

# IMESS DISSERTATION



Note: Please email the completed mark sheet to Year 2 coordinator  
(cc Julia Korosteleva [j.korosteleva@ucl.ac.uk](mailto:j.korosteleva@ucl.ac.uk) and Marta Kotwas [m.kotwas@ucl.ac.uk](mailto:m.kotwas@ucl.ac.uk))

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

<b>Student:</b>	Gwee Tian Jie
<b>Dissertation title:</b>	Capital Regulation, Bank Ownership and Bank Risks: Evidence from Central and Eastern Europe, and Asia

	Excellent	Satisfactory	Poor
<b>Knowledge</b> <i>Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.</i>	4		
<b>Analysis &amp; Interpretation</b> <i>Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.</i>	5		
<b>Structure &amp; Argument</b> <i>Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an arguments limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>	4		
<b>Presentation &amp; Documentation</b> <i>Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.</i>	4		

<b>ECTS Mark:</b>	B	<b>UCL Mark:</b>		<b>Marker:</b>	Martin Gregor
<i>Deducted for late submission:</i>				<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>				<b>Date:</b>	June 6, 2016

## MARKING GUIDELINES

**A (UCL mark 70+; Charles University mark = 1):** Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.

Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**B/C (UCL mark 60-69; Charles University mark =2):**

A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

**D/E (UCL mark 50-59; Charles University mark = 3):**

Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

**F (UCL mark less than 50; Charles University mark = neprospěl/a):**

Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

CONTINUES OVERLEAF  
PLEASE PROVIDE SUBSTANTIVE AND  
DETAILED FEEDBACK!

**Constructive comments, explaining strengths and weaknesses (at least 300 words):**

The thesis investigates micro (bank-specific) and macro (country-level) determinants of bank risks, where perhaps the most interesting question is whether capital regulations and bank ownership structures affects bank risks as complements or substitutes. Although corporate governance literature indicates that ownership structure should shape the impact of external regulations, there is to my best knowledge only small theoretical and empirical literature on that specific topic in the case of bank risk-taking (Laeven and Levine, 2009). Hence, the thesis works on a promising topic. I have closely followed the entire process of writing and have observed a great amount of effort put into the thesis.

The author has constructed own dataset covering both CEE countries and Asian Pacific countries, and examines three hypotheses, where each involves a slightly different modelling approach. For that purpose, the author has collected data from various sources, compiled own dataset, and specifically for country-level estimations, aggregated bank-level variables from a limited sample into country-level variables (e.g., market shares and concentration indices). Her three models use state-of-the-art econometric techniques and usual diagnostics.

The thesis is primarily empirical; the theoretical part is rather short and thus leaves many questions on specific effects open. On the other hand, the available data make it difficult to look into finer details of ownership structures and discriminate between more specific theoretical hypotheses.

Given that the thesis is oriented on banks from a specific region, I would perhaps expect more region-specific considerations that would be behind the hypothesized effects. It would also help to contrast the results with the estimations carried out in different regions.

As the thesis covers a lot of material, I think at some points it would benefit from further editing.

I think of the major point for discussion is treatment of endogeneity of ownership which is particularly relevant in the case of transition countries. Regarding this point, I have written my comments as specific questions to be asked at the oral defence.

**Specific questions you would like addressing at the oral defence (at least 2 questions):**

- 1. In Model 3, please explain why you have used the year of establishment of banks (YOE) as an instrumental variable for the ownership structure. Does history of the bank (YOE) matter because the time period since YOE covers events in the history that have persistently shaped ownership structure, such as wars? Can we find such events in your sample by inspection of underlying data?**
- 2. Let us focus on the year of establishment (YOE) and foreign ownership (FOREIGNOWN). If you construct a subsample for CEE countries only, what is exactly the level of correlation between the year of establishment and foreign ownership? For transition economies, isn't the correlation simply because only a handful of domestic banks dating back to the socialist times 'survived' transition period and thus domestic banks had to be primarily new banks?**
- 3. Consider bank privatization process. It is argued that most healthy (less risky) banks were sold to the foreign banks whereas unhealthy (more risky) banks went through a longer privatization process with eventually lower rate of foreign ownership. If so, we can clearly suspect endogeneity of foreign ownership. Using variation in YOE may help to some extent, but there still remains a great difference in YOE caused by the selection choice in the privatization process. Is this idea valid and how does it affect results of Model 3?**