

Scottish Financial Risk Academy
Inaugural Risk Colloquium

4 November 2010

Bryce Hall, Lloyds Banking Group, The Mound, Edinburgh, Scotland

Launch of the Scottish Financial Risk Academy
Professor Alexander McNeil, Director

I would like to begin by thanking Lady Susan Rice for her kind welcome. I would like to thank her and Lloyds Banking Group for placing this wonderful venue at our disposal today, and for supporting this inaugural Colloquium. Of all buildings in Edinburgh, this is clearly the one that is the most recognisable symbol of Scottish financial services and so it fantastic that the Risk Academy can begin its public life today in this magnificent space.

I too would like to welcome you all to the Inaugural Colloquium of the Scottish Financial Risk Academy, or SFRA as we also call it – not to be confused with the Scottish Furniture Retailers Association or the Science Fiction Research Association.

It is very gratifying that we have a full house, and a broad cross-section of participants from various sectors of the Scottish financial services industry and from several Scottish universities. I am also pleased that we have a number of postgraduate students here as they represent the future for the Risk Academy.

I would like to thank the other founding members of the Academy for their support, enthusiasm and engagement. Barrie & Hibbert and Aberdeen Asset Management have been with us from the start, well over a year ago, when we first talked about the useful forms in which Knowledge Exchange could take place between Academia and Financial Services companies.

Scottish Financial Enterprise and the Actuarial Profession joined the founding consortium, and have been invaluable in helping us bring our demand-led proposition to the attention of the wider financial community.

I would like to thank the Scottish Funding Council for finding favour with our proposal and providing funding that will allow us to establish the activities of the Academy over a 3-year period. Our aim is to build something that industry will find valuable and that we will ultimately be able to sustain after the initial term.

The SFRA is an academic initiative of the Maxwell Institute, the mathematics research institute that combines the considerable strengths of the University of Edinburgh and Heriot-Watt University. As such, the SFRA is an example of the kind of inter-university co-operation that can be a real virtue in a small country like Scotland. I would like to thank my own university, Heriot-Watt, for the immense help it has provided in setting up the Academy, and I would like to thank my colleagues at Edinburgh for embracing the Academy concept from the word go and getting involved in its activities.

The Academy is there for every financial services company in Scotland that takes an interest in our financial risk agenda, and for every university in Scotland that prepares students for careers in financial services. Although we are starting our agenda with a focus on quantitative issues, which plays to founder member strengths, we want to build a broader church that better reflects the multi-disciplinary nature of financial risk management. So I would like to thank all the companies and university departments that have joined, as you see on the slide, and I would like to extend a warm invitation to others to join the SFRA which, for those of you who are wondering, costs nothing at this point in time.

The Academy can be partly seen as a response to the 2007-09 financial crisis which shows us that there is a general need to improve the understanding of financial risk. It also shows us that nothing in financial services can be taken for granted. Large companies with well-known names can be swept away. Scotland has a strong financial services industry and I presume that everyone in this room has an interest in seeing it continue to thrive. But the landscape of Scotland is littered with the evidence of industries in which we were once pre-eminent.

I recently learnt that 100 years ago, my home belonged to a member of a Leith shipbuilding family whose yard built the luxury steam yachts of the late Edwardian age and sold them throughout the world. The site of his yard is now Ocean Terminal and there is no longer a shipbuilding industry in Leith, and only two aircraft carriers taking shape on the Clyde. Will we still be doing financial services in 100 years?

I believe that one of the lessons of the financial crisis, and of history, is that we have to take a much longer term view of key industries. And part of the longer term view is industry working with our own local universities to ensure that there is a supply of well educated talent going into the industry, that research and teaching are high quality and relevant, and that key academic disciplines are sustained in Scotland. You can't have a vibrant financial services cluster in Scotland without having strong universities as important nodes.

The Financial Services Advisory Board (FiSAB) knows this and its implementation group FiSIG has been working for a while on improving the interface between our universities and the financial services sector. The creation of the SFRA can be viewed as one successful outcome of that process and I am pleased that many of the people who were involved are here this evening.

Other industries (I think of engineering, chemicals, pharmaceuticals) have arguably been better at creating long term strategic relationships with Academia. Why is this so? We could have a long discussion of that question (and possibly it is one for the panel) but we believe that we can make the SFRA work by providing two services. First, we put on activities that cater directly to industry's demands, which I would summarise as:

- access to the most able and best-trained students;
- advanced technical training opportunities;
- exposure to the best research coming from Academia;
- interaction on a more regular basis with academic experts, both Scottish-based and international; *and*
- interaction between industry peers on matters of common interest such as regulation.

Second, we provide a focus for interaction. There will be companies in this room that already have useful relationships with Scottish universities. There are probably others who feel that it would be a good idea to engage but are not sure how to go about it in a way that will bring real value. The SFRA is there to try to help you answer that question.

So let me end with a few notes about our forthcoming activities.

This is the first of 6 biannual colloquia and on the screen is advance notification of the second, in March.

The third is very likely to tackle a theme to do with insurance and Solvency II regulation.

We are also about to unveil a programme of Knowledge Transfer workshops, essentially CPD or training events. We have taken note that the sort of training courses you find in London are not often put on up here and that the costs of attending London courses can be prohibitive. We are looking for topics that might have an audience here and this is a glimpse of what we intend to put on. You can help us by telling us the sorts of training courses you'd like to hear.

If you want to be in the Risk Academy's inner circle, close to the supply of bright postgraduate students, then there are two grass roots activities of the SFRA that I would encourage you to get involved in.

I am now going to hand over to Bill Jamieson of the Scotsman. I will introduce Bill, if indeed he needs an introduction, and he will introduce the other actors in this act.

Bill Jamieson is Executive Editor of The Scotsman writing regularly on finance and economics as well as politics and current affairs. You probably saw his article on the trams yesterday. He is also the economics columnist for Scotland on Sunday and a contributor to the Spectator Business magazine, City AM and a regular commentator on business and economics affairs for BBC Scotland.

In 2009, Bill won Business Journalist of the Year and overall Journalist of the Year in the Scottish Press Awards. Prior to joining The Scotsman in 2000, he was, for seven years, Economics Editor of The Sunday Telegraph.

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