

Call for Applications:
ACFS Academic Research
Grant Program 2016

*Thought Leadership
in the Financial Sector*

CALL FOR APPLICATIONS

ACFS Academic Research Grant Program 2016

Academics affiliated with **Monash University**, **RMIT University** and the **University of Melbourne** are invited to apply for Academic Research Grants in the first round of funding for 2016. Up to four grants will be awarded, with an approximate value of \$10,000 each.

Research projects should ideally address, or be related to, one or more of the topics listed in **Attachment A**, which have been developed in consultation with ACFS Research Program Committees. ACFS may also consider research topics that are not listed but are consistent with the broader ACFS research agenda.

Applications should be a maximum of two pages in length. They should list the names and titles of all researchers who will be participating in the proposed research project (nominating one to act as Project Leader), describe the proposed research question, and outline the proposed research methodology. Curricula vitae are not necessary where biographies and lists of previous publications can be found on university websites.

Applications should be emailed to martin.foo@australiancentre.com.au in Word or PDF format with a header marked "ACFS Academic Research Grant Program 2016". They must be received by ACFS by 5:00pm AEST on **Tuesday 16 August 2016**.

Academic Research Grants have the dual objective of generating scholarly articles in good academic journals and producing knowledge which is of interest and relevance to industry practitioners and government – and making that knowledge accessible to those groups. Hence, one condition of the Academic Research Grant program is that successful applicants must produce an article of less than 3,000 words for consideration by *JASSA: The Finsia Journal of Applied Finance*.

Successful applicants must also meet rigorous progress reporting, monitoring and other requirements, which are detailed in the following pages.

I encourage your interest in this program, which to date has supported around \$1.8 million of research. The terms and conditions of the Academic Research Grant program are set out below.

Yours sincerely,

Professor Kevin Davis
Research Director,
Australian Centre for Financial Studies

TERMS AND CONDITIONS OF THE ACFS ACADEMIC RESEARCH GRANT (ARG) PROGRAM

Academic Research Grant applications are assessed on the grounds of academic merit and consistency with the research agenda of ACFS. Projects for which funding is sought should:-

- Lead to output in the form of academic publications in high-quality journals;
- Lead to production of a 3,000 word practitioner-oriented article suitable for submission to *JASSA: The Finsia Journal of Applied Finance*;
- Lead to a brief article that explains the relevance and implications of the research, suitable for inclusion in the ACFS Finance Link newsletter;
- Cover topics which will be regarded by industry as relevant and value-adding;
- Be innovative, and not replications or minor extensions of existing work; and, desirably
- Build linkages between university researchers and industry.

ARG applicants will be assessed by a panel of at least two assessors, chaired by the ACFS Research Director. Awards will be based on merit as assessed by the panel, on criteria modeled after the Australian Research Council (ARC) guidelines and amended to reflect the goals of ACFS.

Detailed terms and conditions are set out in the following sections:-

1. Research Focus – ACFS Research Priority Areas
2. Research Focus – Academia, Industry and Government
3. Allocation and Size of Grants and Budgeting of Projects
4. Research Output, Reporting, Monitoring and Other Requirements
5. Selection Criteria

1. Research Focus – ACFS Research Priority Areas

The ARG program has particular interest in research which:-

- Is forward-looking;
- Is relevant to current market developments and policy debates;
- Includes industry practitioners as co-authors;
- Uses novel data derived from relationships developed with financial institutions; and
- Can form the basis for, or contribute to, ACFS conferences and symposia.

Research should also align with at least one of the three core ACFS research programs:-

- Banking and financial institutions;
- Superannuation and funds management; and
- Insurance.

2. Research Focus – Academia, Industry and Government

The ARG program aims to encompass the interests of academia, the financial services industry, and government policymakers and regulators. The program therefore seeks a range of publication outcomes, including:-

- a) generating academic publications in good-quality international and domestic journals;
- b) generating outputs which may be used by ACFS to enhance its reputation in industry and regulatory circles;
- c) research output which is more closely aligned with the interests and needs of industry, government and regulators; and
- d) generating contributions to local 'prac-ac' journals such as JASSA, or for presentation at industry conferences.

3. Allocation and Size of Grants and Budgeting of Projects

3.1. Size of Grants and Budgeting of Projects

- Funding requests for individual projects should be in the order of \$10,000.
- Funding for the purchase of databases will generally not be provided where the database is already available at one of the ACFS affiliated universities. (Researchers requiring access to such databases should instead construct an inter-university project team.) If a database is not available, it will, where possible, be purchased by ACFS and made available for use by all of its affiliates.
- Funding will be for a period of 18 months. Subsequent applications for continuation of funding for an existing ARG award may be considered, in limited circumstances.
- Funding will not be provided for teaching relief.
- Travel funding will generally not be provided.

3.2. Disbursement of Funds

The ARG award will be disbursed to the university 60% upfront, upon receipt by ACFS of a valid invoice, and a further 40% on submission by the researcher(s) of a satisfactory Progress Report one year after the commencement of the project.

4. Research Output, Reporting, Monitoring and Other Requirements

Successful applicants will be required to comply with the following requirements.

Stage 1: Upon Receipt of the Academic Research Grant

1. Provide a brief **discussion paper** for posting on the ACFS website. This document will explain the project's objectives and ultimate relevance to the financial services industry in a manner accessible to interested practitioners. The discussion paper should also indicate opportunities for private sector involvement (if applicable).

Stage 2: One Year after Receipt of the Academic Research Grant (i.e. August 2017)

2. Present findings to a meeting of an **ACFS Research Program Committee** or other relevant ACFS event, such as a workshop or seminar.
3. Submit a **2,000-3,000 word practitioner-oriented article** for consideration for publication in JASSA. In preparing an article, researchers will need to ensure that they distinguish it sufficiently from the main research output so as not to preclude submission of the main output to other academic journals. Satisfying this condition will be necessary for consideration of future ARG applications.
4. Submit a **short article** (1-2 paragraphs) suitable for inclusion in the ACFS e-newsletter.
5. Complete a short **Progress Report**. Upon satisfactory completion of this Progress Report, the second tranche of funding will be distributed.

Stage 3: 18 Months After Receipt of the Academic Research Grant (i.e. February 2018)

6. Complete a second **Progress Report**, indicating evidence of progress on/completion of a working paper or submission for publication.

Successful applicants will also be required to:-

- **Advise ACFS** when outputs are submitted to conferences, loaded on SSRN or other such websites, presented at seminars, or submitted to journals, and provide a pre-publication copy for posting on the ACFS website.
- **Acknowledge the financial support** of the Australian Centre for Financial Studies in any resulting publications.
- **Seek approval** from ACFS for subsequent use, for consulting or other commercial purposes, of any databases assembled for academic research as part of an ARG award. If approved, appropriate recognition of ACFS funding must be incorporated into any output arising from that work.
- **Seek approval** from ACFS to engage in consulting which benefits from data having been collected using ARG funds. If that approval is granted, the consulting outputs must appropriately acknowledge ACFS. This may involve inclusion of the ACFS logo and a statement such as: "This report was prepared by xxxxx using data collected for a separate (but related) academic research project on xxxxx funded by the Australian Centre for Financial Studies."
- **Provide an appropriate Acquittal of Funds.** Unused funds at the end of 24 months would normally be returned to ACFS. ACFS reserves the right to request the return of funds at any time after the first 12 months. Such a request would only be made where there is evidence of inadequate progress or outcomes. Alternatively, and more likely, ACFS may request that the unused funds be redirected by the university

holding the funds to a program which would be chosen jointly by ACFS and that university.

Grant recipients who do not comply with the above requirements, and are unable to provide a satisfactory explanation, will not be eligible to receive further grant monies until their ACFS-funded project is in compliance or original funds are returned to ACFS.

5. Selection Criteria

The selection criteria are modeled on ARC guidelines, amended to reflect ACFS goals.

Selection will be undertaken by a panel of at least two assessors. They will assess applications in terms of expected value of outputs for money expended against the following criteria. The primary assessment criteria for projects are:-

Investigator(s)	15%
Project Content:	
Significance and Innovation	20%
Approach	15%
ACFS Priority Area	30%
Industry-relevant Topic	20%
	100%

These criteria are further detailed as follows:-

The primary assessment criteria for **Investigator(s)** (15%) will be:

- Track record relative to opportunities;
- Capacity to undertake the proposed research, including overall relation to commitments to other research programs, teaching, committee memberships and administrative duties;
- Progress and reporting on prior ACFS Academic Research Grants; and
- Evidence from prior activities in thought leadership and knowledge transfer.

The primary assessment criteria for **Project Content** (85%) will be made up of:

- Significance and Innovation (20%)
 - Does the research address an important problem?
 - How will the anticipated outcomes advance the knowledge base of the discipline?
 - Are the project aims and concepts novel and innovative?
 - Will new methods or technologies be developed?
- Approach (15%)

- Are the conceptual framework, design, methods and analyses adequately developed and appropriate to the aims of the project?
- Is the project able, or likely, to attract additional financial or in-kind resources from industry, government, or other grant schemes?
- What is the risk of delivery?
- ACFS Priority Area (30%)
 - Does the proposed project relate to a topic listed in **Attachment A**?
 - How does the project assist in developing the ACFS research agenda and profile?
- Industry-relevant Topic (20%)
 - How will the project contribute to the financial services industry, both locally and nationally?
 - How will the project further ACFS and university linkages to industry?
 - Is there active industry involvement in the project?

ATTACHMENT A

Stability and Competition

1. What evidence and techniques of analysis are available to assess the degree of competition in banking and other sectors of the Australian financial sector – and what do they suggest?
2. What does the academic literature suggest about alternative approaches to dealing with ‘Too Big To Fail’ (TBTF)? How much of a problem is TBTF in Australia?
3. How much does the difference in risk weights between the advanced IRB (internal ratings-based) and standardised Basel approaches affect competition – particularly with regard to mortgage lending?
4. What would be the magnitude of the impact on lending rates, bank profitability etc. of an increase in required bank capital ratios?
5. Could bail-in powers credibly be used to impose losses on at least some creditors of a major bank in resolution, without causing system contagion? If this could be achieved, what would the benefits be? What would such a regime do to the funding costs of major Australian banks in normal times?
6. What does the academic literature tell us about the inherent stability/instability of financial systems, and implications for policy?
7. Does Australia's dependence on capital inflows create financial stability risks? Are Australian banks too reliant on offshore wholesale funding – and if so, what can be done to rectify this?
8. Is there any evidence that macro-prudential policies are effective?
9. What is the impact of low/zero-interest rate policy on Australian financial institutions?
10. What are the implications of the growing use of contingent convertible (‘CoCo’) bonds for financial stability? Do investors understand their risk-reward profile? What is the appropriate ‘trigger’?

Retirement Incomes and Superannuation

11. What has been the impact of compliance and regulatory changes since 2009 on superannuation customer fees?
12. How can one assess whether the current asset allocation strategies of superannuation funds are, in aggregate, optimal – or undesirably distorted by taxation, divergences between long-term return objectives and short-term performance considerations etc.?
13. How much do superannuation tax concessions affect aggregate savings?
14. What are the arguments for/against, and consequences of, allowing leverage in superannuation?
15. What do we know about the determinants of, and resulting, individual financial decisions in the retirement phase?
16. How will changes to the Age Pension means test affect superannuation accumulation and decumulation decisions?
17. How does the participation rate of older workers change in response to changes in preservation age or Age Pension age?

18. What is an 'adequate' level of retirement income? How does this change with income and wealth? Do people consider the ability to draw down on wealth when thinking about adequacy? What are people's spending needs in retirement?
19. How is wealth accumulated in the lead-up to retirement (e.g. housing, superannuation, other investment and savings), and does this change after retirement (i.e. can we take data on non-super assets of retirees at face value, or do retirees shift their wealth around?)

Technology in Financial Markets

20. Are there examples of how new technology has altered competition in financial markets and improved consumer outcomes that are relevant for assessing future prospects?
21. Are there obvious impediments (tax, regulation, barriers to entry) which may limit the optimal penetration of new technological developments into financial activities (such as fundraising, investing, savings, payments, new market structures etc.)?

Consumers and Business

22. Is there evidence of deficiencies in the current arrangements for businesses to raise equity or debt finance (either for new or existing firms) – both in terms of efficiency/availability and in terms of investor protection?
23. How does one assess whether the level of financial consumer protection is optimal or not, and whether the design of policy instruments is optimal?
24. Is there evidence on the types of financial disclosure which work best?
25. Can technology-driven advice/disclosure and 'big data'/analytics improve consumer outcomes? Is technology a mechanism to more effectively deliver traditional consumer aids such as disclosure and advice, or does technology have the potential to facilitate consumer participation in the financial system in different ways?
26. How would an acceptance of findings from behavioural finance/economics affect the design of financial/regulatory policy?
27. Are there any 'missing markets' in the Australian financial sector resulting from regulation, taxation, imperfect information, historical technological constraints etc. which might be feasibly designed and warrant attention?
28. Is there evidence of deficiencies in the operation of the payments system?

Regulatory Architecture

29. Is there evidence that the prudential regulation perimeter is too broad or too narrow?
30. Should the Financial Claims Scheme be redesigned? If so, how and why?
31. Is the current division of regulatory responsibilities between RBA, ASIC, APRA etc. and the role of the Council of Financial Regulators appropriate?
32. What does the academic literature tell us about appropriate levels of independence and accountability of financial regulators?
33. How would one assess the optimal level of funding for financial regulators?
34. How should the financial advice industry be regulated?

35. Are there grounds for imposing limits on the range of activities which particular types of financial firms can undertake – or the allowable organisational structures for doing so?
36. Are there regulatory approaches which have been shown to lead to improved governance and performance of financial institutions?

Financial Integration

37. How can Australian financial services 'exports' in the form of foreign affiliate sales be better measured and recorded?
38. What does the available evidence tell us about the impact, and channels of effect, of international shocks on the Australian financial sector and economy? What is relationship between financial system integration and economic growth – particularly for a medium-sized open economy reliant on trade and offshore funding?
39. Is the penetration of foreign financial institutions in Australia below/above what might be expected based on international experience? What are the barriers to foreign firms offering services in Australia – and are there examples of countries that are better able to facilitate the entry of foreign firms while maintaining appropriate standards of regulation?
40. Is there an optimal size of the financial system? To what extent are there diminishing returns above a certain point for the level of a country's financial integration?
41. What are the implications of renminbi (RMB) internationalisation for financial institutions and corporate treasurers?

Insurance

42. What are the implications of bringing health insurance regulation into the purview of APRA? Should the provision of health insurance be regulated in a similar manner to other financial services?
43. What have been the impacts of the privatisation of Medibank, and other privatisations across the health insurance sector, in terms of price, access, competition etc.?
44. What is the level of penetration of cyber risk insurance? Are Australian businesses adequately protected against cyber risks?
45. What is the level of insurance purchased by householders in Australia's bushfire-prevalent areas? What are the major reasons for so many Australians being under-insured in the face of more frequently occurring natural disasters?

Trust and Culture

46. Is there a deficit of consumer trust in the financial sector? If so, what concrete measures can be implemented to remedy this?
47. What legal mechanisms (beyond existing mechanisms in the *Corporations Act 2001*) could be used to impute responsibility for organisational conduct and culture in Australian financial services firms? What mechanisms are in place internationally, and have they been effective?
48. What is the efficacy of peer panels in disciplining members of the financial and credit industries? What (if any) is the deterrent impact of peer judgement?

49. To what extent does ASIC's use of enforceable undertakings improve compliance with the law and/or improve standards of behaviour of other industry participants (apart from the industry participant that has given the enforceable undertaking)?