

Report on Master Thesis

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

Student:	Bc. Ilia Rabinovich
Advisor:	Doc. PhDr. Adam Geršl, Ph.D.
Title of the thesis:	Macroprudential policy and banks' cross-border capital flows

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

Contribution

This thesis is contributing to the literature on the impact of various prudential policies on cross-border capital flows. This area of research is relatively new as databases of prudential policies have only started to be available especially after the global financial crises, after which various countries started to use prudential measures in a countercyclical way as a part of their new mandate to conduct macroprudential policy to limit systemic risk. The main value added of this master thesis is a use of a newly available and very detailed cross-country dataset on various prudential tools published by Cerruti et al (2016), reflecting a concerted effort by several central banks and the International Monetary Fund to collect such data in a harmonized way (previous databases were rather partial and often based on collection of data conducted by various researchers). Moreover, the author tests certain hypotheses that were not able to be tested in earlier datasets given the data limitations, such as effects of different types of instruments. This is in my view a sufficient value added for a master thesis, although of course one could also provide additional value added in perhaps using new methods or including additional variables of interest in the analysis.

Methods

The thesis is using standard econometric methods suitable to deal with a panel of countries with quarterly data over about 15 years, i.e. pooled least squares and fixed effects estimator. The author spent a considerable part of his thesis research with preparing the data which come from various sources (IMF, BIS etc.). After discussing the data construction, it shows various developments of key indicators and variables used in the analysis. Hypotheses are correctly defined and tested. The work with the data and the estimation techniques are appropriate. The author could improve on the data discussion, methods (perhaps using GMM), control variables and present also various robustness checks. However, I consider it just sufficient for a master thesis.

Literature

The thesis includes an elaborated review of literature on all key areas touched upon in the thesis – systemic risk, macroprudential policy, capital flows, and studies on the impacts of prudential policies on capital flows. The author demonstrates that he has learnt to understand the various areas not commonly covered in master studies (systemic risk, prudential policies etc.).

Manuscript form

The thesis is well structured and properly formatted. Some of the tables and charts would perhaps benefit from better formatting to improve readability (such as Table 4 – the numbers should ideally have the same number of digits etc.) and a few charts could be added on the capital flows development over time as well as on the control variables, but these are relatively small deficiencies. The bibliography is appropriate. Unfortunately, the language of the thesis is quite problematic and would strongly benefit from a review by a native speaker – some parts are really difficult to understand and I have to give a really low mark in this area, which is a pity! The probable reason is that the author was in a hurry when finalizing his thesis.

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Summary and suggested questions for the discussion during the defense

The thesis is on a very interesting topic and has value added in using a new dataset to analyze hypotheses researched in previous studies with different datasets. It formally fulfills all the requirements for a successful master thesis – it is well formatted and structured, has a good review of literature, the work with the data including econometric estimates is appropriate. However, due to the deficiencies mentioned above, especially the English language style and the level of analysis (which is sufficient but could be far better given the data available), I recommend this thesis for the defence and propose the grade **D**.

It has to be mentioned that the author was consulting with me as the supervisor very intensively and has taken on board a number of suggestions to improve the thesis.

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

SUMMARY OF POINTS AWARDED	POINTS
<i>Contribution (max. 30 points)</i>	20
<i>Methods (max. 30 points)</i>	20
<i>Literature (max. 20 points)</i>	18
<i>Manuscript Form (max. 20 points)</i>	10
TOTAL POINTS (max. 100 points)	68
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: *Doc. Adam Geršl*

DATE OF EVALUATION: *Aug 23, 2018*



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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

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