

Report on Master Thesis

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

Student:	Bc. Iliia Rabinovich
Advisor:	doc. PhDr. Adam Geršl Ph.D
Title of the thesis:	Macro-prudential policy and banks' cross-border capital flows

OVERALL ASSESSMENT

Contribution

An analysis of banks' cross-border capital flows and their impact on macro-prudential has got attention of both academics and regulators in past years. As a result, Iliia Rabinovich has chosen an interesting topic for his master thesis. He developed and tested three research hypotheses related to banks' capital requirements on a new dataset provided by Cerutti et al. (2016). The author compares his results with Reinhardt and Sowerbutts (2015) Buch and Goldberg (2016) and Avdjiev et al. (2016), what makes his thesis valuable. His contribution is therefore clear.

Methods

The author applies the standard methods used for panel data: Pooled Ordinary Least Squares (POLS) and fixed effect estimators. However, I would suggest applying another suitable method for panel data analysis: GMM system. Iliia builds his three research hypotheses on works by Beirne et al. (2014), Houston et al. (2012) and Reinhardt and Sowerbutts (2015). The description of the applied methods in Chapter 3 has 3 pages only, so I would appreciate enlarging this chapter. The hypotheses were tested but were not explicitly evaluated (rejected/not rejected). In other words, their evaluation is relatively weak, what decreases the value added of the submitted work. I also miss sections dealing with the limitations of the research and with further research opportunities.

Literature

The 19-page literature review is very long and for better readability is divided into four sections: systemic risk, policy instruments, capital flows, and prudential policies and capital flows. The author proved he had mastered key sources relevant to his research.

Manuscript form

The manuscript form fulfils the standard requirements on a master thesis, which meets standard format requirements on bibliography and notes. However, poor English is the weakest part of the thesis.

Summary and suggested questions for the discussion during the defense

Iliia has developed a solid academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that. However, he could have done a better job with data analysis and with the English style of the thesis. To conclude, the thesis by Iliia Rabinovich is written on the highly attractive subject but shows several weaknesses. Therefore I propose **Grade D** from this thesis.

Questions to the defense:

- 1) Testing Hypothesis 2 implies potential regulatory arbitrage in CEE and other countries (page 45). Could the author be more specific about this result?
- 2) What are policy recommendations based on the author's findings?

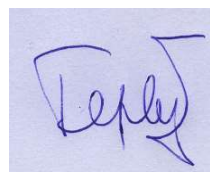
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	22
Methods (max. 30 points)	17
Literature (max. 20 points)	14
Manuscript Form (max. 20 points)	9
TOTAL POINTS (max. 100 points)	62
GRADE (A – B – C – D – E – F)	D



NAME OF THE REFEREE: Doc. PhDr. Petr Teplý, Ph.D.

DATE OF EVALUATION: August 24, 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