complex relationship between regulation and innovation in the financial sector.

1.3 Purpose and Research Question

This study aims to explore the relationship between financial innovation and financial regulation. As the financial industry is continuously changing with regard to technological and financial advancements and evolving regulatory environments are emerging, it is important to deepen our understanding of how they affect each other. Innovation drives competitiveness but also introduces risk, including systemic, credit, operational and compliance risks, leading to an increased need for regulatory oversight (Kim et al., 2013; Cui, 2024). The role of regulations is

well established (Kim et al., 2013) but concerns exist that too strict regulations will hinder innovation. This study will explore how regulatory frameworks, both legally binding and non-binding industry-led self-regulated principles, influence innovation in the financial industry. The interviewees perceived self-regulatory principles and legally binding regulations as closely interconnected in practice and therefore the research investigates the perceived impact of both types of frameworks on innovation in the financial industry. This qualitative study investigates the impact of these frameworks on financial innovation business strategies. To achieve this purpose, the main research question is:

How does financial regulation shape innovation strategies in financial organisations?

The research question will be explored by investigating topics such as understanding compliance as both a barrier and an opportunity by looking at how increasing focus on regulations can create challenges but also potential opportunities for financial companies. This study approaches regulations as a broader phenomenon rather than focusing only on specific rules, laws and jurisdictions. The purpose is to gain deeper knowledge in how regulatory frameworks, regardless of whether they are formal laws, legally binding or non-binding industry led principles, affect financial innovation. This includes interviewing industry professionals explaining practical implications in implementing various regulations. The study will also identify strategic responses, assess the influence of specific frameworks, explore the role of RegTech and analyze the various impacts regulation has on innovation.

1.4 Structure of the Thesis

This thesis is organised into six chapters. Chapter 1 includes the introduction of the research question, problem statement and explains the purpose of the study. Chapter 2 presents a literature review on previously conducted research on financial regulation and innovation, the Wolfsberg Principles, FinTech, compliance and RegTech. Chapter 3 includes the details of the qualitative methodology, data collection, research design and limitations. Chapter 4 presents the empirical findings from the semi-structured interviews, divided into three key themes. Chapter 5 includes a discussion comparing empirical insights and existing literature. Lastly, Chapter 6 concludes with main takeaways, theoretical implications as well as ideas for future research.

2. Literature Review

The following literature review includes and examines the existing literature on the evolving relationship between regulation and innovation. Specific focus is on compliance strategies, RegTech and financial regulation and innovation in general. This literature review explores the complex relationship between emerging financial innovation and financial regulations. The analysis aims to explain and compare a range of academic research to provide a thorough overview of this dynamic subject. The following sections will explore and analyze the literature in detail.

2.1 Financial Innovation in a Regulatory Context

The global financial landscape is persistently evolving and driven by innovation and shaped by new regulations. Over the past decades, rapid development and innovation in technology has transformed the financial industry. This transformation has come with extensive regulatory challenges as well as extraordinary innovative opportunities. Digitisation and datafication are two processes which have fueled financial innovation the past years. Digitisation has enabled the shift from analog to digital formats and datafication has provided the industry with opportunities to derive key information from data. However, such new processes also come with complexities in governance and compliance, forcing regulatory organisations to adapt to the changing environment by formulating and adopting frameworks to ensure transparency and security (Buckley et al., 2023).

Financial regulation must find a balance between risks and benefits emerging from new technologies. As the new world of digital finance emerges and expands, regulatory frameworks have to be developed to prevent systemic risk, maintain market integrity and support financial inclusion. One example of when regulatory gaps created opportunities for excessive risk taking leading to financial instability is the 2008 Global Financial Crisis where the results included stricter compliance, increased scrutiny and the need for RegTech to manage complex regulations in an efficient way. There were multiple reasons leading up to the global financial crisis in 2008-2009 but one potential impacting factor was the unstable macroeconomic policies and tax regulation of financial markets in general (Di Noia et al., 2009). This permissive environment

permitted financial innovations to be used as tools to circumvent regulations by finding loopholes in capital requirements and insufficient transparency, leading to increased risk (Di Noia et al., 2009). It is crucial to understand both the causes and impacts of the financial crisis in order to develop effective and preventive regulatory frameworks to prevent instability in the future (Kim et al., 2013). It is important to remember that despite the devastating results of the financial crisis, an era of technologically driven financial solutions emerged because of displaced professionals in the financial sector who were trying to find new opportunities in the middle of tightened credit markets. This was the start and acceleration of the FinTech sector which utilizes technology to improve financial products and services (Buckley et al., 2023).

Financial regulation is a key component in maintaining the integrity and stability of the financial system (Kim et al., 2013). It encloses the necessary rules and guidelines set by the government, the central bank and additional regulatory organisations to establish an effective and unbiased functioning of financial markets (Yang, 2022). While these regulations aspire to protect financial systems, they can also function as catalysts for financial innovation (Yang, 2022). Financial innovation refers to both the creation and implementation of advanced technologies, markets, institutions and financial instruments (Kim et al., 2013; Yang, 2022).

As a phenomenon, innovation is a fundamental accelerator for economic growth, job creation, increasing productivity and improving living standards. Innovation is the development of new processes, services and products which sometimes lead to the emergence of new industries. In many cases, innovation can also be described as the transformation of ideas into value by formulating efficient and clear processes which enables broader adoption. In history, innovation has been the key factor leading to development in technology and economic expansion. (Mathis & Almarzoqi, 2023). Regulations can stimulate innovation as a strategy to adapt or perhaps even avoid new rules (Yang, 2022). This reaction creates a dynamic and sometimes repeated relationship as new regulations are followed by new innovations which may call for new regulations. Financial regulatory frameworks are therefore important to analyze to understand how they affect the development of financial innovation and whether they should be adapted based on various factors.

2.2 The Wolfsberg Principles: Self-Regulatory Frameworks as Regulatory Forces

The Wolfsberg Principles is one example of financial guidelines which were implemented to develop standards for AML and CTF (Haynes, 2004; Maggetti, 2014). The principles are a voluntary set of anti-money laundering guidelines with the main objective to promote better practices among financial organisations to ensure accountability and transparency in private banking. The principles cover customer due diligence, risk assessment, transaction monitoring and regulatory compliance. The Wolfsberg Principles are not legally binding, but have gained significant influence in the emerging AML regulations as well as other standards in the industry. The principles were an initiative created by a group of global banks, namely JP Morgan, UBS, Bank of America, HSBC, Deutsche Bank, Goldman Sachs, Barclays, Santander Bank, MUFG Bank, BNP Paribas, Citibank, Credit Suisse and Société Générale, which came together to create a common framework for financial organisations around the world, to manage the risks related to financial crime (Haynes, 2004; Maggetti, 2014). The magnitude of the principles is the capacity to encourage corporate responsibility, effective risk management as well as ethical practices (Maggetti, 2014). Joining these initiatives is also a way for financial organisations to signal commitment to compliance and responsible banking practices (Maggetti, 2014). Companies who have previously incorporated a code of conduct related to introducing measures against money laundering are more likely to join the Wolfsberg initiative (Maggetti, 2014). The figure below (Figure 1) presents the core Wolfsberg Principles, AML, CTF, and KYC, which are integrated into the risk management process in financial organisations.

INTEGRATION OF WOLFSBERG PRINCIPLES INTO RISK MANAGEMENT

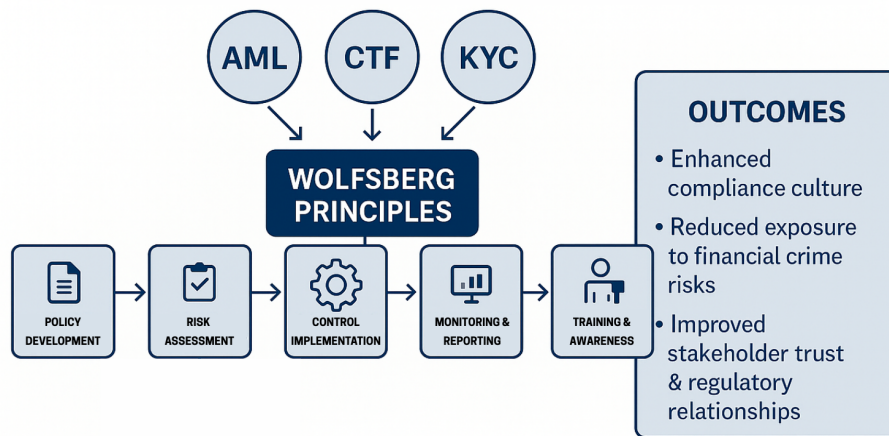


Figure 1. Conceptual Model: Integration of Wolfsberg Principles into Risk Management (own illustration).

The Wolfsberg Principles act within a framework of soft law and therefore are not directly legally binding but represent a benchmark for regulatory compliance. The financial organisations which follow the principles display dedication to ethical standards and will usually also satisfy the regulatory expectations which are set by governments and international bodies. Regulators globally frequently mention the Wolfsberg Principles when assessing an organisation's AML compliance. Therefore, it can be said that the principles de facto are mandatory for the organisations which seek to avoid careful examination of the whole organisation or damage reputation. The principles have affected the development of risk based regulation towards a more flexible approach for financial companies to assess and manage risk. The principles put indirect pressure on the financial organisations by creating a widespread expectation by other stakeholders such as regulators and investors to comply with the standards. If a financial organisation fails to comply with the standards, it may lead to exclusion from financial networks, increase regulatory monitoring and reputational damage. This example provides proof that non-binding principles may become effectively binding if adopted by the industry as a whole and potential regulatory reinforcement (Maggetti, 2014).

As it is important to distinguish between legally binding regulations set by governments and self-regulation which are voluntary guidelines set by other industry stakeholders. If legally binding regulations such as the Swedish anti money laundering act (Penningtvättslagen, PTL), are ignored, financial companies may face fines or sanctions. Self-regulatory frameworks however, are not legal mandates but work as industry best practices and are usually strictly followed because of alignment with actual binding regulations, reputational incentives as well as market expectations (Maggetti, 2014). This thesis includes literature and discussions about both the Wolfsberg Principles, used as an example of non-binding self-regulatory frameworks, and on binding regulatory frameworks as a phenomenon. In the analysis, non-binding self-regulatory frameworks, and binding regulatory frameworks are treated as conceptually equivalent alongside the empirical findings, as the Wolfsberg Principles, despite their non-binding nature, are widely regarded within the financial industry as de facto mandatory due to their strong association with trust, formal compliance expectations, and legitimacy.

Regulatory sandboxes can play an important role in bridging complex regulatory environments and innovation efforts as they are frameworks that allow financial organisations to test new ideas in a controlled environment under a regulators supervision. Regulatory sandboxes may be crucial in order to foster innovation while maintaining regulatory control in the future (Ringe & Ruof, 2020).

2.3 Organisational Strategy, Compliance Costs and Regulatory Response

An increase in CTF regulations, such as the Wolfsberg Principles, has caused organisations to experience an increase in cost of administration and compliance activities (Fowler, 2022). The literature states that there is evidence that new CTF regulations have both indirect and direct effects on the operating capacity of charities as not-for-profit organisations (Fowler, 2022). For the purpose of the research question, the assumption that these effects can be applied to other organisations is made. This assumption is plausible as increased administration as a result of new regulations is explained in the literature. The effect on operating capacity demonstrates the potential tension between implementing new regulation and maintaining and developing effective operations in organisations (Fowler, 2022).

Clear financial regulatory frameworks are essential to minimize financial crime in financial organisations and institutions. However, it is also natural that additional guidelines and administration impact operational practices, business strategies as well as the overall performance of the firms. Therefore, financial regulation can be perceived as both a constraint and a motivator for change (Kim et al., 2013). This idea is portrayed in the regulations around risk management and capital adequacy as organisations are forced to adapt and adopt new technologies for analysis based on data and risk assessment (Kim et al., 2013). Financial organisations are therefore pushed by the new regulations to find more efficient solutions to meet new standards. Implementation of new regulations will thereby affect strategic choices and performance in the organisations (Kim et al., 2013; Yang, 2022).

2.4 Regulation: Constraint or Catalyst?

Innovation diffusion plays a fundamental role in understanding how new financial innovations such as financial technologies or other practices are adopted and expanded through the market (Suriñach et al., 2009). The term innovation diffusion is defined as the process where innovation is communicated through specific channels over time among the members of a social system (Suriñach et al., 2009). The literature divides this process into three parts; invention, innovation and diffusion (Suriñach et al., 2009). The first step, invention, is when the new idea is conceived. The second part, innovation, is when the idea is developed into actual products or processes. Lastly, the third part, diffusion, is when the new product or technology is adopted by other people or organisations in the market (Suriñach et al., 2009). Theories about innovation diffusion are categorized into two models; supply side models and demand side models. The supply side models usually focus on technology, strategies and production costs as main drivers affecting diffusion while demand side models focus on market demand, economic incentives and consumer behaviour as the key factors (Suriñach et al., 2009). There are a few key factors which influence the diffusion process of innovation. These factors include the role of IPR, competition and market integration (Suriñach et al., 2009). The speed of innovation adoption can be presented as a logistic growth function where the process starts very slowly, followed by an acceleration over time and finishing off with a slow down in conjunction with the innovation spread through the whole market (Suriñach et al., 2009).

Financial innovation regulations may cause various reactions in the financial market (Yang, 2022). The aim of the regulations is to control implementation of new innovations and thereby reduce risks associated with it (Yang, 2022). Companies which are financially constrained and investing in new technology simultaneously are more likely to be negatively affected by financial regulations (Yang, 2022). However, the severity of the effects will differ depending on factors such as size of the organisation, position in the market or internal compliance capacity for example. It is more common that smaller firms take a bigger hit because of insufficient financial and administrative resources putting disproportionate burden on them, while larger corporations can actually gain from the new regulations (Yang, 2022).

Various crisis research utilize macroeconomic data to present the idea of how financial regulation is fundamental in averting a banking crisis. This regulatory environment has direct implications for the diffusion of financial innovation as it affects how widely and quickly financial innovation is adopted. Measures in the form of restrictions on bank activities or rigorous entry requirements lower the probability of a financial crisis. The reason being increased oversight and stability. Limitations on particular high risk activities made up by specific compliance measures enables key people in the industry such as regulators to reduce systemic vulnerability. However, some regulations yield less positive results. Capital regulations for example can unintentionally lead to financial instability. The reason being that when the requirements are too strict, or not structured enough, they might lead to liquidity constraints because of lower flexibility and uncertainty about rules, leading to a decrease in new investments. Extensive liquidity constraints lead to vulnerability to economic chocks (Kim et al., 2013). Financial innovation represents both valuable opportunities as well as threatening risks. While it can improve risk management, efficiency and accessibility by introducing new instruments or technology, it may also cause susceptibility. Financial innovations such as derivatives and securitization have historically intensified banking crises, not the least during the financial crisis in 2008. However, such innovations may also diminish the effects of the currency crisis for example by offering alternative financial solutions to streamline transaction processes and diversify investment opportunities (Kim et al., 2013). This perspective highlights the delicacy in balancing regulations and innovation to enhance the benefits with both of them separately and together (Kim et al., 2013).

2.5 Balancing Responsibility, Regulation and Innovation in Finance

The following section presents the complexity of the interplay between CR, financial regulation and innovation in the financial industry. The text explores how regulatory frameworks shape ethical practices as well as technological advancements, and what challenges and opportunities might emerge by introducing FinTech and global governance efforts in order to maintain financial stability while also fostering growth.

2.5.1 Corporate Responsibility and Regulation in Finance

CR plays a fundamental role in businesses today. In the financial industry particularly, CR is formed by regulatory policies on one hand and market driven initiatives on the other. Certain institutional factors, for example public ownership and companies own codes of conduct, may influence organisations to take part in adopting regulatory initiatives such as the Wolfsberg Principles (Maggetti, 2014). Such initiatives aim to promote ethical practices in banking, more specifically connected to AML standards, financial crime prevention and also customer due diligence (Maggetti, 2014). Organisations which adopt initiatives such as the Wolfsberg Principles usually gain from improved reputation and trust among existing and new clients, as well as regulators (Maggetti, 2014). The level of strictness of financial regulations plays an important role in motivating CR. The severity of regulations is also explained to intensify firms' adoption of responsible banking practices (Maggetti, 2014). One reason for this is that organisations want to display compliance to various stakeholders. This also applies to geopolitical and reputational cases where specific countries are portrayed as a tax haven or blacklisted because of money laundering efforts, organisations with activities within this jurisdiction are more prone to meet counterparties' increased scrutiny against them by finding new innovative ways to prove themselves (Maggetti, 2014).

2.5.2 Financial Regulation and Innovation

According to both Kim et. al. (2013) and Allen et. al. (2022) financial regulations can affect innovation activities in organisations. As for young life-cycle firms, the increase in administration caused by implementing new regulation can cause a decline in innovation. In this case innovation is measured by the amount of Research and Development (R&D) intensity as

well as the number of patent filings (Kim et al., 2013; Allen et al., 2022). It is proposed in the literature that increased focus on new regulations can shift focus away from other key research questions such as high risk / high reward cases and thereby lead to organisations pursuing less beneficial patents. The effects regulations have on innovation can be gradual for smaller/younger firms (Allen et al., 2022). Some regulations can cause a decline in innovation in younger firms which in turn can lead to negative effects on long term growth (Allen et al., 2022).

Important factors when companies are deciding whether to start exporting is access to external funding and innovation. Therefore it is important that governments are aware of the interrelation of innovation and access to financial support in relation to exportation, in order to promote the internationalization of organisations. However, while innovation helps firms to choose to enter international markets, it does not affect the decision to stop exporting to the same extent. This most likely means that other factors than innovation and funding affects the choices regarding exporting as well. Such factors could be internal decisions or the regulatory environments of the country in question (Rossi et al., 2021).

2.5.3 The FinTech Revolution and Regulatory Challenges

FinTech is the introduction of new innovations in technology within the financial sector and is explained in the literature as a tool to revolutionize the financial industry. Technology has always influenced the financial industry with new inventions such as the ATM or wire transfers, but it is because of the fast pace at which new innovations are now being introduced, that we can call it the FinTech revolution. The literature introduces a disruption effect, FinTech innovations have a more negative effect on industries when the technologies originate from non-financial startups because of limited understanding of the financial industry's complexities and risk factors. It is also stated in the literature that market leaders should invest more in their own innovation to avoid being too affected by the disruption created by start-ups (Goldstein et al., 2019). Innovations within the FinTech field offers access to various financial services to the unbanked population, people who do not have access to traditional banking services, and introduces an opportunity to create financial inclusion and stability (Sant'Anna et al., 2024). During the COVID-19 pandemic the FinTech landscape was transformed as the subject became more relevant in times of strict social distancing due to higher demand for remote financial services. Financial innovation has thereby become a more current and useful phenomenon in recent years

(Sant'Anna et al., 2024). According to the literature, both financial innovation as well as regulations have an important connection to financial stability (Sant'Anna et al., 2024). Financial innovation enhances the overall access to financial services and increases efficiency in general. On the other hand, it is also capable of introducing new risks which may pose a threat to the financial market. Because of these new risks, new efficient regulations may be critical in order to maintain stability and mitigate risks which arose as a result of new innovations.

2.5.4 Regulation Adaption and Global Governance in Financial Innovation

There is a clear need for continuous refinement and adaptation of various regulatory strategies in order to keep up with the rapid evolution of internet finance (Cui, 2024). Internet finance is an increasingly used term meant to describe the digitalization of future economic components and driving forces. It is the use of big data to improve processes such as default probability, credit assessment or risk pricing which are complex to achieve through traditional finance (Guan et al., 2022). The emergence of new FinTech services worldwide works as accelerators for rapid development of the internet finance sector. This development highlights both the advantages as well as the risks which are associated with unregulated financial innovations (Cui, 2024). Sensible and wise regulation should concern banking institutions first hand because of the moral hazard connected to deposit insurance and state backing (Di Noia et al., 2009). This perspective suggests targeted regulation focusing on institutions which have the capacity to give rise to systemic risk (Di Noia et al., 2009).

Global governance in financial markets is described as an important factor in the work to prevent financial instability (Di Noia et al., 2009). A lot of changes have been made because previous failures have been put into practice under the Financial Stability Forum (Di Noia et al., 2009). The Financial Stability Forum, in 2009 transformed to the Financial Stability Board, is a central programme for international financial regulatory coordination (Clarke, 2014). The conversion in 2009 emphasized the importance of international collaboration regarding financial governance (Clarke, 2014). The Financial Stability Board's collaborative efforts can be seen as a result of dissatisfaction with already existing regulatory mechanisms, the demand for expertise as well as the aspiration to foster transparency in multinational coordination. This initiative brought together finance ministries, central banks and regulatory authorities and was of great importance

in encouraging a more open dialogue and innovation through strengthened global supervision (Clarke, 2014).

Calomiris (2009) explores how financial regulation, financial innovation and reform, affect each other and how policies may sometimes foster or in other cases hinder innovation. Effective financial regulation should align various relevant parties, bankers and regulators, incentives, in order to promote responsible management of risk and thereby financial stability (Calomiris, 2009). As instability connected to human failings and policy problems were two of the factors contributing to the subprime mortgage crisis beginning in 2007, such alignment is crucial in order to prevent similar issues from occurring in the future (Calomiris, 2009). Examples of groups of policy reforms which have been suggested to deal with issues of policy deformations which were factors giving rise to the subprime turbulence are micro prudential regulation, macro prudential regulation, transparency in derivatives transactions and stockholder discipline (Calomiris, 2009). These four groups of reforms, together with a lot of others, aim to reduce the costs of disfigurements connected to government manipulation of markets and agency problems. Micro prudential regulation concerns new smarter ways to regulate banks, specifically focusing on enhancing management and clearer measurement of risk (Calomiris, 2009).

One example of a reform in micro prudential regulation is using loan interest rates as a measurement to determine the risk weights which are applied to loans when they establish minimum capital requirements (Calomiris, 2009). Macro prudential regulations are used to find new innovative ways to set standards for bank capital and liquidity with the purpose to reestablish the natural procyclical propensity of bank equity ratios (Calomiris, 2009). An example of concrete reforms is to correct the government's habit to discourage banks to budget for increased capital during booms (Calomiris, 2009). Stockholder discipline reforms aim to eliminate barriers of bank management for stockholders which will lead to improved risk management and governance (Calomiris, 2009). Lastly, transparency in derivative transactions reforms will promote enhancements in counterparty risk management. It will also improve transparency in over the counter and off exchange trading (Calomiris, 2009). Greater transparency will lead to market stability by reducing systemic risk (Calomiris, 2009).

History shows that regulation and innovation within the financial industry are linked to each other in an evolutionary process of games. The players of the game determine which strategy

they want to use to establish stability and further development in the sector (An et al., 2021). The evolutionary game theory analyses how players adapt their choices based on previous experiences and outcomes, illustrating an imbalance between financial regulation and financial innovation, explaining how it is an important factor leading to the financial crisis. This perspective deepens the understanding of how financial regulation and financial innovation are interconnected based on how they adjust their strategies in accordance with previous interactions (An et al., 2021).

Regulatory frameworks are fundamental when paving the way for financial innovation (Buckley et al., 2023). The frameworks are key when determining to what extent companies can utilize new technologies and thereby enhance efficiency as well as compliance and security. In FinTech regulation specifically, there is a fine line when balancing financial stability and stimulating innovation. In newly emerged areas within the financial industry such as Artificial Intelligence (AI) -driven financial services, digital banking and block chain technology, regulations are a huge influence on strategic decisions. Buckley et al. (2023) presents RegTech as an emerging player in the financial industry. Various RegTech solutions enable organisations to automate the handling of compliance and risk management which will improve transparency in a less burdensome way. While new, more strict regulations may discourage innovation it should also be assumed to create new opportunities by providing clear directions towards improved compliant financial solutions.

2.6 Navigating Financial Innovation in an Evolving Regulatory Environment

Financial strategy and innovation are deeply connected, not the least in organisations which are forced to navigate through complicated regulatory environments (Neff, 2003). Financial constraints can actually shape an organisation's ability to find, develop and adopt new technologies. Organisations have to compare and weigh trade offs between short term financial stability and long term growth with the help of innovation (Neff, 2003). There are cases where organisations have successfully allocated the right resources to R&D regardless of the presence of regulatory constraints, compared to organisations which do not make the same investment in innovation because of poor financial decision making. It is clear that financial institutions'

corporate finance strategies which are forced to adapt to regulatory pressure become more prone to adapt to external change such as new compliance requirements (Neff, 2003).

Lo (2017) has explored the AMH and formulated a hypothesis which presents a concept that redefines financial market behaviour and describes it as a system where all parties, mainly investors and organisations, continuously adapt to changes in regulation, technology and risk. Organisations can gain competitive advantage by adopting a strategy which aims to strategically adjust their business models to changes in the regulatory environment and evolving legal requirements rather than passively complying with the changes. The reason why organisations comply with these changes differently is mainly based on behavioural finance principles such as regulatory arbitrage, decision making biases and risk perception. Additional compliance formulation should thereby not be described as a constraint but rather a dynamic force which is constantly shaping the market evolution (Lo, 2017).

Innovations such as new technologies, decentralized finance, AI-driven risk assessment and digital currencies which each and every one comes with new regulations to take into consideration, are all examples of how financial organisations navigate complex compliance environments while pursuing innovation. Regulatory frameworks thereby do not exist in isolation but they will be integrated and cohabit with new technological and economic factors. By managing this in accordance with the business activities and objectives an organisation can ensure both regulatory compliance and competitiveness in the market (Mathis & Almarzoqi, 2023).

3. Methodology and Research Design

This study implemented a qualitative research approach. As the research question had an exploratory nature and the focus was to understand the interviewees perceptions, a qualitative method was well suited for this study as it enabled deeper insights to complex dynamic, processes and interpretation a qualitative approach supported the aim of providing a more nuanced understanding of how financial regulation interacts with innovation efforts (Bell et al., 2022). The research design was divided into two steps: data collection and data analysis.

3.1 Data Collection

The data collection was conducted in order to ensure reliability as well as validity of the research. This study implemented a qualitative research methodology, using semi-structured interviews as research design to acquire deeper knowledge and understanding about the relationship between regulations in finance and innovation in financial organisations.

3.1.1 Primary Data Collection and Thematic Analysis

The primary data was collected through five semi-structured interviews focusing on experienced industry professionals from two financial organisations working with insurance related financial products and alternative investments. Semi-structured interviews were used because they provide flexibility to the discussions, which is key when exploring complex topics while maintaining compatibility (Bell et al., 2022). The first organisation was a Swedish FinTech scale up with solely Swedish clients but working with investments internationally. The second organisation was a financial institution in Lichtenstein, working on a global basis. Both organisations are small in terms of number of employees (less than 50) but large in terms of AUM scale (>3.5 billion SEK AUM). The interviewees worked either in compliance, management or had been with the companies for more than five years. All interviewees were chosen based on seniority and position in the company. In order to facilitate anonymity and also stimulate honesty and directness, the names of the interviews or companies have not been communicated. By guaranteeing the participants anonymity, they were able to share their ideas and thoughts more freely as they did not have to worry about security from external parties.

3.1.2 Interview Guide and Question Development

Before conducting the interviews, a structured interview guide was developed to ensure consistency across all interviews. Each interviewee was asked a core set of questions, with additional questions tailored to their specific role and expertise (see Appendix 1). The questions and guidelines were developed based on the themes identified in the literature review in order to ensure synergies and alignment between theoretical frameworks and empirical findings. Flick and Maxwell (2023) states that qualitative data collection should be structured to enable

directionality and flexibility. By doing this, the interviewer could capture important interviewee perceptions and experiences, while maintaining structure and coherence with the goal.

3.1.3 Interviewee Schedule

The interviews conducted on employees with extensive experience in the financial sector revealed various insights into the focus areas presented in the methodology. The table below (Table 1) summarizes the interviewees background and relevance to the study, highlighting their roles and experiences which were the reason for their valuable insights to the subject.

Interviewee	Title	Time at their company	Company	Interview date	Interview time
1	CEO (former Head of Compliance)	Four years	Swedish FinTech scale up	31st of March 2025	60 minutes
2	COO	Five years	Swedish FinTech scale up	31st of March 2025	60 minutes
3	Head of sales	Fourteen years	Swedish FinTech scale up	1st of April 2025	45 minutes
4	Product director	Four years	Swedish FinTech scale up	1st of April 2025	60 minutes
5	Head of compliance	Ten years	Financial institution in Lichtenstein	9th of April 2025	45 minutes

Table 1: Interviewee schedule: Presenting interviewees acronyms and summarizing their interviewees relevance and participation

Each participating interviewee was chosen based on their specific role and unique experience to the topic. This ensured a diverse but yet targeted set of insights. Interviewee 1 provided a dual perspective as both former Head of Compliance as well as current CEO. This gave the data a long term strategic view on how regulation has influenced innovation in the Swedish FinTech Scale up. Interviewee 2, the COO, contributed with operational insights on how regulation affects coordination, resource allocation and efficiency when scaling a FinTech company. Interviewee 3, with extensive experience in sales, provided insights on how regulatory

environments can shape interactions with clients and how commercial strategy has to adapt to regulatory changes. Interviewee 4 shared valuable insights from a product development perspective, specifically in regard to integrating compliance into innovation roadmaps. Interviewee 5 brought a traditional compliance viewpoint from an international financial institution, giving the discussion a deeper context regarding cross border regulation as well as important frameworks such as the Wolfsberg Principles.

The interview questions were based on three main focus areas. The first one was the interviewees' perceived impact regarding how regulations affect innovation business strategy. This section investigated how regulation influences decision making and also if and how they either motivate or set back innovation initiatives. The second focus area was to identify potential opportunities and challenges in compliance in stimulating innovation. This was done by exploring how financial organisations work with and adapt to complex structures in regulations and if the work employees in compliance do work as a facilitator for strategic growth or rather an obstacle when working with innovation. The third focus area was the significance and potential adoption of technology connected to regulation (RegTech), simplifying the continuous emergence of new rules. This area explored to what extent RegTech is actually helpful in order to enhance efficiency and manage regulatory risk by using innovation. As the Wolfsberg Principles were chosen as an example of frameworks potentially affecting the innovation work of financial organisations, the interviewer's perspective on this was also covered in this focus area. All interviewees had previous knowledge of the Wolfsberg Principles, seeing the principles practical significance in daily activities and their leverage on non-legal activities such as partnerships, customer trust and reputation. The semi-structured interview questions contributed to a more flexible conversation, ensuring that all topics are covered, but interviewees were free to mention other important aspects which may not have been covered in the initial questions. All interviews were documented, either by recordings (with consent) of the conversation or written down answers by the interviewer, depending on how the participants preferred to participate in this study. The recordings were transcribed to ensure a systematic and correct thematic analysis.

3.1.4 Secondary Data Collection

The secondary data helped review and contextualize the findings from the interviews in the primary data collection. Industry articles and books were scrutinized and analysed to find trends

in the relationship between innovation and regulation. The secondary data collection worked as a connection to already acquired information to establish a broader understanding of how organisations work with and adapt to regulatory requirements. Company documents such as answers to the Wolfsberg Principles Questionnaire and policy documentation on how to work with the framework were retrieved by the participating companies and reviewed to find internal strategies for adaptation to regulation in innovation strategies. These documents also deepened the understanding of the interpretation these companies make about financial regulations and based on how they formulate their innovation strategies in accordance with their business model. Together this data provided a sound foundation for the analysis.

3.2 Thematic Analysis

A thematic analysis was used to identify key patterns and other valuable insights from the interviews. The responses presented by the interviewees were categorized into six major themes based on recurring comments and insights mentioned during the interviews. The choice of using thematic analysis was made because of its ability to apply flexibility to the process and generate a rich as well as detailed understanding of the collected qualitative data (Braun & Clarke, 2006; Bell et al., 2022). Thematic analysis can be used for many different research questions as it enables identification, analysis, organisation, description and reporting based on the data (Braun & Clarke, 2006). This ability was important in order to answer the research question by gaining deeper knowledge and thoroughly understanding the relationship between various factors to reach a conclusion and answer the research question. The analysis enabled the findings of recurring patterns and meaningful insights in primary data and facilitated systematic and structured management of the interview material. In order to achieve trustworthy results using this thematic analysis, methodological application is fundamental and was done by following six steps. These steps were generating initial codes, searching for themes, reviewing themes, defining and naming themes and lastly producing the report (Braun & Clarke, 2006). These steps helped maximize the traceability and verifiability of the analysis (Braun & Clarke, 2006).

The table below (Table 2) presents the thematized insights from the semi-structured interviews as well as their corresponding codes and connection to the literature presented in the literature review. Through the thematic analysis, six key themes were identified. These themes were later

synchronized into three broader focus areas presented in the empirical findings section. This thematic grouping enabled a deeper and more comprehensive understanding of the data, while the focus areas allowed a more structured and analytical framing of the data in relation to the research question. Thereby, the six themes played an important role as detailed analytical components which were later grouped together to provide a clear alignment with the research question, ending up with the three focus areas: Regulations' Impact on Business & Innovation Strategy, Compliance as a Barrier or Enabler of Innovation and The Role of RegTech.

Theme	Code	Interview insights	Sources
Dual impact of financial regulations	Regulation restrict / Regulation drive	Initially, regulations restrict innovation because of high company demands. However, it can also drive innovation and build trust in the long term. (PSD2).	An et al. (2021); Kim et al. (2013); Yang (2022); Allen et al. (2022); Calomiris (2009)
Balancing Compliance and Growth	Growth vs. compliance / UX compromise	Initially heavy focus on compliance, now shifting to simplifying external UX while maintaining underlying complexity.	Allen et al. (2022); Sant'Anna & Figueiredo (2024); Kim et al. (2013); Rossi et al. (2021)
Strategic Impact and Risk Appetite	Strategic impact / lower risk appetite	Regulation is central to strategic decision making. It might delay product development and reduce risk appetite. More flexible structures needed.	Clarke (2014); Lo (2017); Yang (2022); Buckley et al. (2023)
Compliance as Innovation Driver	Compliance innovation / RegTech advantage	Regulation and compliance lead innovation in digital solutions. Gain competitive edge by adopting RegTech early.	Cui et al. (2024); Goldstein et al. (2019); Buckley et al. (2023); Di Noia et al. (2009)
Central role of RegTech	RegTech importance / RegTech ROI	RegTech can automate screening and additional due diligence. It can also improve data quality and reduce manual labor. Integration is a challenge.	Buckley et al. (2023); Guan & Gao (2022); Mathis & Almarzoqi (2023); Goldstein et al. (2019)
Wolfsberg principles	Trust building / voluntary compliance	Trust, customer protection and ethical behaviour is fundamental.	Haynes (2004); Maggetti (2014); Fowler (2022); Kim et al. (2013)

Table 2: Thematic insights from interviews, key codes, key findings, and connection to relevant literature.

3.3 Limitations of the Study

The study had a few potential limitations which are important to be aware of as they might have affected which conclusions were drawn and to which extent the results can be generalized and used in future research.

3.3.1 Limited Sample of Companies

The first one was the limited sample of companies included in the research. The interviewees were from two different companies, working with similar products and services within the financial industry, namely insurance-related financial products and alternative investments. Four out of five interviewees were from the same Swedish fintech company. The reason for this was mainly access to relevant people to include in the study. The similarities in products might have exposed them to similarities in experiences and strategic responses to various financial regulations historically, including the Wolfsberg Principles. This however, might be true for this particular type of business and was thereby still assessed to be interesting for the study. This also means that the results of the study may not be directly applicable to more traditional banks or pure securities firms, but more insurance companies and FinTech companies. The representation therefore might make it difficult to draw general conclusions connected to the entire financial sector when it comes to financial regulations' effect on innovation.

3.3.2 Limited Sample of Frameworks

As the study focused mainly on one framework, the Wolfsberg Principles, as an example of a non-binding self-regulatory framework the broader regulatory landscape and its effect on financial innovation was therefore limited. The explorational depth could have been improved by including additional frameworks and regulations. Although the Wolfsberg Principles have a significant impact when working with AML and CTF, there are multiple regulations and self-regulatory initiatives and other standards which can influence the innovation efforts. Therefore, focusing only on the Wolfsberg Principles may have led to missed explanations to how various guidelines affect innovation. Some frameworks may also affect the innovation strategies differently in comparison to others depending on content of the frameworks.

3.3.3 Limited Geographical Scope

Another potential limitation was the limited geographical scope as the primary data covered only companies in Sweden and Lichtenstein which limited the possibilities of generalizing the results to companies located outside of Europe. Sweden was mainly chosen because of the access to knowledgeable people to interview while Lichtenstein was included because of its unique perspective being a highly regulated and internationally exposed financial center, handling cross border transactions and adherence to global frameworks such as the Wolfsberg Principles. Even though the Wolfsberg Principles are globally recognized, naturally, regulatory environments differ between various jurisdictions because of different political priorities, legislations and economic conditions.

3.3.4 The Time Aspect

Finally, the time aspect might have been a limitation as changes in regulations and innovation occur continuously and the change over time may therefore not have been captured. As the interviewees have worked in the industry for a long time, some historical effects and development might have been captured anyway.

Even though various potential limitations were identified in the study, the data collection, discussion and results can still contribute to valuable insights on how regulations and self-regulations, exemplified by the Wolfsberg Principles can have an effect on the innovation efforts in financial organisations working with insurance related products and alternative investments. The study was built on the already existing research on the relationship between regulations and innovation and built a good foundation for future research where a larger sample of companies, regulations and countries are included.

3.4 Credibility, Transferability, Dependability and Confirmability

Trustworthiness can be explained by dividing the meaning into four separate concepts: Credibility, transferability, dependability and confirmability (Nowell et al., 2017). In order to ensure credibility, prolonged engagement with the collected data material was performed through transcription and repeated reading to really understand the perspectives of the interviewee. Also data triangulation was used by collecting both primary data and secondary data, which

strengthened the analysis by examining the research questions and focus areas from different angles. Peer debriefing was used in the form of monthly meetings with supervisors and peers which provided external continuous checks on both the process and analysis. Dependability was addressed by clear documentation of the research process including the data collection, coding, thematic development as well as the actual analytical decision. A thematic analysis table (Table 2) and a record of interviews (Table 1) were presented and contributed to the traceability of the analysis. As for confirmability, the thematic analysis ensured that the interpretations made based on the collected data are actually and clearly derived from the material at hand. By frequently returning to the raw data and comparing to the development of the analysis referential adequacy was tested which guaranteed that the conclusions made were grounded in the data collected (Anney, 2014).

3.5 Ethical Consideration

This study was conducted with consideration of various ethical principles. Firstly, informed consent was obtained from all interviewees before the interview. The purpose of the study, the usage of data and the right to withdraw their participation was also presented before the interview was conducted. Anonymity was guaranteed in order to encourage honesty and protect the interviewees integrity. The names of the participants and companies were not communicated externally. The results were presented to contribute to a deeper understanding of the relationship between regulations in the financial industry and innovation strategy.

In terms of researcher reflexivity, I, as the researcher, recognize that my own background and perspectives may have influenced the perceptions and interpretations of the qualitative data collected. During the process of data collection and analysis, I have continuously and actively reflected on my various assumptions and how they affected the interview questions, conversations and analysis. This effort has been addressed with the assistance of peer discussions and supervisory feedback throughout the process. The aim has been to approach the data with sensitivity and authenticity in order to allow the themes to emerge from the experts' experiences entirely.

4. Empirical Findings

This section presents the empirical findings from the semi-structured interviews with experts from the financial industry, all operating in extremely complex regulated environments. The data collected was organised thematically in accordance with three main focus areas previously identified: Regulations' Impact on Business & Innovation Strategy, Compliance as a Barrier or Enabler of Innovation, and The Role of RegTech. These three themes reflect the complexity of the interaction between regulation and innovation in practice. The themes also illustrate the various perceptions, experiences and interpretations held by industry experts. Each section includes data from the interviews as well as direct quotes to illustrate specific core insights observed.

4.1 Focus area 1 - Regulations' Impact on Business & Innovation Strategy

The first focus area explores how financial regulations can influence innovation strategies as well as business models in financial organisations. The interviewees' insights opened up for discussion about a dual nature of financial regulations as they can be perceived in different ways. Short term, interpretation and implementation of new regulations might be a burden for the company, but long term they can play a fundamental role in shaping trust among customers. This is summarized by interviewee 4 with the following quote:

“Regulations have the ability to both be a limitation as well as a guiding compass” -

Interviewee 4.

Factors which might impact the perception of how regulations affect the innovation strategy include interpretation of complex structures, the speed of change in the regulatory environment and the difference in capacity when comparing smaller firms and larger institutions. This idea is captured well by interviewee 2 who said during the interview:

“Interpretation is the most difficult part, especially as we operate between insurance and banking,” - Interviewee 2.

Effectively interpreting and implementing new regulation can be used as leverage to enhance operational resilience and create new business opportunities. The interviews shine light on a potential shift in how financial regulations impact business and innovation strategy.

Interviewee 4 states that regulations have the ability to both be a limitation as well as a guiding compass. Regulations can define restrictions but also focus a company's efforts on building trust. They mention that the company has learnt how to use regulations as a tool in the work concerning product and business development. Interviewee 5 has a stronger perception on how regulations affect innovation. The interviewee finds regulations are very restrictive to innovation especially when working internationally where the regulatory landscape may vary between countries. The extensive strictness of regulations requires a lot of reporting effort not only for larger institutions but also smaller companies.

"I wouldn't say compliance is an enabler of innovation. It tends to slow things down."- Interviewee 5.

Interviewee 2 divides the answer into two sections, long term and short term. In the short term, financial regulations will have a major impact as a lot of resources will be diverted to compliance work and internal processes adjustments. These resources could have been utilized to improve the customer experience for the end user. In the long term however, regulations may also be able to contribute to innovation. Some regulations may even help enhance customer value by ensuring security and formality. Other regulations however are explained as more difficult to interpret and therefore also to implement and adapt to. One example mentioned is certain sustainability regulations. Interviewee 2 describes that the most difficult thing is the interpretation of new regulations, especially in the Swedish FinTech scale-up as they operate between insurance companies and banks. Interviewee 3 also believes that financial regulations can act as both opportunities as well as restrictions for the business innovation work. There is a large risk that new regulations act as restrictions rather than opportunities initially, sharing the opinion with interviewee 2 that regulations will absorb a lot of resources in certain areas in the short term.

"New regulations act more like restrictions than opportunities in the short term." - Interviewee 3.

Interviewee 3 says that when beginning implementation of new regulations close to the time when they have to be completely integrated in the business limits the time for innovation. The interviewee believes new regulations affect product development and customer service/security more than sales on a general level. A lot of effort also goes into aligning various internal policies and other documentation to new regulations. If more time was made available to prepare the implementation, this could allow leverage of regulations to find new business opportunities rather than the sole focus on compliance. Interviewee 1 presents both positive and negative aspects of the increasing number of regulations in the financial industry. One positive aspect discussed was the consumer protection, which improves with further specified rules for the financial organisations. The negatives include the general slowdown of innovation work. The company aims to be both proactive as well as efficient in planning, interpreting and implementing new regulations. However, factors such as uncertainty and complexity can often hinder the speed and innovation.

When discussing specific examples of how the interviewees respective companies balance regulatory compliance and business growth, multiple unique examples emerged. Interviewee 4 introduced the website onboarding where the initial aim was to create a quick process for business growth but ended up with a very complex process because of the requirements on customer due diligence, needs assessments, source of funds and knowledge tests.

“Product development might be postponed based on uncertainty or ambiguity regarding compliance interpretations and risks,” - Interviewee 4.

This issue was tackled by introducing UX projects which would make the still complex process feel simpler by being more user centered. This solution will create a gradual shift from a heavy compliance focus to a user centred approach from an external perspective while still remaining compliant internally.

“We’ve learned how to use regulations as a tool in product and business development.”- Interviewee 4

Interviewee 5 presents more general ideas on how compliance actually is actively involved in all parts of the organisations which is why it is important to balance the attention to the right departments at the right time. In product development for example, compliance can reject or

perhaps suggest adaptations for new ideas. Their role is also to set clear boundaries, especially for sales, while not being too restrictive to hinder the business growth

Interviewee 2 states that their company collaborates with multiple partners who do not necessarily hold their own financial licenses. This may lead to some compromises in customer experience in order to meet all additional requirements which emerge in conjunction with taking in new partner companies. One example is when physical forms or phone based assessments are needed instead of digitalised online flows. Specific examples of compliance steps which may lead to declining business opportunities are suitability assessments and source of funds checks. Another example where balance needs to be found to satisfy heavy regulation and business opportunities is in the crypto space because of the high scrutiny and criticality. This might lead to slowing down the scaling of this area while also relocating more resources to compliance. Interviewee 3 mentions that they are operating in a heavily regulated industry, namely the finance and insurance sector, while they are also in an extensive growth phase. Because of this, they need to focus a lot on prioritising compliance in order to have a good foundation to stand on when growing the company even bigger. As previously discussed, a lot of focus and resources has historically gone into compliance. Even though the company has invested in further resources for customer relations, regulatory compliance still is and will continue to be a priority. Interviewee 3 states that their early implementation of strict AML, KYC and CTF regulations has given them a clear advantage in relation to other companies in the same field and has been an important strategic response to a rapidly changing regulatory environment.

Interviewee 4 states in the interview that regulations have always been part of the product roadmap planning. Product development might be postponed based on uncertainty or ambiguity regarding compliance interpretations and risks. Requirements to follow new regulations can however also act as a catalyst for innovation, one example mentioned was more extensive reporting systems. Compliance is recurrently explained as a top priority in both strategic decisions, mostly because of international partners requirements. The compliance lead for the insurance company in Lichtenstein believes that new evolving regulations definitely affect the organisation in various ways. The changes demand more resources and additional internal measures, which similar to the Interviewee 4's description, has been a top priority.

Interviewee 2 explains how their operations as a FinTech company with a digital dynamic platform, is dependent on flexibility in order to achieve quick adaptation. Therefore, tools for general purpose reporting have been developed to be able to adjust. However, these types of tools are considerably more expensive to design. Interviewee 3 explains how some regulations do affect decision making on a management level by forcing them to focus more on regulatory implementations, especially connected to the digital platform which contains a lot of customer data. However, there are other types of non-financial regulations which also influence strategy and decision making, various tax legislations for example. Interviewee 1 always includes regulation in strategic decision making. It is key to thoroughly understand the meaning of the regulation and regulatory landscape it acts in before moving forward with new decisions. This is fundamental to avoid making costly mistakes. According to interviewee 1, regulatory frameworks set the main direction for the entire roadmap.

Interviewee 4 describes themselves as a risk-averse person regarding regulations. She explains how mistakes can be very costly and a strong regulatory foundation is key when building an innovative and robust product. It is important to prioritise customer protection from the beginning to ensure customer security when the company grows and they might face greater regulatory scrutiny. Interviewee 5 says that their risk appetite has decreased especially when choosing new business partners for their business. Compared to earlier, they now work with fewer partners in less regions, focusing more on quality than quantity in order to remain in control. Interviewee 2 also described the risk appetite as lower because of all the risks they have to manage. They have invested in extensive IT resources to establish a dynamic onboarding for clients and a trustworthy platform for partners. Interviewee 3 emphasizes the company's high adaptability as well as reliance on a strong compliance function in order for management to feel secure about regulatory changes in the future. Clear rules are described as positive for the financial industry rather than threats. Interviewee 1 is conservative regarding regulatory risk as she wants for the company to build a sustainable and compliant solution long term. Investing time and resources upfront for a solid compliance foundation is essential to scale responsibly.

“Long-term, we aim to build sustainable solutions that are fully compliant. This may take more time and resources up front, but it pays off.” - Interviewee 1

The biggest challenge according to interviewee 4 is in product development. Keeping up with the pace and keeping down time to market while still interpreting and following new rules is difficult. Interviewee 5 however believes the way to minimize challenges can be done by minimizing the amount of different products, allowing them to streamline requirements. According to interviewee 2, another important challenge to focus on is interpretation. From a partnership perspective, ensuring consistent interpretation of regulations as well as application towards partners is crucial. This applies even to smaller companies as they are subject to the same, sometimes very complex regulations, as larger financial institutions. Interviewee 3 believes that the biggest challenge is to ensure that all regulations are understood and implemented by all departments and employees on a day to day basis, not just formulated in policies by the compliance department. Interviewee 1 highlights the high pace of regulatory change as one of the main challenges as it can often be faster than companies ability to adjust internal processes.

Regarding the preparation process for adapting to new regulatory changes, interviewee 4 explains how their company relies a lot on their main partners in areas such as monitoring, interpreting and updating new regulations. By combining multiple representatives from various compliance departments, they can increase the understanding and streamline regulations into practical tasks. Interviewee 5 also puts a lot of trust in external stakeholders, specifically financial authorities providing special training early in the process of releasing new regulations. Close collaboration with the financial authorities allows clear communication and continuous updates about the changes in the regulatory environment. Another way to prepare for and adapt to changes according to interviewee 2 is to create a dynamic and innovative culture and maintain a flexible environment and thereby being able to welcome new processes not just in internal systems by entire organisational strategies. Versatile employees who enjoy adapting across functions are key to achieve this. Both interviewee 2, interviewee 1 and interviewee 3 mentions the importance of being able to consult with law firms or specialist companies when needed.

“Our compliance team translates new requirements into practical tasks, working closely with IT, operations, and external legal advisors.” - Interviewee 4.

Further comparison of the interviews reveals convergence as well as divergence in how the perception of how financial regulations shape business strategies and innovation. Interviewee 4

and Interviewee 1 agree on the fact that regulation should be accepted as a long term enabler of structure and trust. Both interviewees describe compliance as a guiding function which can support sustainable scaling if implemented correctly and early on in the product development. With a background in compliance, interviewee 1 emphasizes how companies in finance can formulate a strategic roadmap and risk posture by achieving regulatory clarity. In contrast to this perspective, interviewee 5 is more critical and talks about regulations as constraints which mostly consume resources and to some extent therefore hinder innovation. She emphasizes the difficulties small companies experience when having to adapt to complex regulatory structures, initially introduced to manage risks around larger banks.

Interviewee 2 and interviewee 3 have a rather pragmatic perspective on this first focus area, meaning that regulations initially divert resources from other crucial activities connected to customer-centric innovation opportunities. Both interviewees underline the operational burden which emerges when interpreting new regulations, especially when the implementation timeline is short. However, both interviewees also stress that overtime compliance can create competitive advantage on the market. Interviewee 2 specifically mentions the challenge of interpretation between the company itself and partners, while interviewee 3 stresses the challenges of internal alignment internally.

It is clear from the interviews that most representatives from the financial industry in this study, chooses to divide the Regulations' Impact on Business & Innovation Strategy into two sections, long term and short term, where the short perspective is described with words such as resource intensive and costly, and the long term perspective is explained with words such as proactive leverage, trust and efficiency. However, balance between the long term and short term perspective is dependent on the role of the interviewee and their operational scope. Strategic managers mostly see regulation and compliance as necessary to achieve innovation long term, while compliance focused roles experience more of the friction and challenges, working with the everyday implementation.

4.2 Focus area 2 - Compliance as a Barrier or Enabler of Innovation

This focus area presents the interviewees perspective on the complex relationship between innovation and compliance in the financial industry. One key theme emerging from the interviews was the ability of compliance being both a hinder as well as a stimulator for innovation. Its characteristic is dependent on how the business approaches and integrates the new regulation. Multiple interviewees explained compliance as a strategic enabler and deeply necessary in order to be innovative. They argue that compliance needs to be merged into the business activities early on in product development in order to enhance efficiency as well as strengthen user trust and ensure long term scalability. Challenges with new regulations may lead to development of completely new technical solutions.

However, a few interviewees also lifted the characteristic of compliance being more of a barrier rather than an enabler of innovation. It has a tendency of delaying innovation, especially for smaller companies, as they have to deal with a lot of administration, following the same rules as the larger banks and institutions. Despite this cautionary perspective, recognition of the possibility for compliance to improve internal processes is present. The interviewees' idea about the nature of compliance was decided based on whether they saw it from a long term perspective or short term perspective.

One topic which emerged as key in the discussion about compliance playing the role as a barrier or enabler of innovation was the trust building function of compliance. By following new complex regulations and finding new innovative solutions to maintain a certain standard, the company can foster confidence not only among customers but also partners and other stakeholders. While compliance can sometimes impose constraints, it seems it can sometimes also create new pathways for sustainable innovation.

“Compliance is key to building trust—both with clients and partners. If we can demonstrate that we take compliance seriously, it strengthens our reputation. It also makes it easier to work with banks, insurance companies, and other stakeholders. In the long run, trust is what helps us grow sustainably.” - Interviewee 1.

Regarding the distinction between whether compliance can act as a driver or a constraint of innovation work, multiple perspectives were brought up during the interviews. Interviewee 4 is a strong believer that compliance can be a strong driver of innovation by creating new opportunities to introduce third party services or create new solutions internally. She explains that their entire platform was created because they needed to find a new efficient way to handle requirements within source of funds and KYC for example. Interviewee 5 on the other hand is of a completely different opinion. She does not think that compliance can be perceived as an enabler of innovation, as it usually only slows things down. However, she also believes that once established processes to meet requirements of new regulations are in place, operations usually improve efficiency overall in the organisation. She also believes that it is better to have a more regulated product long term because of lower risk. With that being said, compliance might be helpful to facilitate more informed decisions, but it is for sure not a driver of innovation. Interviewee 2 once again divides their answer into long term and short term saying that compliance can be a constraint short term but it supports stronger relationships to customers long term. The ability to innovatively solve compliance leads to market advantage for the company and will also create higher barriers to entry for other companies. Interviewee 3 is positive towards some regulations which open up new business opportunities through increased exchange of information, while others seem intentionally restrictive. Interviewee 1 is, as interviewee 4, positive towards the idea of compliance being a drive for innovation when embedded in the development process. Examples used in their organisation are automated risk assessments and client onboarding which has improved both user experience and efficiency.

“Compliance can drive innovation when it’s embedded into the development process. [...] These solutions came out of compliance requirements but ended up improving efficiency and user experience as well.” - Interviewee 1.

When speaking about the compliance related challenges which have had the most impact on the companies innovation efforts, interviewee 4 explains that the additional requirements on source of fund documentation has been one of the major challenges. The reason being that it has created friction between the onboarding process and user experience. This however has led them to explore further automation and logic based solutions. Interviewee 5 contributes with a broader perspective, saying that the biggest challenge is that they as a smaller company are required to

follow the same rules as the larger banks for example. Interviewee 2 also brings a broader interpretation of the topic, saying that the interpretation as well as general implementation of new regulations is the most challenging part. Interviewee 1 mentions multiple challenges where the increased complexity in customer due diligence is presented as one of the main challenges affecting the business. This aligns with interviewee 4's description of the major challenges.

Regarding the discussion on how compliance can contribute to building trust in the industry, all employees in the Swedish FinTech company mention how they use their extraordinary compliance to build trust among customers, as the wealth management space in general is completely built on trust. Interviewee 3 explains that staying updated on new regulations, being able to provide clear and correct answers makes customers' decisions much easier and creates more business opportunities and long term value. Interviewee 1 and interviewee 5 also brought up the utter importance of trust among business partners. Transparent communication with external stakeholders and consistently demonstrating compliance has led to long term sustainable growth and an easier onboarding process for new partners overall reinforced trustworthiness. Interviewee 4 however, who is working a lot with improving the digital onboarding process for clients, also stresses the fact that clients do not always see the AML benefits, no matter how important they are for all parties.

“The difficulty lies in getting clients to provide the information. This creates friction in onboarding both new and existing clients, which negatively affects their user experience.” - Interviewee 4.

“Though clients don’t always perceive the compliance aspect as enhancing anti-money laundering, partners certainly do.” - Interviewee 4.

On similar topics, interviewee 5 was specifically asked about the strategy to ensure that compliance processes remain flexible to make sure business agility is not hindered. She explained how the department tries to implement the new rules early on and inform all staff in the organisation about the changes. Tools which have emerged and become more important in recent years are automation and digitisation. One concrete example is their semi-automated risk scoring tool, moving away from manually handled checklists.

Lastly on the topic of compliance being a barrier or enabler of innovation, interviewee 4, states that compliance is part of every single project, from the beginning to the end, and initially creates a huge threshold to initiate a project, but will later become an advantage in having implemented it so early in the process.

The interviews revealed a contrasting and nuanced nature of compliance being both perceived as a constraint and a catalyst of innovation. Interviewee 4 and Interviewee 1 both put compliance in the enabler position, stating that it serves a fundamental starting point for most innovation efforts. Interviewee 4 specifically gives examples of the development of the digital onboarding tools and automated compliance checks, which was initiated as a response to challenges connected to new regulatory frameworks. Interviewee 1 mentions the automated risk assessments as an example of new innovative functions emerging from changes in the regulatory environment.

Interviewee 5 however, describes compliance as more of an obstacle which needs to be handled. Although long term benefits may improve processes and reduce risks, compliance mainly slows down innovation. She is however once again clear that structured compliance processes, automation for example, eventually will improve efficiency in operational activities and support decision making in the organisation.

“It (compliance automation) has increased efficiency and, in turn, reduced costs. Time saved can be reallocated to other areas. In fact, the savings on labor costs exceed the cost of these services.
“- Interviewee 5.

Interviewee 2 and interviewee 3 once again bridge the gap between the other interviewees' perspectives by dividing the question into long term and short term and describing it as a temporal tension. In the short term, compliance is a barrier and will most likely constrain agility in the organisation, while seen from a long term perspective, compliance will enable strategic differentiation. Interviewee 3 has a slightly more selective approach, saying that some certain regulations can create new opportunities while some just limit innovation efforts by design.

Trust was repeatedly mentioned during the interviews and emerged as an unifying concept as all interviewees mentioned the importance of compliance when building credibility, no matter if it is clients, partners, or other stakeholders. It is still unclear however, whether the interviewees

believe that the increased trust actually justified the burden on innovation efforts. Interviewee 4 even mentions some cases where the compliance efforts creates a customer disconnect rather than increased trust, as additional AML-related benefits may just be perceived as a burden to some clients. Once again the perception of the role of compliance, being either a barrier or enabler of innovation, is dependent on the interviewers roles in the organisation. The definition changes slightly depending on if we ask someone working with operations, product development, sales or regulatory concerns on a daily basis, as well as if they interpret the question as referring to long term or short term impact.

4.3 Focus area 3 - The Role of RegTech

RegTech was continuously discussed in conjunction with the aimed semi-structured interview questions and was presented by the interviewees as an increasingly central part of the digital infrastructure in finance. It acts as a support to the integration of new regulations into everyday business activities. RegTech may be an opportunity for companies to enhance efficiency and accuracy of various companies' processes. It can also play a key role if a company wants to scale up their business. Some interviewees explained RegTech as an integrated part of their core business offering, rather than an external additional tool. The interviews also present an overlap between the interviewees perception of RegTech and InsurTech. RegTech may enable companies to achieve streamlined development of new product features, logical structure and automation.

RegTechs role in financial companies is well acknowledged in the interviews, specifically in improving data quality, minimizing manual work and lowering costs long term. Therefore, although implementing RegTech may come at a price, long term savings will be achieved in terms of faster work flows and freeing up resources for more advanced, value added tasks.

Despite all potential positive roles of RegTech, the interviews also reveal ideas about bigger challenges including high cost of integration, difficulties in demonstrating return on investment and guaranteeing compatibility with current product infrastructure. If RegTech is implemented correctly, with the right metrics evaluating the results, it may be a useful asset in supporting business growth.

All employees in the FinTech company describe RegTech as a support function to their main products and services as it enables them to integrate compliance directly into back office workflow and risk categorization. However, the product developer and interviewee 1 would describe their main business profile as InsurTech, operating to some extent in the RegTech space. Interviewee 2 describes various RegTech solutions as important tools for scalability and expects them to solve a lot of issues with complicated onboarding in the future. Similarly to Interviewee 2, interviewee 1 said that RegTech integrations save time, improve accuracy and reduce a lot of manual work, enabling scaling without compromising compliance. Interviewee 5 has a slightly different perspective on the role of RegTech, seeing it more as a tool to improve data quality rather than scale the business operations.

“That’s our long-term vision—to ensure scalability. Without our platform, onboarding would be extremely complicated. RegTech plays a vital role in enabling scalability.” - Interviewee 2.

“We use RegTech wherever possible to improve data quality, speed, and efficiency. It serves as an additional resource and helps us ensure high-quality results.” - Interviewee 5.

The role of RegTech in relation to reducing costs in the organisations is fairly constant throughout the interviews as they according to the majority of interviewees has reduced the need for manual follow ups and improved quality, minimizing the risk of having to go back for correct errors in retrospect. For most interviewees, the increased efficiency is synonymous with reduced costs as it allows them to reallocate time to other bottleneck areas. While interviewee 5 confirms that it is more expensive with these new RegTech solutions, both them and interviewee 3 say that operations become faster, more accurate and thereby savings in labour costs exceed the cost of RegTech services. Interviewee 1 and interviewee 2 state that despite the upfront investment, RegTech is most likely going to reduce long term cost provided they are integrated correctly.

“It has increased efficiency and, in turn, reduced costs. Time saved can be reallocated to other areas. In fact, the savings on labor costs exceed the cost of these services.” - Interviewee 3.

As previously mentioned regarding the high costs for implementing new RegTech solutions, this is seen as the main barrier when having implemented RegTech solutions previously according to interviewee 5, while interviewee 4 explains how developing a product which is compatible with RegTech solutions has been the major barrier historically, despite great development in APIs.

Interviewee 2 stated that the main barrier sometimes can be to demonstrate business value and return on investment to senior leadership, as the RegTech solutions sometimes are important to development but invisible to external parties.

“A key challenge is demonstrating business value and ROI to senior leadership. Development work is invisible—no one notices it when it’s working, but the problems become very noticeable if we don’t invest. Communicating the importance of these tools to stakeholders is hard.” - Interviewee 2.

Additionally, interviewee 2 explains how return on investment for RegTech solutions is evaluated on binary terms, meaning they both look at if they meet compliance requirements but also on efficiency gains. Some new solutions may only satisfy pure compliance needs, while others are also evaluated by looking at metrics such as time spent per case in relation to resource saving or financial return.

Interviewee 5 also mentioned how RegTech has impacted everyday activities such as due diligence, reporting and assessment processes, and has improved data quality after various issues with manually handled processes.

“Implementing RegTech in their reporting systems has been a game changer” - Interviewee 5.

Lastly, Interviewee 4 explains that for every new feature developed in their product, potential necessary RegTech solutions are considered early on to ensure that automated and logically structured compliance is secured from the beginning.

“For every new product or feature, we think about what compliance checks are required. We aim to automate these checks where possible and build them into the user journey. [...] This logic is part of our design and development from the start. Regulation is part of everything we do.” - Interviewee 4.

The role of RegTech was discussed in all interviews with slightly different starting points due to different interpretations of its meaning. All interviewees however, described RegTech as an increasingly central component of digital infrastructure in the financial industry. Everyone was aligned in the opinion that RegTech can be very useful in digitally integrating compliance to business processes to improve data quality and enable more efficient workflows. Representatives

from the Swedish FinTech scale up all mentioned that they choose to describe themselves as more InsurTech oriented, but both interviewee 1 and product developer stressed the fact that RegTech is very much integrated in the core business and product offering. Interviewee 2 described RegTech as an essential support function to business scalability by enabling automated compliance integration while still satisfying regulatory requirements. Interviewee 5 mostly presented benefits such as improvements in reporting, assessment processes and due diligence, rather than a long term scalability catalyst.

In regards to the high cost of implementing regulatory tech into already existing internal processes and systems, most interviewees noted the expensive up front investment, but believes that the long term savings by reducing manual work exceeds the initial cost. Interviewee 1 and interviewee 2 mentions efficiency gains and reduced labor costs specifically. On the contrary, interviewee 5 is more critical to the costly upfront investment, as the high cost of integration remains a huge problem for a lot of companies. Interviewee 2 also mentions another obstacle being the difficulties of convincing senior leadership of the return of investment as RegTech impacts are difficult to concretize. Ultimately, both interviewee 2 and interviewee 4 wanted to really emphasize the fundamentality of making use of regulatory tech early in product development in order to ensure logical and sustainable compliance structures. This approach will lead to operational integrity as well as product scalability, reinforcing the idea of regulatory tech as a fundamental, rather than a supplementary, enabler of innovation.

5. Discussion

This section of the thesis analyses and discusses the nuanced and complex relationship between financial regulation, including self-regulatory frameworks, and financial innovation, through the eyes of already existing literature and the previously presented qualitative findings from senior experts in the financial industry. Looking at the three main focus areas from the empirical findings, the discussion will present various conceptual synergies as well as empirical tensions. The aim for the discussion section is to create a foundation to come to a conclusion regarding how regulations affect innovation in the financial industry, ultimately answering the research question:

How does financial regulation shape innovation strategies in financial organisations?

5.1 Regulation as Both a Barrier and Enabler of Innovation: A Dual Role

In the literature review, extensive documentation about the dual nature of financial regulation can be found. Both Yan (2022) and Kim et. al (2013) states that regulation can both hold back innovation due to administrative burdens and costs, but it can at the same time also stimulate innovation by creating new market needs, forcing companies to adapt to changes and find new efficient technologies, such as RegTech solutions. During the interviews, the dual effects of regulation are confirmed. Interviewees from both companies clearly emphasized that when new regulatory requirements are implemented they initially create friction and slow down product development but overtime, this will also foster innovation, especially in risk analytics and compliance automation. The empirical data thereby supports the theoretical framework regarding regulation being able to act both as a barrier and an enabler of innovation. However, the synergies between the literature and the findings also proves that timing as well as context of implementation are fundamental as new regulations are experienced to be restrictive and costly in the short term but pushing innovation over the long term. This finding should be seen as a dynamic insight less explored in the literature and should be considered an empirical contribution.

Interviewee 2s distinction between long term value creation and short term resource strain is in line with Yang's (2022) claim that regulation can both stimulate and hinder innovation depending on factors such as organisational and temporal context.

“In the short term, financial regulations have a major impact. A lot of resources are devoted to compliance and adjusting our internal processes. Without these regulations, we could focus more directly on the end user. However, in the long term, regulations serve an important purpose and can contribute to innovation—especially when they enhance customer value over time.” - Interviewee 2

Interviewee 4 described regulation as a guiding compass, presenting a perspective on how organisations can use it as a strategic lens instead of viewing it as solely a restriction. This can be connected to Kim et al. (2013) who states that regulations, if implemented and utilized efficiently, can improve transparency and trust among stakeholders. The perceived role of regulation can thereby be described as evolving over time and becoming more positive if and

when financial organisations proactively and effectively integrate compliance into their operations.

5.2 Navigating Strategic Tension Between Compliance and Innovation

Compliance and innovation is perceived in the literature as competing priorities or opposite forces. Clarke (2014) and Buckley et.al (2023) presents the idea that new regulations can discourage risk-taking, reduce strategic agility and delay various decision making processes, specifically in smaller firms. The interviewees presented practical examples of how compliance required redesigning customer experience and internal processes which results in the possibility of slowing down time to market or increasing various costs. Managers share their concerns about how compliance focused strategies can compromise the user experience a lot and also affect market responsiveness negatively, even though it is crucial to achieve and maintain market trust. The literature and the empirical findings differentiate slightly because the already existing literature clearly separates regulatory burden and potential of innovation, while the interviewees describe how they are trying to integrate the two. The collaboration between UX-designers and compliance departments is improving in order to find balance between legal obligations and satisfaction among users. Therefore we can conclude that the relationship between compliance and innovation is becoming more symbiotic than historically, and that we will hopefully see compliance as a more integrated strategic function in all parts of an organisation.

All interviewees somewhat describe how their respective companies are constantly trying to balance efficiency, compliance and growth, specifically interviewee 4 who mentions the difficulties when introducing new product design efforts and meanwhile meeting due diligence demands.

“Our original idea was to offer a fast and easy onboarding process. But regulations around customer due diligence, source of funds, needs assessments, and knowledge tests made it more complex.” - Interviewee 4.

This can be linked to Allen et al. (2022) who states that innovation efforts in heavily regulated sectors usually require trade offs, mainly in customer facing activities. Interviewee 3 also stated that regulatory change usually is implemented at the cost of innovation timelines, which is in line

with Rossi et.al (2021) who sees compliance as deciding factor in companies decision regarding expansion readiness. Thereby, compliance should not be seen as only a legal necessity but also one type of strategic design which will most likely affect time to market and the clients experience.

5.3 RegTech

RegTech is explained by Cui (2024) as a strategic lever for companies, enabling them to reduce cost and improve efficiency in operations as well as enhancing decision making by implementing automation. In the interviews similar claims can be found, as interviewees state that RegTech solutions have drastically improved efficiency and also reduced manual labor, especially in operations such as monitoring transactions and onboarding clients. However, the interviewees also mention various challenges which still remain no matter the integration of RegTech. These challenges include proving return on investment to stakeholders and initial integration throughout the organisation and is especially relevant when the RegTech tools require customization to the already existing product. The similarities between the existing literature and the empirical data collected for the purpose of this study confirms the optimism about RegTech while the data also presents an important nuance to the topic in terms of challenges in practical implementation. Successful implementation requires correctly handled change management, internal acceptance of and system compatibility, factors which seem to be overlooked in theoretical and academic frameworks. These findings suggest that the outcome of implementing regulatory tech solutions depends on organisational readiness as well as internal infrastructure alignment.

RegTech was described in the interviews as both a compliance mediator and a strategic investment. Interviewee 1 and 4 emphasize that early adoption is key in order to gain competitive advantage. This is again in line with Cui (2024) as well as Buckley et al. (2023) who describe RegTech as a central factor when managing emerging complex financial and regulatory environments.

“For every new feature, we evaluate which compliance checks are needed and whether the process can be automated or logically structured. Compliance must be built in from the beginning.” - Interviewee 4

Interviewee 2 spoke about the value of developing dynamic reporting tools, regardless of the high upfront costs, as this would improve the agility in regulatory adaptation. This can also be connected to Suriñach et al. (2009) idea about innovation diffusion across organisational units, in terms of technology enabling a quicker spread and adoption of new regulatory practices.

“We’ve designed reporting tools that are general-purpose rather than tailored to a single regulation. These tools are easier to adjust when new regulations come in—but they are more expensive to develop.” - Interviewee 2

5.4. Risk Appetite, Regulatory Adaption and Strategic Response

Lo (2017) argues that regulations influence companies' posture and their willingness to take on risk. Thereby, regulatory uncertainty and scope can drastically reduce companies' risk appetite and courage to try new things and bold innovations. This is especially true for industries such as finance which are so compliance sensitive. However, it can also be interpreted from the theory that compliance formulation with time becomes a dynamic force fundamental for shaping market evolution, and not only a constraint for innovation efforts. One interviewee states that their risk appetite is directly related to the amount and extent of the regulations introduced while the others state that there certainly is a relationship between risk aversion and new regulation but perhaps not a direct relationship. Regardless of the intensity of the risk aversion, it is clear from the interviews that in general, growing risk aversion due to the fear of regulatory non compliance is a fact. It seems that even though opportunities for innovative new projects exist, sometimes perceived risks of penalties or complexity in compliance discourage companies from investing in new projects. This leads to companies choosing a strategy of incremental improvements where the regulations can be more easily controlled. Thereby a slight contradiction is identified between already existing literature and empirical findings as theory suggests that with time, organisations adapt to new regulation with strategic foresight, while the interviewees present a significantly more constrained situation. In practice, regulation thereby mostly discourages strategic risk taking because of uncertainty regarding how new regulations are interpreted or enforced, not because firms lack capacity or expertise to introduce new projects. More predictable implementation of regulations as well as continuous communication between

innovators, regulators and other key stakeholders in the industry should therefore be considered key in order to encourage innovation efforts.

The risk appetite differed slightly among interviewees, showing that they do not share the same attitude towards regulation. Interviewee 5 mentions a clear shift in the number of partners, going toward a more controlled due diligence and picking of collaborations, in order to maintain control of compliance complexity.

“Our risk appetite has definitely decreased. We are now in a more stable position, especially regarding our choice of business partners. Standards are much higher than before. From what we can observe, prior to 2008 and even up to 2012–2015, we had a large portfolio of partners, especially in Germany and Spain. Today, we work with fewer partners in only two or three regions, focusing more on quality over quantity.” - Interviewee 5

Interviewee 1 however, stated that if a strong compliance foundation is invested in and implemented early, it can rather support sustainable growth.

“Compliance is key to building trust—both with clients and partners. If we can demonstrate that we take compliance seriously, it strengthens our reputation. It also makes it easier to work with banks, insurance companies, and other stakeholders. In the long run, trust is what helps us grow sustainably.” - Interviewee 1

These cases mirror the perspective of Lo (2017) and the AMH, suggesting that financial organisations who work cautiously with risk, are more likely to grow in expanding environments. Also Clarke (2014) underscores that financial organisations that implement a strong regulatory culture, are more prone to adapting more effectively. Innovation capacity can thereby benefit from financial companies implementing regulation as a constant cultural and environmental variable.

5.5 Self-regulated Frameworks and Ethical Signaling: The Wolfsberg Principles

The literature review presents the ideas of Haynes (2004) and Maggetti (2014) regarding the Wolfsberg Principles actually being voluntary for companies to comply with, but they should

regardless of this be considered an influential benchmark to signal ethical business and anti-money laundering compliance. The principles contribute to enhanced trust and improved reputation in the financial industry, more specifically among financial institutions. All interviewees, especially the employees with compliance and operational background affirmed the signaling value of the Wolfsberg Principles. Adhering to the principles is seen as a competitive advantage, specifically speaking about services with a client-facing approach. Despite the Wolfsberg Principles importance, interviewee 2 mentions that the principles provide businesses with limited practical guidance on how to use them in innovation efforts, and thereby works more like a symbolic activity rather than operational. There is thereby a clear discrepancy between already existing literature and the data collected in this qualitative study. The literature emphasizes the substantive impact of the Wolfsberg Principles while the empirical findings tell a different story of a more performative function. The difference in perception represents the need for instructions and recommendations on how to practically implement voluntary principles into operational strategies, which is specifically important in innovative environments. The discussion about the importance of regulatory sandboxes (Ringe & Ruof, 2020) may be relevant in the context of the Wolfsberg Principles role in developing frameworks for managing financial risk, and the increased need of merging innovation efforts with robust compliance standards.

The Wolfsberg Principles can according to interviewee 2 be used as a tool for ethical signalling by showing adherence to non-binding regulatory frameworks. It can both strengthen reputational capital and enhance trust among stakeholders.

“It [Self-regulatory frameworks] support stronger customer relationships, which is ultimately beneficial. It creates high barriers to entry, and we believe we have an edge there. These things take time to implement but are worth it. The Wolfsberg Principles, for instance, are a good example.” - Interviewee 2.

Maggetti (2014) also agrees with this statement by explaining how self-regulatory frameworks in fact can be comparable to binding regulatory frameworks due to reputational expectations as well as network dynamics. This shows that compliance with self-regulatory frameworks such as the Wolfsberg Principles, does not only work as risk mitigation but also as a strategy in partner selection and acquiring new customers. This is also in line with Kim et al. (2013) stating that responsible governance enhances confidence for the company among stakeholders.

5.6 Compliance as a Cultural Driver of Innovation

Goldstein et al., (2019) and Mathis & Almarzoqi (2023) suggest that compliance needs to be embedded within the company and its corporate culture in order to research long term sustainable innovation, not only introduce separate processes separate from the core business. Regulatory frameworks should not exist in isolation but be intertwined with all new economic and technological factors. To make this part of the business as a whole and create a long term cultural driver of innovation, companies should invest more in their own innovation instead of being too dependent on others. This perspective is confirmed in the empirical findings as interviewees state that in order for companies to be able to transform new regulation, to efficient compliance fostering innovation efforts, it is key to have a well structured cross functional collaboration within the company. Cultural buy in is fundamental in order to achieve a successful translation of compliance into value generating innovation. Compliance needs to be seen as a shared responsibility within the organisation, across departments, to enable proactive innovation, rather than making it a burden for one department alone. There are clear synergies between already existing literature and empirical findings, which emphasizes the strategic value of making the relationship between regulation and innovation a cultural phenomenon. However, the empirical findings explain how such efforts are very resource intensive both training, communication and leadership wise, factors which are not frequently mentioned in the already existing literature. Interviewees 1, 3 and 4 mentioned that by integrating compliance into the company culture, the perception of innovation will adapt accordingly. Long term thinking is described as key and will lay the foundation for internal trust and cross department collaboration and thereby improve and accelerate solution development.

“A key challenge is ensuring that regulations are truly implemented in day-to-day operations—not just written into policies by the compliance department. It’s important that all employees understand what the regulations mean for their daily work...” - Interviewee 3

This statement is in line with Buckley et al. (2023) in regards to compliance being a living dynamic system and not a static checklist. Thereby compliance can be described as a kind of invisible infrastructure which may be the determinant where regulation will play the role of enabler or constraint of innovation.

6. Conclusion

This study has explored how regulatory frameworks influence innovation efforts within the financial industry, using the self-regulatory framework Wolfsberg principles as an example. The aim of the study was to examine how financial regulation affects innovation by either acting as a constraint or a catalyst. The study has also investigated how financial companies respond strategically to external institutional pressure. By combining already existing literature with qualitative data collected for the purpose of this study, this thesis contributes to a deeper understanding of how financial companies can navigate the tension between new emerging regulatory environments and the need for new innovations.

The first important conclusion emerging from this study was the importance of time perspective. When assessing the impact of regulations on innovation, the study showed that in the short term, regulations are mostly perceived as restrictive and burdensome for the company as it redirects the critical focus and resources from innovative efforts and slows down product development (Allen et al., 2022; Rossi et al., 2021). This is true looking at the initial stage of implementing new regulations as a lot of resources are allocated to administer and achieve technological synergies to guarantee compliance. From a long term perspective however, these new regulations can be transformed into competitive advantages and strategic assets (Yang, 2022; Kim et al., 2013). Financial companies will be able to position themselves as reliable and resilient players by continuously developing robust infrastructure for compliance and thereby also gaining stakeholders' trust. Financial organisations see regulations as tools they can use for guidance on how to build trustworthy and sustainable financial products and services. In conclusion, regulations should not simply be seen as a barrier or constraint but a phenomenon which can over time become an important enabler of innovation, especially if approached with a dynamic and proactive perspective.

This leads into the second takeaway from this study, namely that regulation should not only be seen as an operational barrier, nor should it be seen as a direct driver of innovation. The study reveals that compliance requirements have historically led to the initiation of development of new technological solutions, pushing innovative efforts internally. Lately, new RegTech has been implemented initially to comply with new regulations but also helped financial organisations

streamlining operation systems and enhancing user experiences (Cui, 2024; Buckley et al., 2023). For compliance to be a tool and a driver for innovation long term, it has to be integrated early in the development process and collaboration between departments has to be considered fundamental and actively fostered. Despite a rather dichotomous perspective on the relationship between regulation and innovation in previous research, this study suggests a more symbiotic relationship emerging (Goldstein et al., 2019; Mathis & Almarzoqi, 2023). In organisations which have a more progressive way of thinking, compliance has become a cultural component integrated into the innovation strategies. Implementing compliance as a culture will also enable risk mitigation and competitive advantage. It is however always important to understand and recognize that this adaptation can be very resource intensive and require significant investments in areas such as change management, employee training and general internal alignment.

Lastly, the study concluded that self-regulatory frameworks often function as standards of best practice and industry adopted norms, setting reputational standards for signaling ethical commitment towards customers and partners, despite not being legally binding (Maggetti, 2014; Haynes, 2004). Self-regulatory frameworks, such as the Wolfsberg Principles, have a clear symbolic and strategic function for companies in the financial industry. Despite the frameworks importance, the study reveals a gap between existing literature and empirical findings regarding in clear articulation and case studies of how self-regulatory frameworks actually should be implemented in financial organisations' strategic and operational innovation efforts. While the existing literature describes the frameworks as important and presents them as catalysts for process innovation and ethical alignment, the qualitative data collection indicates a lack of implementation instructions, leading to the fact that the frameworks become more performative than operational. Financial organisations are aware of the reputational value of complying with self-regulated frameworks but need more actional, concrete guidance on how to implement them in order to stimulate innovation instead of solely being used for stakeholder signaling. By collaborating with regulatory organisations, the Wolfsberg Group could play a crucial role in shaping, not only the development, but also the implementation of regulatory sandboxes, establishing alignment between innovation in the financial industry and robust compliance standards (Ringe & Ruof, 2020).

This study has explored the deeply complex and context-dependent dual nature of the relationship between financial innovation and regulation. Regulatory frameworks and self-regulatory frameworks shape compliance behavior and institutional culture, and widely affect technological investment and strategic risk appetite. This study contributes to new updated empirical insights and discoveries to a complex subject, by exploring how financial organisations navigate in ever changing regulatory environments to continuously pursue innovation.

6.1 Academic Contribution

This thesis contributes to the conversation on financial innovation by deepening the understanding of how financial regulations affect innovation strategies in financial organisations. Previous research has examined the tension between innovation and regulation but less attention has been given to a deeper look into the organisation's different departments and roles of employees. The study compares qualitative data collected from financial professionals and already existing literature, in order to reveal that regulatory frameworks and compliance is not only a constraint but also a potential catalyst for technological and financial development, given the right conditions. The study also gives a new perspective on the role of RegTech and how financial organisations interpret, implement, operationalize, automate and leverage compliance to improve internal processes and build trust. Therefore, the thesis contributes to additional theoretical and practical perspectives on how regulations influence strategic innovation, operating in the intersection of technology, finance and governance.

6.2 For Future Research

Future research may build on findings, discussions and analysis presented in this study to gain deeper understanding and formulate more comprehensive analysis of how financial regulation influences innovation in different regulatory contexts, timeframes and organisational models. Additional research can be done on a broader geographical scope, allowing a comparative study of how similar frameworks are intercepted across different jurisdictions and financial systems. To further understand how organisations manage compliance in national as well as global operations is key in maintaining and accelerating innovation capacity. As the international financial market is becoming more complex every day, more challenges emerge and further research is needed in order for financial organisations to understand how to navigate conflicting demands and being part of the future of the financial industry.

References

Journal Articles

Allen, A., Lewis-Western, M. F., & Valentine, K. (2022). The innovation and reporting consequences of financial regulation for young life-cycle firms. *Journal of Accounting Research*, 60(1), 45-95.

An, H., Yang, R., Ma, X., Zhang, S., & Islam, S. M. N. (2021). An evolutionary game theory model for the inter-relationships between financial regulation and financial innovation. *North American Journal of Economics and Finance*, 55, 101341.

An, H., Rao, H., Xu, R., & Zhang, H. (2025). Financial regulation and innovation dynamics: The China banking wealth management case. *Pacific-Basin Finance Journal*, 92, 102781.

Anney, V. N. (2014). Ensuring the quality of the findings of qualitative research: Looking at trustworthiness criteria. *Journal of emerging trends in educational research and policy studies (jeteraps)*, 5(2), 272-281.

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101.

Calomiris, C. W. (2009). Financial innovation, regulation, and reform. *The Cato Journal*, 29(1), 65-91.

Clarke, W. (2014). Creating the Financial Stability Forum: What role for existing institutions? *Global Society: Journal of Interdisciplinary International Relations*, 28(2), 195-216.

Cui, Y. (2024). An evolutionary game theory between finance innovation and financial regulation. *Technology Analysis & Strategic Management*, 36(11), 1-14.

Fowler, A. M. T. (2022). The counter-terrorist finance legal framework: The impact of regulatory compliance on relationships between charities and financial institutions. *Journal of Financial Crime*, 29(3), 792-804.

Goldstein, I., Jiang, W., & Karolyi, G. A. (2019). To FinTech and beyond. *The Review of Financial Studies*, 32(5), 1647-1661.

Haynes, A. (2004). The Wolfsberg Principles - An analysis. *Journal of Money Laundering Control*, 7(3), 207-217.

Kim, T., Koo, B., & Park, M. (2013). Role of financial regulation and innovation in the financial crisis. *Journal of Financial Stability*, 9(4), 662-672.

Maggetti, M. (2014). Promoting corporate responsibility in private banking: Necessary and sufficient conditions for joining the Wolfsberg Initiative against money laundering. *Business & Society*, 53(6), 787-819.

Petrović, M. (2020). *PSD2 influence on digital banking transformation: Banks' perspective*. *Journal of Process Management. New Technologies*, 8(4), 1–14.

Ringe, W.-G., & Ruof, C. (2020). *Regulating Fintech in the EU: the Case for a Guided Sandbox*. *European Journal of Risk Regulation*, 11(3), 604–629.

Rossi, S. P. S., Bonanno, G., Giansoldati, M., & Gregori, T. (2021). Export starters and exiters: Do innovation and finance matter? *Structural Change and Economic Dynamics*, 56, 280-297.

Sant'Anna, D. A. L. M., & Figueiredo, P. N. (2024). Fintech innovation: Is it beneficial or detrimental to financial inclusion and financial stability? A systematic literature review and research directions. *Emerging Markets Review*, 60, Article 101140.

Yang, M. (2022). Financial innovation regulations and firm performance: Evidence from Chinese listed firms. *Australian Economic Papers*, 61(1), 24-41.

Books

Bell, E., Bryman, A., & Harley, B. (2022). *Business research methods* (6th ed.). Oxford University Press.

Buckley, R. P., Arner, D. W., & Zetsche, D. A. (2023). *FinTech: Finance, technology and regulation*. Cambridge University Press.

Di Noia, C., Micossi, S., Carmassi, J., & Peirce, F. (2009). *Keep it simple: Policy responses to the financial crisis*. Centre for European Policy Studies.

Flick, U., & Maxwell, J. A. (2023). *Qualitative research: A guide to design and implementation*. Sage Publications.

Guan, Q., & Gao, W. (2022). *Internet finance: Concepts, factors and ecology*. Palgrave Macmillan.

Mathis, F. J., & Almarzoqi, R. M. (2023). *Global innovation, finance, and international commerce (1st ed.)*. Routledge.

Lo, A. W. (2017). *Adaptive Markets: Financial Evolution at the Speed of Thought*. Princeton University Press.

Neff, C. (2003). *Corporate finance, innovation, and strategic competition*. Springer.

Nowell, L. S., Norris, J. M., White, D. E., & Moules, N. J. (2017). Thematic analysis: Striving to meet the trustworthiness criteria. *International Journal of Qualitative Methods*, 16(1), 1–13.

Suriñach, J., Autant-Bernard, C., Manca, F., Massard, N., & Moreno, R. (2009). *The diffusion/adoption of innovation in the Internal Market* (Economic Papers No. 384). European Commission, Directorate-General for Economic and Financial Affairs.

The Wolfsberg Group Resources

Wolfsberg Group. (2020). *Developing an Effective AML/CTF Programme August 2020*

Retrieved from

<https://db.wolfsberg-group.org/assets/4ad4dfaa-5bbd-4c44-b842-c372ac146e08/Wolfsberg%20Effective%20Financial%20Crimes%20Programme.pdf>

Wolfsberg Group. (2022). *Wolfsberg Group Guidance on Digital Customer Lifecycle Risk Management*. Retrieved from

[https://db.wolfsberg-group.org/assets/d51130c7-0262-4604-978e-ac3b85aea142/Wolfsberg%20Guidance%20on%20Digital%20Customer%20Lifecycle%20Management%20\(2022\).pdf](https://db.wolfsberg-group.org/assets/d51130c7-0262-4604-978e-ac3b85aea142/Wolfsberg%20Guidance%20on%20Digital%20Customer%20Lifecycle%20Management%20(2022).pdf)

[2\).pdf](#)

Wolfsberg Group. (2023). *Wolfsberg Group Correspondent Banking Due Diligence Questionnaire (CBDDQ) V1.4*. Retrieved from

<https://db.wolfsberg-group.org/assets/3964cedf-a462-4e55-a1e7-ca7c70dfa7ec/CBDDQ%20v1.4.pdf>

Appendix

Appendix 1

Semi-Structured Interview Questions for Head of Compliance, CEOs, COOs, and Sales Managers at the Swedish FinTech scale up and the financial institution in Lichtenstein.

General Questions for All Interviewees

1. How does financial regulation impact your organisation's ability to innovate and adapt?
2. Can you share examples of how your company balances regulatory compliance with business growth?
3. How do evolving financial regulations influence decision-making at a strategic level?

Focus Area 1: Regulations' Impact on Business & Innovation Strategy

4. How does financial regulation shape your company's long-term strategy and risk appetite?
5. What are the biggest challenges in aligning business objectives with changing regulatory requirements?
6. How does your organisation prepare for and adapt to new regulatory changes?

Additional for COO:

7. How do you maintain operational efficiency while adapting to regulatory updates?

Additional for Head of Sales:

8. How have financial regulations influenced your approach to client relationships and partnerships?

Additional for Head of Compliance:

9. How does your department support other teams in aligning with compliance expectations?

Focus Area 2: Compliance as a Barrier or Enabler of Innovation

10. Have you experienced compliance acting as a driver of innovation rather than a constraint?

11. What compliance-related challenges have had the most impact on innovation efforts?

12. How does compliance contribute to building trust and reputation in your industry?

Additional for Head of Compliance:

13. How do you ensure compliance processes remain flexible and do not hinder business agility?

Additional for Product director:

14. How do compliance requirements influence product design and development?

Focus Area 3: The Role of Regulatory Technology (RegTech)

15. What role does RegTech play in your company's compliance strategy?

16. Has RegTech adoption improved efficiency or reduced costs in your organisation?

17. What challenges or barriers have you faced in implementing RegTech solutions?

Additional for COO:

18. How do you evaluate the return on investment (ROI) of RegTech in your operations?

Additional for Head of Compliance:

19. How has RegTech improved due diligence, risk assessment, or reporting processes?

Additional for Product director:

20. How do you integrate RegTech into product development to ensure compliance from the outset?