

Principles for the Danish Finance Institute's Scholarship Programs

Introduction

The *Danish Finance Institute* (DFI) is an initiative aimed at supporting the establishment of a Danish world-class research environment in finance, thus supporting Denmark as a financial center through new knowledge and the delivery of excellent candidates to the financial sector.

In recent years, Danish researchers in finance have attracted the most prestigious and largest public grants in both Denmark (DNRF Centers of Excellence, Sapere Aude and Eliteforsk grants) and the EU (European Research Council grants). This is primarily due to the fact that finance has succeeded in attracting and retaining a number of strong researchers. With this caliber of researchers also follows increased funding for research and a strengthened educational environment. However, there is fierce competition internationally to attract the best researchers. Since Danish university salaries in finance are significantly below those seen abroad, the primary strategic challenge is to secure funds for Denmark to become competitive in this area. The DFI aims to address this challenge.

The partnership between universities and the financial sector creates great value because leading researchers' knowledge is 'leveraged' when it is transferred to a large number of students and business people. This leverage takes place through several channels:

- A high academic quality at the universities creates a large number of very talented candidates at all levels (bachelors, graduates and PhDs) with specialized knowledge that will strengthen the financial sector.
- A strong funding environment ensures relevant, practice-oriented conferences, and attracts top researchers, central bank executives and leading business people from around the world as inspiration for the entire financial sector.
- Top researchers provide qualified interactions with business and society, fast transfer of new and relevant research results to the sector, and more competent dissemination of research to the public and regulatory authorities.
- Top researchers and talented young researchers secure large research grants from government funds and from the EU for research projects and research infrastructure.
- The opportunity to hire more top researchers creates the capacity for universities to invest in new initiatives.

The following sections will describe the organizational structure, the model for the distribution of funds, general terms relating to various types of leave and, to conclude, the horizon, evaluation and budget.

1. Organization

The members of Finans Danmark have founded an association, the **Danish Finance Institute (DFI)**, with an independent Board of Directors and management. The DFI Secretariat is hosted at the Department of Finance, Copenhagen Business School, in return for a small administrative contribution from DFI.

The Board of Directors is composed of members elected by and among the founders. The Board of Directors has overall responsibility for the association's operations and investments. The Board of Directors draws up a cooperation agreement with the participating universities and appoints DFI's management as well as the Scientific Board members who are selected on the recommendation of the DFI management.

A **Scientific Board** is established consisting of three internationally leading researchers in finance. The Scientific Board ensures the quality and independence of research - with the Scientific Board independently adjudicating on scholarships where a professional assessment is required.

The DFI Management consists of a director and a co-director. The management is responsible for the day-to-day operations of DFI and for hosting an annual practice-oriented conference. The management can decide on certain scholarships and prepares recommendations on other scholarships for the Scientific Board to review. The management appoints the associated researchers, who are referred to as **DFI Research Fellows**.

1.1 DFI Research Fellows (RF)

Researchers in finance who have their main employment at a participating university may apply to become a DFI Research Fellow (RF). The general requirement is a PhD, or equivalent, and significant research in finance (e.g. minimum a research paper in finance that is publically available, e.g. SSRN). Hence, PhD students at the participating universities cannot become DFI Research Fellows.

An RF is expected to actively contribute to the finance environment in Denmark. Such contributions may be the participation in and organization of the annual DFI conference as well as other seminars and conferences, along with the organization of databases, educational activities or the involvement in PhD activities.

Initially, RFs do not receive any payment, but all RFs are eligible to receive Publication Scholarships, if they publish articles in the relevant journals, see below.

The DFI management has the competence to appoint RFs.

Other researchers in finance may also apply to be considered an RF. If the DFI management does not wish to appoint the applicant, the decision has to be forwarded to the Scientific Board, who will then decide on the appointment if necessary.

In special cases, the Scientific Board may, upon the recommendation of the DFI management, deprive an RF of his/her association with the DFI, if e.g. the RF exhibits unethical behavior or does not contribute to the finance environment. Any remaining rates for a scholarship will lapse upon termination.

2. Model for distribution of funds

The model for distributing DFI funds is based on a number of basic principles, namely that it must:

- support the building of a world-class research environment and thus support Denmark as a financial center through new knowledge and the delivery of excellent candidates to the financial sector,
- be cost effective,
- have a high degree of objectivity,
- be experienced as a fair model by finance researchers – given the purpose in the first point,
- ensure that the research remains independent of commercial interests and that there can be no justified doubts about independence, and finally
- ensure that substitution effects do not occur where the DFI takes over university expenses.

The model consists of three elements:

1. Research Scholarship program
2. Top Researcher Scholarship program
3. Publication Scholarship program

Research Scholarships and Top Researcher Scholarships of up to 6 years can only be given to new researchers hired from abroad. A researcher is regarded as an employee from abroad if he or she has worked and lived abroad for the previous 20 months at the start of their employment. However, he or she may have held a part-time position at a Danish university, as long as this is not their main employment, and there has not been a permanent residence in Denmark during the period.

For all programs, only RFs can be considered recipients. New hires will be appointed RF when they have been awarded one of the scholarship programs.

2.1 DFI Research Scholarship Program

DFI Research Scholarships are awarded for a period of 6 years, unless otherwise stated, to new members of staff hired from abroad. The decision can be made by the DFI management.

In cases where there is doubt as to whether the research area for a potential recipient of a Research Scholarship is in fact finance, the Scientific Board must decide whether the DFI can award a scholarship.

Junior Scholarships

There are two scholarship levels for Assistant Professors:

Junior Levels	Scholarship Amount
Junior 1	100,000 DKK per annum (corresponding to approximately 13,500 €)
Junior 2	200,000 DKK per annum (corresponding to approximately 27,000 €)

A candidate is offered the high level Junior 2 scholarship upon employment if he/she meets one of the following requirements:

- 1) Has at least two fly-outs at leading universities,
- 2) Has received a written offer from a leading university,
- 3) Is already employed in a position at a leading university,
- 4) Has an article either accepted or with revise-and-resubmit status in a top-3 finance journal (i.e. Journal of Finance, Journal of Financial Economics, Review of Financial Studies).

Appendix A defines the specific requirements under points 1-3.

Awarded scholarships at the Junior 1 level are increased to the Junior 2 level after 3 years if, before this time, the candidate has an article accepted, or with revise-and-resubmit status, in a top-3 finance journal as defined in section 2.3 below. If a candidate receives a Junior Scholarship, he/she will not be eligible for an upgrade to a Senior Scholarship.

Senior Scholarships

Associate Professors and full Professors can be awarded a 6-year scholarship, a Senior 1, Senior 2 or Senior 3 Scholarship, if the researcher has had a number of articles published or accepted for publication, as listed in the table below.

Senior Scholarship Levels	Number of articles published on offer of employment	Amount
Senior 1	2 Level 1, of which at least 1 is in top-3 finance	250,000 DKK
Senior 2	3 Level 1, of which at least 1 is in top-3 finance	300,000 DKK
Senior 3	4 Level 1, of which at least 2 are in top-3 finance	350,000 DKK

The annual Research Scholarships Senior 1, Senior 2 and Senior 3 are 250,000 DKK, 300,000 DKK and 350,000 DKK, respectively.

The senior scholarships are awarded independently of the employment status at the participating university. As an example, an institution may employ a full professor that only qualifies for a Senior 1 scholarship.

In addition, a scholarship recipient may after the first 3-year period apply and be awarded a higher level scholarship if, before this time, the candidate is qualified for the higher level as specified in the table above. An existing scholarship cannot be reduced.

The mentioned number of articles for achieving a Senior Scholarship has to be published within the last 10 years, and all relevant Level 1 publications must have significant finance content.

The Scientific Board has to approve all Senior Scholarships.

Scientific Board decisions regarding Junior and Senior Scholarships

In special cases, the Scientific Board may decide to award a Junior or Senior Scholarship to a candidate not fulfilling the requirements mentioned above based on a recommendation from management.

In a special case, where a highly qualified Assistant Professor does not meet the Junior 2 requirements, the Scientific Board may still decide to award a Junior 2 scholarship.

In a special case, where a highly qualified Associate or full Professor does not meet the publication requirement above for a Senior 1-3 Scholarship, the Scientific Board may, anyway, decide to award one of the three senior level scholarships for a 3-year period, or one of the two junior scholarships. In this case, the scholarship is awarded for 3 years with the option of renewal for another 3 years. Based on progress achieved, the Scientific Board decides on any extension and the scholarship level.

Finally, in other cases not covered above, like when recruiting a visiting professor, a part-time professor, a post doc etc., the Scientific Board can determine if the candidate qualifies for a scholarship.

2.2 Top Researcher Scholarship Program

In very special cases, special scholarships can be paid to researchers at a very high international level in connection with recruitment from abroad. These are paid in addition to the regular Senior Research Scholarship.

The Scientific Board will consider such scholarships on the recommendation of the DFI Management. Up to an additional DKK 300,000 may be allocated annually for the 6-years Top Researcher Scholarship. This will give a Top Researcher Scholarship up to 650,000 DKK per annum.

More than DKK 300,000 can be allocated to a top researcher, but the Board of Directors must approve beforehand.

The expectation for these types of Top Researcher Scholarships is a maximum of 2-3 awarded scholarships to be paid over the 10-year horizon. There are no specific criteria for when a researcher qualifies for the Top Researcher Scholarship; the Scientific Board must decide on each case individually. However, it is to be expected that he/she is a Professor at a high-ranked university or has published at least six articles with finance content in Level 1 journals, of which at least three articles are in top-3 finance journals. It is also expected that the candidate has an established international reputation and has had a significant impact on the field of finance, along with a sustained level of active research productivity.

2.3 Publication Scholarship Program

There are two levels of Publication Scholarships:

1. For each article published in a Level 1 journal, the researcher receives DKK $375,000/\sqrt{n}$, where n is the number of authors. One-third of the amount is paid annually for 3 years. If several RFs are authors of the same article, a maximum of DKK 750,000 can be paid for the given article. Any reduction is split evenly among the authors. Level 1 consists of the following journals:
 - *Journal of Finance*
 - *Journal of Financial Economics*
 - *Review of Financial Studies*
 - *Review of Finance*
 - *American Economic Review**
 - *Econometrica**
 - *Journal of Political Economy**
 - *Quarterly Journal of Economics**
 - *Review of Economic Studies**

Of the above-mentioned journals, the *Journal of Finance*, *Journal of Financial Economics* and *Review of Financial Studies* are considered the top-3 finance journals.

2. For each article published in a Level 2 journal, the researcher receives DKK $75,000/\sqrt{n}$, where n is the number of authors. Half of the amount is paid annually for 2 years. If multiple RFs are authors of the same article, a maximum of DKK 150,000 can be paid for the given article. Any reduction is split evenly among the authors. Level 2 consists of the following journals:
 - *Journal of Corporate Finance*
 - *Journal of Financial and Quantitative Analysis*
 - *Journal of Financial Intermediation*
 - *Accounting Review**
 - *Journal of Accounting and Economics**
 - *Journal of Accounting Research**
 - *Management Science**

Journals marked with an asterisk also contain articles that focus on topics other than finance. Therefore, for these nine journals, publication scholarships can only be paid if, upon recommendation of the DFI management, the Scientific Board decides that the article has significant finance content.

In the event that the DFI management does not wish to recommend an article due to a lack of finance content, the Scientific Board has to assess whether the article has sufficient finance content.

An article can be approved for a Publication Scholarship whenever the article is in print, or if it appears as “forthcoming” on the website of the journal in question.

Papers submitted for a Publications Scholarship have to be current in the sense that they have to be published in either the application year or the preceding year. Hence, papers published in 2018/2019 are eligible for a 2019 publication scholarship. In 2020, it will only be papers published or accepted for publication in 2019/2020 that are eligible, and so forth.

In order to receive Publication Scholarships, it is a requirement that the applicant is an RF. Also, it is a requirement that RFs list their DFI affiliation on publications that are eligible for Publication Scholarships.

When applying for a Publication Scholarship, the applicant must certify that receiving a Publication Scholarship does not pose a conflict of interest with any position, public or private, the candidate holds in addition to his/her main university employment.

Publications Scholarships are assessed annually, and installments are paid towards the end of the year.

3. General terms relating to sabbatical leave with pay, leave without pay and maternity/paternity (or parental) leave.

An RF, who receives a Research and/or a Publication Scholarship, and who is on ordinary university sabbatical leave with full pay from the university does not forfeit any Research Scholarship or any outstanding Publication Scholarship rates, if he or she spends time away from a Danish university.

On the contrary, if an RF, who receives a Research and/or a Publication Scholarship, has leave without pay and is employed by a non-Danish university abroad, he or she can no longer obtain the Research Scholarship and forfeits any outstanding unpaid Publication Scholarship rates. The individual may re-apply for a Research Scholarship when returning to Danish employment and may re-apply for any outstanding Publication Scholarship rates when returning.

If an RF, who does not receive a Research Scholarship, resigns his or her job at a participating university, and takes up a job abroad, he or she will not automatically be eligible for a Research Scholarship when returning to Danish employment at a participating university, not even if the individual has lived abroad for the previous 20 months. Such cases have to be decided by the Scientific Board.

An RF, who receives a Research and/or a Publication Scholarship, and goes on maternity/paternity leave can, during the leave period, continue to receive the Research Scholarship for the granted period of 3 or 6 years as well as any outstanding Publication Scholarship rates. At the end of the Research Scholarship period, she/he can apply for an extension of the scholarship corresponding to the period she/he has been on leave and received full salary from the university in question. While on leave, she/he can also apply for additional Publication Scholarships. Similar terms apply for parental leave.

4. DFI Honorary Awards

The Awards

DFI's Board of Directors has decided to award yearly, and so far alternating, one of the following two honorary awards:

1. The DFI Dissemination Award:

To be awarded to a researcher who based on solid financial insight has made a significant contribution to the public debate or has otherwise excelled in disseminating research in finance to a wider audience. When awarding the prize, it should

be evaluated that the person in question has sought to communicate financial arguments and an increased understanding of finance in the public debate in a factual, competent, and pedagogical manner.

2. The DFI Educational Award:

To be awarded to an educator at one of the participating universities, who via teaching, student supervision or in other educational and pedagogical ways has excelled and made a notable educational effort and contribution. When awarding the prize, it should be evaluated that the person in question has sought to further promote the subject of finance in an educational context.

Each prize is worth DKK 50,000 and can in special cases be shared between no more than two candidates.

The two awards are acknowledgments of the recipients' merits with the purpose to support a strong research and teaching environment at universities in Denmark.

Governance

Two award committees are established: For Prize 1, the committee shall, as far as possible, consist of two members from the participating universities and one member appointed by Finans Danmark. For Prize 2, the committee shall, as far as possible, consist of a member from each of the five participating universities.

The DFI Board of Directors appoints the committees on the recommendation of the DFI management and Finans Danmark. The appointment is for a two-year period with the possibility of extension.

The prizes are awarded and cannot be applied for by individuals. Each year, the participating universities can each submit one nomination for the yearly award. The application deadline is 30 June.

The award committees organize their own work, including appointing a possible chairperson and handling of any impartiality issues. After the application deadline, the award committee decides who will be awarded the prize of the year before the end of September. The expectation is that the decision is accompanied by a short written justification suitable for publication.

For the year 2021, the DFI Financial Dissemination prize will be awarded. The DFI secretariat assists the work to the extent necessary.

5. Horizon, evaluation and budget

Top-level research and publishing as well as hiring international researchers are long-range activities. It is therefore important that the DFI has a similar long scope. Specifically, a 10-year period is set for the DFI initiative. If it is not desired for the

DFI to be continued at that time, no new scholarships will be granted, but payments will be made to already awarded scholarships.

The founders have committed to 10 years of funding with DKK 7.8 million annually. However, the founders may choose to withdraw the commitment for the last 4 years, if the initiative is deemed not to have achieved its purpose sufficiently.

To form the basis of this decision, a thorough mid-term review will be carried out at the beginning of the sixth year. Two reports will be prepared: Two leading international researchers are invited to evaluate the DFI and the DFI Management will prepare a self-evaluation report. The Board of Directors then makes a recommendation to the founders as to whether the DFI should continue in the same format or under a changed format, and thus whether the Board of Directors recommends that the founders finance another 4 years.

If the founders choose to stop financing after 6 years, the remaining funds will initially be used to pay for commitments which have already been made. If there are still remaining funds, the DFI Management may choose to extend existing research scholarships or use the funds for Publication Scholarship. Thus, no new Research Scholarships or Top Researcher Scholarships are given.

The Board of Directors annually assesses whether adjustments should be made to the model for scholarships, such as amount limits and eligibility requirements.

Appendix A: Criteria for awarding high-level scholarships to Assistant Professors

There are two scholarship levels for Assistant Professors: Junior 1, 100,000 DKK and Junior 2, 200,000 DKK (corresponding to approximately 13,500 and 27,000 €, respectively).

A candidate is offered the high-level scholarship (Junior 2) upon employment if he/she meets one of the following requirements:

- 1) Has at least two fly-outs at leading universities
- 2) Has received a written offer from a leading university
- 3) Has already employed in a position at a leading university
- 4) Has an article either accepted or with revise-and-resubmit status in a top-3 journal in finance (i.e.: Journal of Finance, Journal of Financial Economics, Review of Financial Studies).

The criteria for fly-outs and offers/hiring are as follows.

Fly-outs

Foreign institutions are included on a positive list based on the ranking made by Arizona State University (<http://apps.wpcarey.asu.edu/fin-rankings/rankings/>). Ranking is made from the number of top-3 finance publications in the past 5 years among universities/colleges. The list is updated yearly in connection to the Scientific Board meeting in August and consists of institutions that meet one of the following requirements:

- Top 50 universities in the world.
- Top 10 universities in Europe.
- Other research institutions with a research output corresponding to the top 50 in the world among universities.

The current positive list of foreign top-50 universities is based on the 2016-2020 ranking and is presented in Table A1. It should be noted that at present 12 European universities (as well as the Swiss Finance Institute and including Copenhagen Business School) are in the top 50 on the current positive list. Among other institutions, the Federal Reserve Bank of New York and the Federal Reserve Board qualify.

Only fly-outs for tenure-track employment (or equivalent employment at another non-Danish research institution) counts. Thus, fly-outs for postdoctoral positions do not count.

Finally, fly-outs are only included in relation to the formal job market. Thus, informal visits for candidates who are already employed as Assistant Professors elsewhere are not included.

Offers or current employment

The candidate has a written job offer or existing employment at an institution that is on the fly-out list. That does not include the Danish participating universities.

Table A1: Top-50 universities based on top-3 finance publications in 2016-2020 in ASU Ranking. European universities as well as the Swiss Finance Institute are marked in bold.

Rank	Organization	Number of publications
1	Chicago, U. of	76
2	New York University (NYU)	70
	Pennsylvania, U. of (Wharton)	70
4	Harvard University - Cambridge, MA	63
5	Stanford University	60
6	Columbia University - NY	57
7	Swiss Finance Institute (SFI)	56
8	Massachusetts Inst. of Tech. (MIT)	53
9	Boston College	51
10	Duke University	45
11	Cornell University	44
12	Ohio State University - Columbus	43
13	Southern California, U. of (USC)	42
14	London School of Economics	41
15	California, U. of - Berkeley	40
	Illinois, U. of - Urbana/Champaign	40
	Northwestern University	40
18	California, U. of - Los Angeles (UCLA)	39
19	North Carolina, U. of - Chapel Hill	37
	Toronto, University of	37
21	Yale University	36
22	London Business School	35
23	Texas, U. of - Austin	33

24	Michigan, U. of - Ann Arbor	32
	Stockholm School of Economics	32
	Washington University - St. Louis	32
27	HEC Paris	30
	Indiana University - Bloomington (Kelley)	30
29	Maryland, U. of - College Park	29
	Washington, U. of - Seattle	29
31	Erasmus, U. of - Rotterdam (EUR)	26
	Minnesota, U. of - Minneapolis	26
	Notre Dame, University of	26
34	Hong Kong, U. of	25
	Tilburg University (CentER)	25
36	Chinese University (Hong Kong)	24
37	Arizona State University	23
	Copenhagen Business School	23
	Hong Kong U. of Science & Tech. (HKUST)	23
40	Bocconi University	22
	Princeton University	22
42	Utah, University of	21
43	Colorado, U. of - Boulder	20
	Melbourne, University of	20
	Nova School of Business and Economics	20
46	Oxford, University of - U.K.	19
	Singapore Management University	19
	Virginia, University of	19
49	California, U. of - Irvine	18
	Dartmouth College	18
	Ecole Polytechnique Federale de Lau-	18
	Georgetown University	18
	INSEAD	18

	Mannheim, Universitat	18
	New South Wales, U. of	18