

Report on Bachelor / Master Thesis

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

Student:	Lucie Kamenická
Advisor:	Mgr. Miroslav Palanský M.A.
Title of the thesis:	Who wins and who loses due to financial secrecy? The Net Bilateral Financial Secrecy Index

OVERALL ASSESSMENT:

Lucie's thesis aims to identify harmful secrecy jurisdictions (i.e. such that increase the risk of existence of illicit financial flows) using the Financial Secrecy Index developed in the prior literature. Specifically, she replicated an earlier academic study estimating the Bilateral Financial Secrecy Index (BFSI) using an up-to-date dataset based on, among other datasets, the IMF's Coordinated Portfolio Investment Survey, estimating the level of financial secrecy received and supplied in 82 and 111 countries, respectively, and whether countries are affected positively or negatively by financial secrecy using a single index.

Contribution

Both the replication of the previous study using an updated dataset and development of the new Net Bilateral Financial Secrecy Index provide a good contribution to the literature and may form a basis for future research. The results allow assessment of tax havens' use by entities from other countries (and vice versa) at a bilateral level, showing interesting country-specific and regional trends, such as that many of the countries benefiting the most from financial secrecy are from Asia and Latin America, while most of those hurt by it are from Europe. The thesis is very extensive and covers a broad range of topics and results linked to financial secrecy, including evaluation of EU and global policies, all of which are very well summarised and put into perspective throughout the text.

Methods

The methods employed in the thesis are mostly based on the prior literature and adequate for its purpose; Lucie compiled a comprehensive dataset from a variety of sources and showed good data management and analytical skills and in R, as well as the logic behind the individual actions performed. She also managed to present the results in a clear, logical way so that the reader can easily navigate through the findings.

Literature

The thesis provides an extensive 17-page overview of the definitions and the recent literature on the topic, including numerous studies from this and the last year, and Lucie showcases good knowledge of the prior studies, their results, as well as other relevant sources of information throughout the study. The literature overview is well structured and provides a good foundation for the empirical part.

Manuscript form

The thesis is written in LaTeX using good English, although the text would benefit from further proofreading. The study has a good introduction to the topic of tax havens, financial secrecy, illicit financial flows and other relevant topics, and Lucie managed to create an attractive story supported by solid data and findings. At the same time, the reader is somewhat lost in the variety of indices, their origin, data sources and purpose; I would recommend using a summary table or diagram to outline the different concepts used and the relationships among them. Similarly, the section on data would benefit from a summary overview of the data downloaded including descriptive statistics, which are currently, to some extent, mentioned in the text. For instance, the text claims that using data on both assets and liabilities from the Coordinated Portfolio Investment Survey dataset collected by the IMF is not recommended due to high level of correlation between them, yet the reader cannot assess this fact as the dataset is not summarised anywhere.

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Summary and suggested questions for the discussion during the defense

First and foremost, it is clear that Lucie spent a good amount of time working on the thesis and surely greatly extended her knowledge of the topic and her technical skillset. Besides minor grammar errors and typos („looses“ instead of „loses“, „economics“ instead of „economists“, „in deed“ instead of „indeed“, etc.) – and despite its considerable length – the thesis is a pleasure to read and is indeed highly informative. It is, in my opinion, an excellent example of a proper research done at the undergraduate level.

Mindful of the minor flaws listed above, the thesis meets all of the criteria for the **highest grade** in case of a successful defence.

Suggested questions for the defence:

- You write in the thesis that only around 50% of the bilateral cross-border portfolio asset relationships in the CPIS dataset were estimated to be greater than zero – can this be a problem for the analysis?
- You suggest that there is a need for an up-to-date global list of tax havens and that the recent surge in attempts to deal with international tax evasion is insufficient as not all of the countries implemented the Automatic Exchange of Information (AIE) system. What would be your no. 1 recommendation for the policy-makers to focus on in order to reduce the illicit financial flows, based on the results of your analysis?

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

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	29
Literature (max. 20 points)	19
Manuscript Form (max. 20 points)	15
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE:

Martin Štěpánek

DATE OF EVALUATION: 18 May 2019



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.*

Strong	Average	Weak
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.*

Strong	Average	Weak
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.*

Strong	Average	Weak
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.*

Strong	Average	Weak
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