Report on Bachelor / Master Thesis

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

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

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

This thesis deals with the issue of financial secrecy. It builds on recent efforts to quantify the contribution of each secrecy jurisdiction to other countries. Using new data, Lucie re-estimates the so-called Bilateral Financial Secrecy Index (BFSI) recently developed by Janský, Meinzer, and Palanský (2018) and extends their approach to construct the Net BFSI – a number that quantifies whether a country wins or loses due to the existence financial secrecy. She then evaluates two major policies – EU's blacklisting and the automatic exchange of information (AEI) – to see how these policies are aligned with the results of the Net BFSI.

Overall, Lucie has done a decent job in writing her thesis. She communicated and discussed her research with me for a relatively long period and tried to incorporate most of my comments. As I explain below, however, she has not been able to structure her writing well enough and to present her results convincingly enough for me to recommend a better grade than "D".

Contribution

I see the contribution of this thesis as threefold. First, Lucie has re-estimated the BFSI using updated data sources for BSW so that they are now from 2017, the same year as the SS, and has compared the effect this has had on the value of the index for different jurisdictions. Second, she has relatively thoroughly analyzed the concept of the Net BFSI and calculated it for a number of country groups (based on income, region or political grouping). Third, she has compared the results of the Net BFSI with two major policy responses of international organizations – the blacklisting process of the EU and the automatic exchange of information initiative of the OECD.

Nevertheless, while I see a lot of potential in the Net BFSI approach, I feel that Lucie has not leveraged it all in her thesis. Two examples: (i) the time dimension analysis would benefit from using secrecy scores from previous versions of the FSI; (ii) the analysis of the relationship between AEI and the Net BFSI could be carried out much more convincingly by showing the development of the activation of AEI treaties over time.

Methods

In terms of methodology, this thesis has, for the most part, replicated previous approaches from the literature. Lucie has managed to understand state-of-the-art efforts to quantify the contribution of each secrecy jurisdiction to the secrecy provided to countries.

In terms of the interpretation of results, for most of the tables and figures, I could think of ways to improve the conclusions that are based on their findings. As an example, in Table 5.5., the number two Net Supplier, Turkey, is high in this ranking mostly because not a lot of data on outward portfolio investment is published in the IMF's CPIS.

Literature

Lucie has managed to review the literature most relevant for her analysis. While the structure and readability could be improved (similarly to the rest of the thesis), I am relatively happy with this section.

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Manuscript form

The text contains a high number of grammatical errors, typos and incorrect formulations and would greatly benefit from careful proofreading. The readability of the text is significantly impaired by these issues. Tables and figures could be improved, too. For example, the readability of Table 5.1 is very bad. Overall, I can imagine a number of more appropriate ways to show the results. Often, the tables are not well though out – for example, in Table 5.7, five decimal places for average SS decreases the readability of the table; BFSI supplied and BFSI received should be next to each other, and the Net BFSI is computed the other way around (its definition is BFSI supplied – BFSI received, but here it is computed as BFSI received – BFSI supplied) – this has the implication of wrong interpretation of these results (Romania is in fact the largest Net Receiver in the EU27, not the largest Net Supplier).

Summary and suggested questions for the discussion during the defense

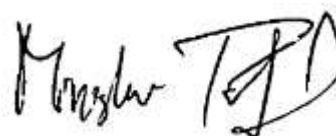During the defense, I suggest the following topics for discussion:

- The EU's list of tax havens by design does not contain any EU member states. Based on your findings, do you think this is appropriate?
- Which other policies could be analyzed using the Net BFSI? Do you see other potential uses of the Net BFSI other than guidance for the policy initiatives of international organizations?
- Do you think that AEI is an effective way to fight secrecy jurisdictions? Can you think of a way to answer that question using the results of the Net BFSI?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	21
Methods	*(max. 30 points)*	22
Literature	*(max. 20 points)*	17
Manuscript Form	*(max. 20 points)*	8
TOTAL POINTS	*(max. 100 points)*	**68**
GRADE	**(A – B – C – D – E – F)**	**D**

NAME OF THE REFEREE: Miroslav Palanský

DATE OF EVALUATION: May 30, 2019

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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