

BACKGROUND

During 2012, Absa and the DST (Department of Science and Technology) signed a memorandum of agreement to cooperate in various fields for the betterment of the South African economy as a whole, with one of these being HCD (Human Capital Development). The DST identified the risk research programme at the BMI Centre as deserving of additional funding for the basic and directed research activities in order to strengthen the national capacity in this area.

The project funding agreement was formally announced at the international MIF (Mathematics in Finance) conference in 2014. The total value of the contract was R8.889m, spread as follows over the contract term: 2012/13: R1.6m; 2013/14: R1.7m; 2014/15: R1.8m; 2015/16: R1.89m; 2016/17: R1.899m. This PFA was extended in December 2015 for a two further financial years: 2017/18: R1.99m; 2018/19: R2.10m.

The objective of the funding under the agreement is to stimulate directed and basic risk research across primarily tertiary institutions and in the process delivering skilled students (MSc's and PhD's) in the area of risk analytics and to establish the necessary local know-how in this field. The funds are administered and managed by NWU's Centre for BMI and it is expected that stakeholders from industry, public sector and other universities are involved in the research projects.

The current drive, which is supported by this portal, is to pro-actively align the research to industry needs by inviting problem statements from industry. These will then be prioritized by a panel of industry experts and then presented to academics to prepare research proposals to address the problems.

The first funding tranche was used to host a 2-day directed risk research conference at the beginning of March 2013 at the NWU. This conference was supported by researchers from UJ, UP, UNISA and SUN, as well as representatives from some of the banks and the South African Reserve Bank. Subsequent to the conference part of the funds was allocated to the research units at the attending universities and part to hosting costs for the MIF conference.

This second funding tranche was used to conduct a national survey amongst universities in 2014 in order to quantify the current landscape on risk research and to set up a database of research initiatives, PhD students and academic papers (published or in the process of being published) in the field. Seventy articles surfaced in the survey and were submitted to a panel of industry experts to assess their industry relevance. It was concluded that the industry relevance of these articles was predominantly low. A three-tiered ranking system based on Academic Impact, Industry Relevance and level of industry collaboration was developed and used to allocate funds to the universities based on the articles that have been published in an *ex-post manner*.

Over time, these funding principles have been developed to apply in a forward looking *ex-ante* manner to research proposals, so as to start influencing the research foci at the universities to become in line with industry requirements. This is done by inviting problem statements from industry which are prioritized by the panel of industry experts, which are then used to drive the research activities by requesting academics to prepare research proposals to address these problems. Part of the funding is allocated upfront to these proposals with the resulting article (should it materialize) qualifying for the *ex-post* funding as before. In parallel, the Centre of Excellence in Financial Services (Coefs) has kindly offered their website and assistance to develop a common portal to be used to store these documents and manage the process.

On 2 June 2016 a very successful one-day risk research conference was hosted by the DST at the DST Auditorium in Pretoria. Participants in the conference included a range of members from industry and academia. From industry's side, there was representation from major banking institutions such as Absa, Standard Bank, Nedbank, BANKSETA and the Banking Association of South Africa; from other financial institutions CPDynamics, Fisglobal, XDS, and from industrial companies, Sasol. The academic institutions were represented by researchers from 8 Universities, namely, the universities of North-West, Stellenbosh, Cape Town, Free-State, KwaZulu-Natal, South Africa, Pretoria and Witwatersand. The Public Sector and Parastatals were represented with people from Transnet, the South African Reserve Bank, the National Treasury, and the Department of Science and Technology and Water and Sanitation. All in all, 31 researchers from academia were in attendance and 29 from the industry and government.