

Opponent's Report on Dissertation Thesis

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Title of the Thesis:	Three Essays on Corporate Financial Misconduct and Market Reactions
Type of Defense:	DEFENSE
Date of Pre-Defense	November 25, 2020
Opponent:	Prof. Jonathan Karpoff

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

This thesis consists of three papers on different but related aspects of enforcement activities for financial misconduct. The first paper (Chapter 2) examines enforcement activities by the French Financial Market Authority (FMA) and the effects on the target firms. The second paper (Chapter 3) examines the effects on firms that victims of financial misconduct when the perpetrators are sanctioned by authorities. And the third paper (Chapter 4) is a meta-analysis of 111 studies about the impacts of the revelation of financial misconduct that were published between 1978 and 2020.

My previous report identifies several issues that could be addressed as this research is developed further. Notwithstanding these issues, this thesis makes a very broad contribution to the literature on financial misconduct. It documents evidence on the nature of regulatory versus market (reputational) penalties for financial misconduct for firms subject to regulatory oversight by the French Financial Market Authority (Chapter 2). It raises the fascinating question of what happens to victims of financial misconduct (Chapter 3). And the meta-analysis (Chapter 5) sheds new light on the empirical measurement of firms' losses when they

are caught committing financial misconduct. This is an ambitious and successful research project, and I want to extend congratulations to the author.

Answers to the specific questions raised in the evaluation form:

a) Can you recognize an original contribution of the author?

Yes. This thesis makes several original contributions. It documents evidence on the nature of regulatory versus market (reputational) penalties for financial misconduct for firms subject to regulatory overview by the French Financial Market Authority (Chapter 2). It raises the fascinating question of what happens to victims of financial misconduct (Chapter 3). And the meta-analysis (Chapter 5) sheds new light on the empirical measurement of firms' losses when they are caught committing financial misconduct.

b) Is the thesis based on relevant references?

Yes, the thesis cites the relevant prior literature and identifies new areas of contribution.

c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?

At my home institution, this thesis would likely pass the general exam PhD exam, with instructions for the author to consider in more detail the issues discussed in my prior report.

d) Do the results of the thesis allow their publication in a respected economic journal?

Yes, two of the chapters in the thesis already have been published in respected journals.

e) Are there any additional major comments on what should be improved?

Yes, I would like to see further efforts to address some of the concerns stated in my prior report. For example, it would be useful to sort out both the theory and the empirical implications regarding the types of penalties firms might face for different types of financial misconduct. As another example, the inferences from the meta-analysis could be affected by attempts to correct for an attenuation bias in many studies' measurement of the stock price reaction to news of misconduct. As mentioned before, this is because many prior papers do not capture the stock price reaction of the initial public revelation of misconduct.

f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(a) I recommend the thesis for defense without substantial changes. This thesis makes an original contribution by examining several impacts of regulatory sanctions for financial misconduct. Chapters 2 and 3 provide new evidence about regulatory sanctions by the French FMA, and Chapter 4 provides a broad and comprehensive summary of the literature. The findings could be important and relevant for both firms and policymakers, including the evidence that there is no substantial reputational penalty for financial misconduct by firms listed in France.

Date:	February 24, 2021
Opponent's Signature:	
Opponent's Affiliation:	Prof. Jonathan Karpoff University of Washington