

Advisor'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

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.)

In her dissertation, Laure analyzes impact of various types of wrongdoings on measurable performance of to-be-found-guilty firms and companies. The dissertation consists of three essays with the underlying topic of the corporate financial misconduct and an event study methodology employed as a workhorse.

The first paper analyzes developments in abnormal returns of the French listed companies in connection to the dates of the four key steps (events) during the sanctioning procedure conducted by the French authority. The results show that the French financial market reacts negatively to the news on sanctions and their publications, but these reactions are limited in absolute and relative terms when compared to past studies and in terms of reputational penalty because abnormal negative returns represent a smaller monetary penalty than the cash fines set by the authority. The first paper (Chapter 2) was already published in the *European Journal of Law and Economics* (2020). It is solid and well executed solo-authored paper, with clear contribution and economically sound results. I have no further comments as the first paper is a complete and truly innovative piece of research.

The second paper provides assessment of the reputational impact on French listed firms after having been sanctioned (victims) by the French authority. The key finding is that revealing the names of the victims in sanctions implies a double punishment of victims, as the firms

already suffered negative returns during the violation period. The policy implication call for anonymization of the sanctioned firms. The second paper (Chapter 3) was published in the *Journal of Economic Behavior and Organization* (2020). It is a very good achievement that builds partly on the first paper, and in a sense can be regarded as sequel. It is well structured and complete solo paper, with a clear and innovative contribution. For that, I do not have any further comments to raise.

The third paper (Chapter 4) represents a co-authored work in progress that have been so far published in the IES WP series (2020). The third paper represents a large meta-analysis of 111 studies, published between 1978 and 2020, with a total of 439 estimates of event studies from more than 30,000 intentional financial crimes. The aggregate result of the analysis shows that, after controlling for the publication selection bias, financial crimes imply statistically significant negative abnormal returns - specifically, an informational effect of the publication of financial crimes indicates that abnormal returns decrease, on average, by - 1.15% per day over the three-day event window surrounding the publication of the news. Markets also tend to react more to accounting frauds than to general violations to securities laws. Further, the very first hint of a misconduct typically triggers the strongest correction, but regulatory enforcement procedures do not significantly impact market reactions.

This chapter was thoroughly revised based on the comments of the referees of this dissertation, plus I have also consulted with Laure on a regular basis during the revisions. Based on my opinion, Laure fully accounted for all issues raised by the referees. Therefore, I do not have any other comments to raise. Finally, a shorter version of the chapter is being prepared to be submitted to an academic journal. I have no doubt that it has very good chances to be published in a high-ranking academic outlet specific to the field.

Overall, all three papers definitely represent an original contribution of the author to the field. Further, the dissertation is written in a competent manner and shows that Laure has mastered her theoretical as well as analytical skills. The work is well structured, and the introduction provides a clear overview of the dissertation with an informative overview of the corporate financial misconduct, its background, and consequences. The use and number of references are plentiful, and their use demonstrates that Laure is well acquainted with the contemporaneous literature in the field.

The dissertation, as it stands, is without doubt defensible at the IES. The dissertation ranks more than favorably with dissertations written in this particular field in other foreign institutions and universities where I have taught at or served as a dissertation committee member.

Overall, my assessment of the dissertation is very favorable, and I recommend the thesis for defense without any additional changes. The dissertation is of high quality and represents a valuable contribution to the field.

Date:	January 14, 2021
Advisor's Signature:	Digitally signed by Evžen Kočenda
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