The SWIFT Institute invites proposals for research on the relationship between FMIs (financial market infrastructures) and economic development in burgeoning markets.

FMIs are systemically important systems facilitating the clearing, settlement, and recording of monetary and other financial transactions such as payments, securities, and derivatives contracts. There has been much academic literature on the impact of capital market maturity and economic growth but less so on how the upgrading of FMIs influence a country’s economic progress.

Given the systemic significance of FMIs and the central role they play in facilitating and supporting financial transactions, the assumption would hence be that expanding and deepening FMI capabilities in terms of technology, volumes, products, networks and functionality would lead to greater economic advancement. But in what ways and to what degree has not been well-documented.

Given increasing globalisation and cross-border requirements there is a need to reduce cost and risk. There is significant cost involved in establishing an FMI, in addition to the global market costs associated with the balkanisation of netting opportunities and lost economies of scale. In October 2012 the Bank of Canada decided that banks can clear OTC derivatives via non-Canadian CCPs (central counterparties) rather than requiring the development of a domestic clearing system. Is this the model to be replicated elsewhere?

Research and conclusions on this topic would have wide-ranging policy implications on how and why local governments and regulators should focus domestic investment in FMIs and also pin-point where international development agencies such as the World Bank and IMF can extend their loans to facilitate strategic development.

Research proposals can be theoretical or empirical. The focus of the research could look at the following (other suggestions are welcome):

- Should a developing economy establish its own FMI (e.g. a CCP), or should local market participants be encouraged to use FMIs domiciled in other countries?
- What do we mean by the development of FMIs? Automation, opening up access to foreign participants, upgrading IT infrastructure, international standards, value-added services including securities lending/borrowing?
- What is the relationship between FMI development and economic growth? Is it a direct correlation or is there an indirect interaction with other variables such as perceived systemic stability, increased investor confidence?
- Is the impact the same for a payments MI and a Securities MI?
- Using empirical evidence from developed countries, what aspect of FMI development would have the largest potential impact on economic growth in developing countries?
- Are there positive externalities for regional economic growth and greater regional integration due to domestic FMI improvements?

Grant & Working Paper

A grant of EUR 15,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a working paper.
Proposal Submission

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
   - Objective of your research
   - Methods by which you intend to undertake your research
   - Timeframe by which you intend to complete your research
3. By email in MS Word / Excel / PowerPoint format and / or pdf.

Deadline: Proposals must be submitted no later than 26 April 2013
Email: Send submissions to: peter.ware@swift.com