

Opponent's Report on Dissertation Thesis

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Title of the Thesis:	Interest Rate Risk and Liquidity Risk of Banking Books in the Czech Republic
Type of Defense:	DEFENSE
Date of Pre-Defense	November 4, 2021
Opponent:	Prof. David Tripe Ph.D. (Massey University, New Zealand)

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

The revised thesis now presented to examiners is a worthwhile improvement on the previous version. With the points that were previously identified as needed clarification addressed, we can now look forward to further issues and questions that might be addressed in follow-up research. Particularly important in this respect are issues around the stability of deposits under the Basel III liquidity rules.

One issue here is that the stability of the non-maturing deposits is good in good times, but the concern here, which underpinned Basel III, was that good times do not always persist. In times of crisis, particularly in the case of a bank run or potential run, the stability of these non-maturing deposits evaporates, except insofar as depositors are protected by deposit insurance. The period studied for this research has not included any periods where deposit runs were observed in any of the banking systems studied (the GFC was not a sufficiently severe crisis), which means that the robustness to crisis has not been tested.

A further potential issue is that the period when this study was being undertaken was also the period during which the liquidity rules under Basel III (the Liquidity Coverage Ratio and Net Stable Funding Ratio) were coming into effect, which would be likely to impact on banks' attitudes to and treatment of retail deposits. It would have been nice to have seen some

discussion of this. Relevant to this is the comment made in the thesis (in Chapter 7) that conditions will differ in different countries, and this is important, as the structure of bank liabilities tends to vary from country to country (they will not all look like those in the Czech and Slovak Republics).

I also wondered if the discussion of liquidity of demand deposits in Chapter 4 might have merited a reference to the widely-cited work of Berger & Bouwman (2009).

There are some minor points where corrections could be made to clarify meanings or to improve the English, but these should hold not the student up from successful defence of her thesis. The most significant of these are the references to Section 4 on page 32 (twice) and page 37 – this should be to Chapter 4. Other minor points include

- reference to a “Wiener process” on page 28;
- a badly-punctuated sentence at the middle of page 42. “We should point out that this constraint is added by us, we did not see it used by other researchers”; and
- an unnecessary “a” in the top line of page 59.

With regard to the specific points required to be addressed in my report, I advise as follows:

- (a) There is an original contribution by the author, although this is limited because of the countries included in the study, which means that it may not be able to be generalised to a broader range of countries.
- (b) The thesis is now based on a relevant and appropriate selection of references (with a good improvement on the previous version).
- (c) The thesis would be defensible at my home institution.
- (d) The results from thesis have been published, although not always in particularly prestigious journals. The work that has been done to revise the thesis would provide for publication in higher ranked journals, as the contribution has been strengthened, but publication opportunities would still be limited as the results are impacted by the idiosyncrasies of the Czech and Slovak banking systems in particular.
- (e) A final review for good English would allow for some further improvement to the thesis, but it should be acceptable in its current form.
- (f) I recommend the thesis for defence without substantial changes.

Reference:

Berger, A. N. & Bouwman, C. H. S. (2009). Bank Liquidity Creation. *Review of Financial Studies*. 22 (9). 3779-3837.

Date:	1 June 2021
Opponent's Signature:	
Opponent's Affiliation:	Prof. David Tripe Ph.D. (Massey University, New Zealand)