

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Stanislava Poizlová
Advisor:	PhDr. Miroslav Palanský, M.A., Ph.D.
Title of the thesis:	Cryptocurrencies and financial secrecy

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Short summary

This thesis analyzes whether the relationship between financial secrecy and cryptocurrencies. Stanislava uses an event study of the introduction of automatic information exchange (AIE) between secretive tax havens and other countries to assess the effect on the deposits held in tax havens and the volume of exchanges from and into cryptocurrencies. She first replicates the findings of previous literature that the volume of bank deposits in tax havens decreases following the introduction of AIE. She then hypothesizes that a part of the investors that exited their position in tax havens turn to cryptocurrencies. She uses novel data from a cryptocurrency exchange and cleverly links data on individual currencies with the relevant tax havens and finds that the volume of exchanges indeed increases significantly following the introduction of AIE.

Overall, I believe that Stanislava has written a strong empirical bachelor thesis which uses suitable methods, has included a lot of data-intensive work and has a clear contribution. She has consulted her thesis with me extensively and I am happy to report that I very much enjoyed supervising this effort.

Contribution

Stanislava has written a thesis that advances the body of literature on the behaviour of investors that make use of financial secrecy in tax havens. While previous literature has convincingly established that deposits in tax havens are sensitive to changes in financial transparency, this thesis goes beyond that finding and explores one option that investors have to remain hidden after leaving the tax haven - cryptocurrencies. To my knowledge, these two worlds have not been studied jointly in the academic literature yet. Stanislava provides compelling evidence of an economically and statistically significant effect: investors seem to indeed exchange abnormal amounts of money into cryptocurrencies following the introduction of an AIE treaty between their home country and the tax haven in which they had held deposits. I would be very happy to see Stanislava transform the thesis into an academic article as I believe that it would be a good contribution to the field.

Methods

The thesis has several parts, each of which uses a suitable methodology to fulfill its objective. First, Stanislava summarizes the existing literature and argues in detail why cryptocurrencies may be a suitable option for investors that seek financial secrecy. Second, she matches individual currencies to tax havens in which they are used, which I believe is a very clever way to overcome data limitations. Third, she replicates the results last year's article from the Journal of Public Economics in which the authors show that deposits in tax havens decrease following the introduction of AIE. Last, she carries out an event study to assess whether this decrease in deposits in tax havens coincides with an increase in the volume of trades from and into cryptocurrencies.

I find the used methods to be adequate and well-implemented.

Literature

Stanislava has identified the main literature to which her thesis contributes. I would have welcomed a closer discussion of the findings of papers that, similarly to Cusi et al. (2020), explore the behaviour of investors in tax havens using BIS data.

Manuscript form

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The thesis is well-written and I enjoyed reading it. The structure is clear and serves nicely the purpose of the thesis. It is clear that the author has taken the time to carefully read and edit the text and to think about the presentation of the results, although the readability of some figures and tables could be improved.

Overall evaluation and suggested questions for the discussion during the defense

Overall, I am happy to report that the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and, in case of a successful defense in front of the committee, I suggest the grade A.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	30
<i>Methods (max. 30 points)</i>	30
<i>Literature (max. 20 points)</i>	19
<i>Manuscript Form (max. 20 points)</i>	19
TOTAL POINTS (max. 100 points)	98
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: PhDr. Miroslav Palanský, M.A., Ph.D.

DATE OF EVALUATION: May 27, 2021

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F