



SOUTH AFRICAN RESERVE BANK

## Call for research proposals

# Banking regulation effects on South Africa's financial sector and economy

## Background

The South African Reserve Bank (SARB), as part of its research agenda, seeks to expand research into the effects of microprudential and macroprudential regulation on the banking sector, the financial services sector, and the economy's macroeconomic performance. The research aims to examine the effects of regulatory changes that have stemmed from the evolution of the Basel agreements and to consider the effect of future regulatory changes, such as potential regulations in support of 'net-zero' objectives.

## The offer

The SARB invites proposals from qualified researchers for high-quality economic research in the 11 focus areas that contribute directly or indirectly to evaluating the effects of microprudential and macroprudential regulation. These are:

1. What has been the effect of **increased required capital reserves** (risk-weighted and unweighted) on **banks' aggregate loans** (balance sheet measures)?  
What has been the effect of **increased quality of capital reserves** on **banks' aggregate loans**?  
What has been the effect of **liquidity reserve requirements** on **banks' aggregate loans**?

2. What have been the effects of regulations such as new reserve requirements and the net stable funding ratio (NSFR) on **the price of bank credit, banks' deposit rate/loan rate spread, banks' return on equity, and banks' weighted average cost of capital**? In aggregate, how might this impact financial stability?
3. What have been the effects of regulations on **competition** within the banking sector? Have increased costs of capital and operations been passed on to consumers?
4. Through the effects measured in 2, what has been the effect of bank regulation on the **growth of 'banking' functions supplied by non-bank financial firms** ('shadow banks') and fintech platforms supplying payment services and credit?
5. How might the effects of new regulatory requirements influence **banks' business models** (e.g. hedging, increase in short-term and unsecured lending, greater reliance on algorithmic trading, increased cross-border capital flows, and so on)? In aggregate, what impact might this have on financial stability?
6. How might a **business disruption and/or system failure event** increase the **risk of a bank run**?
7. Through the effects measured in 2, 3 and 4, what has been the effect of bank regulation on the **availability of credit for non-financial firms** and their **cost of finance for capital expenditure (capex) and working capital**?
8. Through the effects measured in 2, 3 and 4, what has been the effect of bank regulation on the **availability and cost of finance for small- and medium-sized enterprises (SMEs), microenterprises and low-income households**?
9. To what extent has the operation of capital regulations (including macroprudential countercyclical capital requirements) and liquidity regulations reinforced or counteracted the **countercyclical effects of Taylor Rule monetary policy**?
10. How might a business disruption or system failure event increase settlement risk?
11. Based on evidence regarding the current effects of Basel III innovations, what implications can be drawn for the design of regulations mitigating or creating resilience to new risks, such as:
  - a. risks arising from present and future **fintech innovation** (including fintech innovations within banking, in competition with banks, and in equity and forex markets);

- b. operational and other risks from **cybercrime**;
- c. market risks in the development of **carbon credit markets**, and credit risks in the **transition from the existing fossil-fuel-based economy**; and
- d. **economy-wide and global shocks** (e.g. pandemics, climate extremes, wars and political conflict).

The objectives of this call for proposals are:

1. Provide an opportunity for researchers to conduct policy-relevant research on topics of relevance to banking regulation in South Africa.
2. Facilitate policy dialogue by engaging with researchers on policy-relevant issues and ensuring that the findings from this research are communicated effectively to all stakeholders, including the academic community, policymakers and civil society via policy summaries and dialogue.

Proposals from individuals, groups of individuals, and non-profit organisations are welcome. Researchers can be based in South Africa or internationally and can combine researchers from different countries and institutions.

Special consideration will be given to research teams that include junior and early-career researchers.

Individual researchers will be issued consultant contracts as SARB Fellows, while non-profit organisations will be issued an Institutional Contractual Agreement (ICA) by the SARB.

A total research honorarium in the range of US\$3 000 to US\$10 000 will be paid upon delivery of a satisfactory working paper, depending on the qualifications of the lead researcher and assessment of the proposal. In addition, a local expense allowance of up to US\$5 000 per proposal for teams entirely consisting of South African researchers, and US\$10 000 per proposal for teams with international researchers will be paid, depending on an assessment of costs required to undertake the proposed research.

The remuneration and local expense allowance will be expected to cover all costs associated with the conduct of all research proposed under the proposal, except attendance at the work-in-progress workshop and other knowledge-sharing and dissemination events.

### **Expectations of researchers**

All successful research grant applicants will be expected to:

1. Produce a relevant research paper of sufficient quality to merit publication in the [SARB Working Paper series](#).
2. Attend a 1- to 1.5-day workshop in South Africa where work in progress will be presented and discussed.
3. Prepare a policy summary that brings together the key findings from the research paper and the key policy lessons.
4. Participate in a workshop/policy dialogue after completion of the final paper to communicate the policy implications and lessons from the research.

### **Key dates**

21 July	Final opportunity for questions on the request for research proposals
10 August	Proposals due
30 August	Target date for informing on funding decisions
25 September	Target date for completion of necessary administrative procedures
20 December	Target window for submission of first draft of papers and work-in-progress workshop
15 February	Target window for submission of final paper
1 March	Target window for policy dialogue

## **Evaluation process and criteria**

Proposal evaluation will be conducted by a panel formed by the SARB.

The SARB's panel will score proposals along four criteria: technical merit, technical capabilities of the research team, policy relevance and capacity-building. During this assessment, proposals must meet both a minimum level of technical merit and research team capabilities, and a minimum total score.

The assessment of the technical aspects of the proposal will be in accordance with the following criteria:

- technical merit – 30 points; and
- capabilities of the research team – 25 points.

The proposals will need to score a minimum of 40 points out of the total of 55 points awarded for technical aspects to be recommended by the panel.

Assessments by the technical panel on the ability of research teams to adjust to unforeseen circumstance will form an important part of the scoring under these criteria.

As the programme aims to both support policy-relevant research and contribute to the continued development of research skills within the SARB, the proposals will also be awarded points for their potential contribution to analytical capacity and their degree of policy relevance:

- policy relevance – 25 points; and
- capacity building – 20 points.

A maximum of 100 points can therefore be awarded. Proposals must meet a minimum of 70 points to be recommended by the panel to proceed to stage two of the assessment.

A maximum number of two proposals per researcher may be received, and only one contract per individual researcher may be awarded (the panel may consider more awards in the case where the researcher is part of multiple teams). Successful

proposals may receive assistance with obtaining confidential data from National Treasury and the SARB.

Only the final decision on whether to fund the proposal will be communicated to applying researchers.

### **Proposal structure**

Proposals should be structured according to these guidelines:

- title of the project;
- name and affiliation of the principal investigator;
- qualifications and bio of the principal researcher, including links to publications (maximum 200 words);
- postal and email address for correspondence;
- names, qualifications and affiliations of other team members;
- principal objective of the project (maximum 50 words);
- non-technical summary of the project (maximum 400 words);
- project proposal (maximum 3 000 words), including:
  - relation to main existing literature;
  - research question(s) or hypotheses;
  - method of enquiry (including rationale for choice of technique);
  - data availability; and
  - potential relevance for policy.

The contribution of research is aimed at building research capacity in the SARB or South Africa.

Proposals should be emailed to [erdresearch@resbank.co.za](mailto:erdresearch@resbank.co.za)