



> **Professor Kevin Davis F Fin** is Director, Melbourne Centre for Financial Studies.  
Email: kevin.davis@melbournecentre.com.au

# Integrating town and gown in financial services

The Melbourne Centre for Financial Studies will facilitate collaborative, innovative financial research, generating commercial results and insights with mutual benefits for town and gown.

The size, complexity and strategic importance of the financial services sector have grown markedly in recent decades. Technological change has transformed the way financial services are delivered and has fostered the emergence of new financial products. Increased competition in a continually changing marketplace has meant that the acquisition of better information and the maintenance of knowledge capital are key ingredients for the survival and prosperity of financial firms.

Research is thus a key source of competitive advantage in financial services, but the market for financial research works far from perfectly. In particular, there is a widely recognised 'market failure' in the interface between industry and academe. The Melbourne Centre for Financial Studies is an initiative aimed at addressing this market failure.

Industry and academic research interests overlap, and information and skills found within the two groups can be complementary. With the continued evolution of financial theory and practice the overlap is growing, although this is not always fully appreciated by both groups. From academia have come a range of commonly used techniques of finance practice including portfolio management and performance tools, asset pricing models, credit and market risk modelling techniques. From industry have come new financial products, markets and techniques, which generate ideas for academic research topics and create databases that provide grist for the academic researcher's mill.

Neither group is fully aware of the skills and information available in the other. And while the objectives (creation of private commercially valuable products versus public intellectual property) and time horizons (short versus long-term) of each group's research interests do not fully coincide, there is much

opportunity for collaboration and partnerships to generate mutual benefits. Collaborative research can simultaneously generate commercial results for industry while providing academics with access to data and insights, which can be used, without threat to the commercial interests of the partner, to provide the basis for high-quality innovative academic research.

For Victoria (and Australia), this market failure should be a source of significant concern, since it suggests that full value is not being gained from our available resources. The Victorian financial services sector represents a large and important element within the Victorian economy. Local finance research can yield major benefits in advancing the interests of the Victorian financial services sector and wider community both nationally and internationally. Those benefits can be both direct (through particular research projects) and indirect through the enhanced reputation of Melbourne as a centre of financial knowledge capital in both academe and industry.

The Melbourne Centre for Financial Studies has been created to rectify and exploit the opportunities from this market failure. By establishing an entity dedicated to fulfilling the role of an intermediary between town and gown, the Centre can overcome many of the transaction and search costs inhibiting interaction between both parties. It can also undertake the 'quality assurance' role necessary when neither party is familiar with the needs or abilities of the other.

The strategic positioning of the Centre is based on:

- increasing general awareness of the extent of the overlap in research interests;
- encouraging further development of that overlap between 'town' and 'gown' in Melbourne; and



**Melbourne Centre for Financial Studies Launch**

**1.** Rob Brown F Fin – University of Melbourne, Tony Naughton – RMIT, John Unkles F Fin – Finsia, Jayne Godfrey – Monash University, André Haermeyer MP – Minister for Financial Services, Kevin Davis F Fin – Director Melbourne Centre for Financial Studies  
**2.** David Knox – Mercer Human Resource Centre & Sylvia Falzon SF Fin – Alpha Investment Management  
**3.** Kevin Davis F Fin – Director MCFS **4.** John Karagounis F Fin – The CEO Institute & Haydn Park F Fin – Finsia  
**5.** André Haermeyer MP – Minister for Financial Services **6.** Bob Officer SF Fin – Capital Research, Dr Christine Brown F Fin – University of Melbourne & Ivan St Clair – Ernst & Young **7.** Brad Treadwell – Osbourne & Thomas Gentile F Fin - GE Money

- identifying mutually beneficial opportunities for town and gown by developing superior knowledge about research interests and needs and the location of skills and information necessary to meet those needs.

The Melbourne Centre is the result of an initiative of, and seed funding by, the Victorian Government. It is a joint venture of a consortium of Melbourne, Monash and RMIT Universities, together with Finsia, all of which have committed financial and in-kind support.

The Melbourne Centre will:

- Identify and communicate information about research opportunities for mutual benefit for town and gown;
- Develop a database of knowledge and skill sets available;
- Facilitate interaction (matching demand for and supply of specific research activities) between town and gown;
- Publicise outcomes from such interaction to increase awareness of the potential benefits;
- Develop and exploit commercial opportunities arising from research activities facilitated and from its positioning in the market for financial research; and
- Fund high-quality academic research, which will enhance the international reputation of Melbourne as a centre of financial research, practice and education.

Ultimately, the research agenda of the Melbourne Centre will reflect the opportunities identified by industry and academe for mutually beneficial involvement as the finance sector evolves and changes. But underpinning that development will be an emphasis on innovative, cutting-edge research that provides opportunities for the further development of the Melbourne finance industry as a result of the accumulation of knowledge capital. The Centre will identify areas of potential

strengths which can be capitalised upon, and new and emerging markets where opportunities exist. In this regard, the Centre has established an Industry Advisory Committee of prominent finance industry practitioners to provide input and advise on the direction of its research agenda.

Initially the Centre will focus its research activities around a number of themes. These are: funds management; new financial markets; interrelationships between Australian and Asia-Pacific financial markets; banking performance and regulation; corporate finance and infrastructure; and insurance. More details can be found at [www.melbournecentre.com.au](http://www.melbournecentre.com.au)

Ultimate success of the Melbourne Centre depends upon two key ingredients. The first is the recognition by industry and academe that greater interaction can be of mutual benefit. This will evolve through time as the results of the Centre's activities become better known. The second is financial support from industry to complement and ultimately replace the Government's seed funding. The Melbourne Centre is actively seeking institutional members to provide core financial support for its activities, as well as specific opportunities for contract research.

The Melbourne Centre is pleased to take this opportunity to acknowledge the generous financial support recently offered by AAMI, which is to become the first institutional member of the Melbourne Centre for Financial Studies. We are confident that other Melbourne-based financial organisations will follow AAMI's lead in recognising that the wider community and the economy, as well as industry members themselves, can benefit from the stimulation of debate, ideas and partnerships arising from the activities of the Melbourne Centre.

The Melbourne Centre for Financial Studies is located in the Melbourne Finsia offices. ■