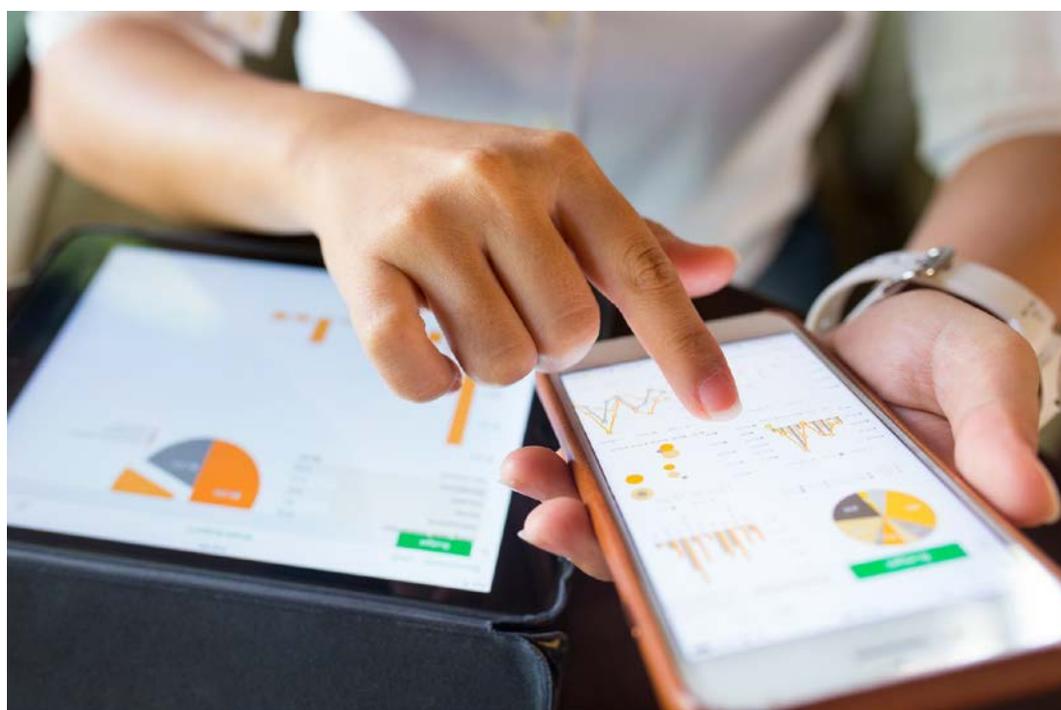


Research on financial markets 2019

A call within the financial market research programme



Content

1	The offer in brief.....	3
2	What do we want to achieve with the funding?.....	4
3	Themes of the call - direction and content	5
4	Who is the call for?.....	8
5	What do we fund?.....	8
5.1	Activities it is possible to apply for funding.....	8
5.2	Eligible costs.....	9
6	Size of grant.....	9
7	Conditions for us to assess the application.....	9
8	Assessment of applications.....	10
8.1	What do we assess?	10
8.2	How do we assess?	11
9	Decisions and Conditions	11
9.1	About our decisions	11
9.2	Conditions for grants awarded.....	11
10	How to apply	11
11	Appendix 1. Background to the programme	13

Revision history

Date	Change
2019-08-30	Section 5.2. Clarification. Incorrect information how the salary cost per hour is calculated has been adjusted.

1 The offer in brief

This is the seventh call within the financial market research programme. This call covers all thematic areas of the financial market research programme. These areas are macroeconomic financial market research, microeconomic financial market research, knowledge of crises and crisis management, capital supply for competitive business, research on industry actors, financial innovation, synthesis and system understanding. A theme on financial research for sustainability has been added. For more information on the themes of the call, see chapter 1 page 5.

Applications must be linked to one of these thematic areas. It is also important that the application can specify in which way private or public financial market participants will benefit from the research. We would like the application to be based on a major challenge for the financial system or for players in the financial markets.

The call is addressed to Swedish universities, colleges and research institutes in collaboration with private financial market participants. The grant amounts to a maximum of SEK 3 million per project. Granted projects must be co-financed by private financial market participants with at least the same amount as that applied for by Vinnova.

The following dates apply to the call:

Please note that the dates are preliminary. For current information see www.vinnova.se.

Opening date:	25 June 2019
Deadline for application:	30 September 2019, at 14:00 (CET)
Last decision date:	13 November 2019
Project Start No earlier than:	14 November 2019
Project Start no later than:	10 December 2019

Contact person for the call:

Erik Sundström, Call Manager
08-473 30 57
erik.sundstrom@vinnova.se

Administrative issues:

Göran Persson
08-473 31 32
goran.persson@vinnova.se

Vinnova's IT support:

Technical questions about the stakeholder portal (Intressentportalen)

Tel: 08-473 32 99
helpdesk@vinnova.se

Current information about the call and link to the Vinnova stakeholder portal (Intressentportalen) can be found at www.vinnova.se.

2 What do we want to achieve with the funding?

On the basis of Vinnova's experience of developing and running major programs for research and innovation, and working broadly with different actors, Vinnova in 2009 had a government assignment to be responsible for a research program aimed at researching the conditions for efficient financial markets. The purposes of the programme are to:

- Initiate research projects with high relevance for financial market participants. Cooperation between academia and industry is therefore encouraged.
- Stimulating innovative research with international competitiveness in the field of the call.
- Create connections between researchers, and between researchers and financial market participants in Sweden.
- In the long term, create more evidence-based decision support for private and public financial market players in Sweden.

Its objectives are to:

- Increase the knowledge base on financial markets
- Increase the conditions for more effective collaboration between academia and financial market players by creating networks between them.
- Increase the possibility of utilizing the research results in both the short and long term. Public and private sector operators can use the research results to, for example:
 - Develop new services.
 - Improve the regulatory environment
 - Create a better understanding of the financial system

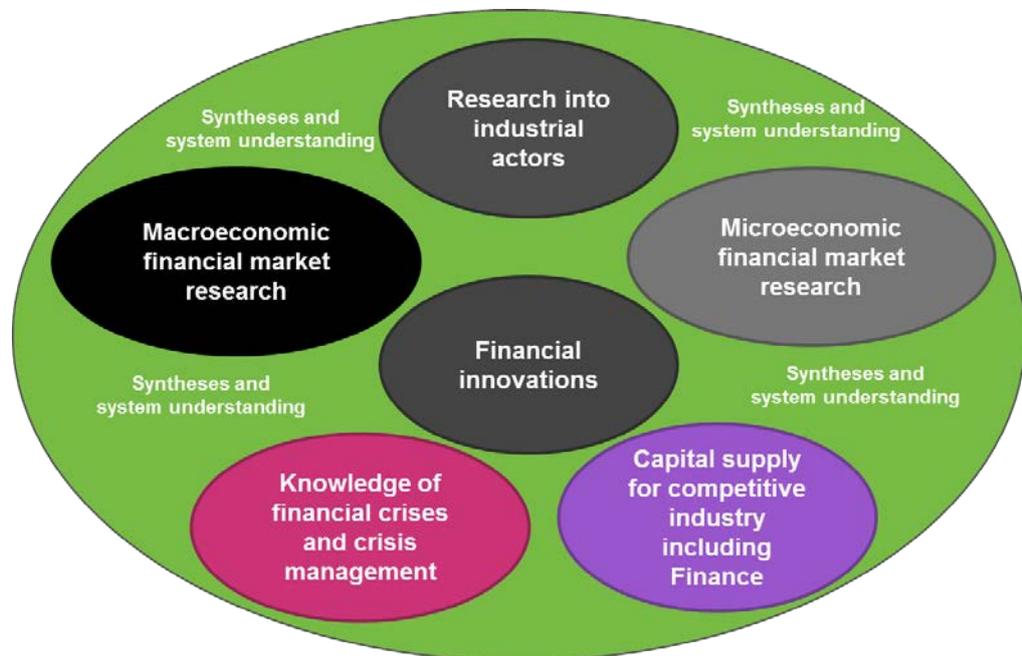
Current information about the call and link to the application function can be found on the website of the **call** at www.vinnova.se under "Current calls for applications".

NOTE: Vinnova reserves the right to adjust this call text at any time during the call period and without any specific information. However, no changes will be

made during the last two weeks before the respective deadline. Therefore, all potential applicants are recommended to retrieve up-to-date information on the announcement's web site before each deadline.

3 Themes of the call - direction and content

The research focus within the financial market research programme is within the framework of the areas highlighted in the Research and innovation policy Bill of 2008. In addition, Vinnova welcome applications with a focus on sustainability. Below follows a description of these areas.



Macroeconomic Financial Market Research. In the light of the international financial crises that hit the global financial markets over the past 15 years, the need to understand the functioning of markets is greater than ever. What are the mechanisms that cause crisis tendencies to spread very quickly across the world? What effects are spreading, and which are more local? Can risks in international financial systems be measured and predicted? In-depth knowledge, refined models and methods for analysing as well as new taxonomies to understand the functioning of the global financial markets and development patterns are a central research field within the program for financial market research. To achieve such knowledge, comparative studies are welcomed, for example, between nations, industries and actors. Research that focuses on developing models and analytical tools that identify, measure, appreciate and predict systemic risks and the impact of these risks on the economy is also of great interest, as well as analyses aimed at

developing and evaluating instruments and measures that intend to strengthen system stability.

Microeconomic financial market research. Research into the shaping, function and development of different types of markets for financial products and services is of course of central importance. The same applies to knowledge and theories about the behaviour of actors. Of particular interest is research that questions dominant models and which helps to develop explanatory models that better take into account empirically observable behaviours. Examples of these can be behaviours linked to limited access to and ability to handle large amounts of complex information and "flock behaviour" in financial markets. Different actors' reactions to formal and informal institutions, such as regulations, price signals, cultures and ethics within different companies and market segments, and in various economic situations are other examples of relevant areas. Issues related to asset pricing and the risk management of different players can also be included. Studies of household financial behaviour and how the functioning of the financial markets affect household welfare are also welcomed. The prerequisites for conducting micro-based financial market research in Sweden may be regarded as very good considering the large availability of comprehensive, longitudinal register data.

Knowledge of crises and crisis management. An important part of both the macroeconomic and microeconomic financial market research is to understand the emergence, course and causes of financial crises. In addition to crisis management, it is also important to analyze what role regulations can have to contribute to the emergence of financial crises, how they can contribute to managing them and to what extent they can be used to prevent or mitigate the effects of future crises on the financial markets. and / or the real economy. Examples of issues of interest related to crisis management include: What is meant by effective regulations? What is context-determined based on industry structure, culture, etc. and what can be said to be generally applicable incentive structures? What role do national and international regulations play? Knowledge of the progression, causes and impacts of past financial crises on the real economy is of great value in this context.

Capital supply for competitive business. Funding at different stages of corporate development and at different stages of innovation processes is of great importance for renewal, competitiveness and growth in the business sector. Here it is important to distinguish between early stages of development, expansion phases and more mature phases in business development and innovation processes. Not least, it is important to create a deeper understanding of the importance of capital supply, conditions and development opportunities in the early stages of development. For the understanding of the capital supply's relations with the development of a competitive business sector, it is important to clarify central institutional conditions and incentive structures. In this context, analyses of

important driving forces and countermeasures for a capital supply that stimulates and supports a competitive business development are of great importance.

Financial innovations. One of the aims of the financial market research effort is to stimulate productivity and value creation in the financial sector. Just as with all other sections of the economy, the development and introduction of new innovations is crucial in generating future value creation and profitability. Through ground-breaking and highly relevant research, it is likely that the programme will generate results which can form the basis for new products, services and working methods. However, given that the introduction of complex new financial instruments was one of the major causes of the current financial crisis, it is at least as important that research into financial innovations also aims to increase understanding of how financial innovations can risk contributing to undesirable impacts on the micro and macro levels. Finally, since the programme is also aimed at developing support for public financial market actors, it is important to emphasise the significance of research which can contribute to innovative and efficient regulation of the financial markets.

Research on business actors is central to developing and increasing the efficiency of the Swedish financial sector. Research of this type can range from studies of the organization of individual functions of various financial market institutions, such as banks, insurance companies, fund companies, etc., to more fundamental issues such as theories of productivity in banking. Research in corporate governance linked to the financial market actors is also of interest in this context. The prerequisites for innovative academic research with high relevance must be considered very good, given the high degree of interaction between academia and industry that forms the basic idea of the program.

Syntheses and system understanding. Academic research is often characterised by a deep knowledge of distinct phenomena. To ensure that the research conducted is highly relevant and communicated to be assimilated by public and private financial market actors, it is important that the applicants are competent in generating syntheses that emphasise and clarify central aspects of more specialised research and explain how various phenomena are linked. The nature of the financial market as a “blood supply” for the development of the real economy also means that applicants must demonstrate competence in analysing and communicating how the financial markets and the real economy are linked and influence each other in various contexts and market conditions.

Financial research for sustainability. In addition to the program's theme areas, we include research that creates conditions for sustainability, and in particular environmental sustainability. There are two reasons for this addition. Firstly, our knowledge of causes, objective and time frames to cope with global warming has increased. On November 4, 2016, the global climate agreement, the Paris

Agreement, entered into force. The core of the Paris Agreement is to reduce greenhouse gas emissions, with the goal of keeping global warming below two degrees, but preferably below 1.5 degrees. The IPCC's report from 2018 tightens the writing. If we want to limit global warming to 1.5 degrees, extremely high demands are placed on a conversion of the whole society over the coming decades. Secondly, the financial markets and the sector have a very important role to play for this unprecedented system transformation. Financial flows have the power to enable large-scale transformation with effects on the stability of the Earth's climate. But is there the will? And how do you activate this force?

It should also be stressed that the various areas described above should not be seen as isolated research areas, but innovative ways of linking the different perspectives are encouraged. Collaborations between academic disciplines that have traditionally not been involved in financial market research are welcomed as long as the goal is to generate internationally competitive research with high relevance.

4 Who is the call for?

Vinnova is addressing this call, "Research into Financial Markets" to Swedish universities, colleges and research institutes, in collaboration with private sector financial market actors. "Financial market actors" refers to private sector actors such as banks, insurance companies, government agencies, etc. whose activities relate to financial markets.

Applicants and recipients of research grant funds are to be universities, colleges or research institutes.

Researchers domiciled outside Sweden may be included in research projects. It can in many cases strengthen Swedish financial market research to collaborate researchers from foreign universities.

5 What do we fund?

5.1 Activities it is possible to apply for funding

In this call, the following is financed:

- excellent research at international level
- research connected to and clearly relevant to a social challenge or operational requirement
- initiatives to produce results that are tailored for utilisation
- initiatives for the dissemination and utilisation of the project results

5.2 Eligible costs

Our funding is through grants. Grants to organisations carrying out economic activities are subject to state aid rules.¹ The rules govern, among other things, what types of costs and how much of them may be covered by grant. All costs must be revisable. Costs incurred before Vinnova's decision date is not accepted.

In accordance with the Government's intentions that the financial market's actors should provide funds corresponding to public investment(s), Vinnova requires that the applicant can show co-financing from private financial market actors corresponding to at least the amount applied for by Vinnova.

The co-financing may consist of cash, work in-kind or other efforts in-kind. In-kind work means work in the project carried out by existing personnel. The salary costs of project partner may not exceed an average cost of SEK 800 per hour, see further "Guide to Vinnova's conditions on eligible costs" which is linked to in footnote 1.

6 Size of grant

Vinnova intends to finance projects with up to 3 000 000 SEK.

Vinnova's support will be up to 50 per cent of the project's costs. This means that granted projects are to be **co-financed by private financial market participants with at least the same amount** as that which has been applied for at Vinnova (see chapter 5.2). The budget for the entire call is approximately SEK 16 000 000.

7 Conditions for us to assess the application

We will only assess applications that meet the following formal requirements:

- Applicants (Coordinators) shall be universities, colleges or research institutes. Applicants must be the organisation in which the research project is performed to a large extent.
- There shall be at least two parties involved in an application, including a private financial market participant.
- Applications for funding should include a description of the project that is in line with the call's aims and objectives, as mentioned above, and they should

¹ Read more about state aid on our website: <https://www.vinnova.se/en/apply-for-funding/rules-for-our-funding/state-aid-to-companies/>. You will also find our general terms and conditions for grants and a guide to the terms and conditions for eligible costs: <https://www.vinnova.se/en/apply-for-funding/rules-for-our-funding/terms-and-conditions-for-our-funding/>

clearly indicate how the applicant will meet these aims and achieve these objectives.

- The application should describe how the proposed project is intended to develop our knowledge in the field in question and how the research is intended to be used by the relevant financial market participants.
- The research project to which the application relates should be related to one of the stated research themes.
- The application should be written in English

8 Assessment of applications

8.1 What do we assess?

The following criteria will be applied by Vinnova when assessing applications:

- 1) **Potential** (that is, the significance of the results and the impacts if the project is a success)
 - a) Scientific level, potential for renewal and ability to contribute to scientific development within the call's identified fields.
 - b) The potential to clearly contribute to the development of the participating organisations' performance capacity.
 - c) The significance of the project results and their potential to contribute to development in organisations other than those involved in the project.
- 2) **Actor constellation** (that is, the actors who are involved and how the collaboration with them is organised in order to implement the project and achieve the result and impact objectives)
 - a) Competence, capacity and commitment within the actor constellation, in relation to the project objectives and its implementation.
 - b) How well the project is anchored and prepared within the participating organisations, and how well it is linked to their internal strategy and development processes.
 - c) The project manager's competence, commitment and ability to manage the project.
 - d) How well the team (key people) is composed with respect to gender distribution, as well as the distribution of power and influence between women and men.
- 3) **Implementation** (that is, how the project has been designed in order to achieve its results and impact objectives.)
 - a) The realism and credibility of the project plan and budget.
 - b) The approach, methodology and interaction between researchers and organisations involved in the project.
 - c) The strategy and plans for dissemination and utilisation of the results within and outside of the project period. This includes various types of contacts,

intermediaries and networks that are used to facilitate dissemination and utilisation.

8.2 How do we assess?

The applications are assessed by an external assessment team comprising International researchers and representatives from public and private financial market participants. Vinnova then takes the formal decision on funding and notifies this decision to all applicants. The assessment of applications is made in competition between applications received.

9 Decisions and Conditions

9.1 About our decisions

How much each party in the project is granted is stated in the decision.

Our decision to grant or refuse an application cannot be appealed.

9.2 Conditions for grants awarded

For granted grants, our general terms and conditions apply.² The terms include rules on project agreements, prerequisites for payment, follow-up, reporting and utilisation of results.

All beneficiaries of this call are subject to the following special conditions:

- Applicants and other parties to an application granted funds shall participate in the implementation of follow-up, evaluations and impact analyses both during the project's financing from Vinnova and after the completion of Vinnova's funding.

Additional special conditions may be decided for individual projects.

If you do not comply with our terms, you may be liable to repay. This is also true if you have been granted an incorrect or excessive amount of funds.

10 How to apply

To apply for grants, you fill in a Web-based form on the Vinnova stakeholder portal, which is accessed via www.vinnova.se. In order to submit an application, applicants must first create a user account with Vinnova. By using this, applicants

²Current terms and conditions can be found on our website, along with help to understand and meet the terms: <https://www.vinnova.se/en/apply-for-funding/rules-for-our-funding/terms-and-conditions-for-our-funding/>

can then log in to the application service. If applicants already have a user account with Vinnova, this can be used. The application must be accompanied by a project description and a staff attachment which you upload in the stakeholder portal. The application must also include certificates from co-financier. Only these annexes will be taken into account when applying. The appendices should be in PDF format.³:

The project description should be a maximum of 10 A4 pages with 12-point text. Proposal should relate to the research front in the subject and also clarify the benefit to the financial market participants in the project. Proposal will be written in English, as the assessment process will involve foreign researchers and financial market participants. Proposal shall be subject to the following:

- Project title in Swedish and English
- Summary
- Purpose of the project linked to the purpose of the call
- Project objectives linked to the objectives of the call
- The project's expected results and benefits for the various participants in the short and long term
- Description of the project's relation to the research front
- Description of how to transfer knowledge to co-financing financial market participant (-s) and other potential stakeholders.
- Implementation plan for the project including time and activity plan, resource plan, budget, etc.
- Presentation of Project financing including description of the nature of the co-financing requested
- Organization number and workplace for the different parties in the project

The personnel appendix shall contain relevant CV for project managers and other key personnel for implementation. The Personnel Annex shall be TotalMaxImalt5A4 pages with 12-point text.

The co-financier 's certificate shall include contact details of the co-financier's contact person.

Please note that applications must be made at the latest at 14.00 (CET) Last day of application, 30 September 2019. After this date, no additions shall be made to the application unless Vinnova request them. Once the application period has expired, the supplement to the request can only be made upon request from us.

³Templates for the appendices can be found on our website: [\[link to Ansökningsomgångssidan\]](#)

11 Appendix 1. Background to the programme

In December 2009, Vinnova was instructed by the government to design a financial market research programme. The government's rationale and aims of the effort are stated in the October 2008 Research and Innovation Bill and in Vinnova's government mandate.⁴

There are a number of growth aims for this effort.

- Firstly, the financial markets are of major importance to economic growth. In that context, understanding the various growth mechanisms linked to the impact of the financial markets on corporate expansion investments and innovation investments – as well as household consumption patterns – is important to growth policy.
- Secondly, the financial markets play a crucial role in the development of economic conditions. It is therefore important to economic policy to understand how, and by which mechanisms, the development of the financial markets influences business cycles and economic stability.
- Thirdly, the financial market actors represent industries which themselves have shown major growth and which have major future growth potential. Knowledge and expertise which can strengthen growth and innovation in the various areas of the financial sector are therefore highly important to Sweden's growth.
- Fourthly, the financial markets have become globalised and are continuing to do so very rapidly. This means that cross-border financial flows and interdependence have gained a decisive influence over the development of financial markets. Understanding this globalisation has become central to both policy-making and, indeed, financial market actors.

In relation to these reasons for growth, there are a number of grounds linked to the research system for financial market research:

- A major need for knowledge by financial market and policy actors linked to the globalisation, growth and stability of the financial markets and the relationships between them.
- Competence supply needs from trained researchers to students with relevant knowledge of how financial markets work for business and policy development.
- Joint initiatives towards a critical mass in financial market research which strengthen Sweden as a financial centre and its attractiveness to leading international expertise.

⁴ *A boost for research and innovation* (Prop.2008/09:50) pp. 180-181 and Government decision 2009-12-21 (II 17) *Mandate to the Swedish Agency for Innovation Systems to implement a programme of financial research*

- Long-term, strong research funding to promote strategic efforts, innovative research and a well-developed exchange of knowledge between researchers and users.

The purpose of the Financial Market Research programme is to strengthen the international competitiveness of Swedish financial market research and its relevance to public and private actors in the financial sector.

The aims of the programme are to:

- Establish internationally competitive research milieus which can attract world-leading competence and form national competence centres.
- Strengthen the interaction between researchers and public and private financial market actors so as to promote growth and policy development within the area.
- Promote the finance sector's provision of qualified personnel, both qualitatively and quantitatively.