Report on Bachelor / Master Thesis

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

Student:	Ivana Krouparová
Advisor:	Doc. Petr Janský, Ph.D.
Title of the thesis:	Money Laundering and Suspicious Activity Reporting in the United States

OVERALL ASSESSMENT

Contribution

When Ivana Krouparová approached me more than a year ago, she expressed an interest in studying certain illicit financial activities in her undergraduate thesis. Over the course of the academic year, Ivana's interests developed and she has just submitted a thesis on the related, important topic of money laundering. She managed to narrowed down her interests and pursue a specific research question that she was able to provide empirical answers to. Ivana focuses on the effectiveness of the U.S. suspicious activity reporting (SAR) system. Specifically, she investigates whether an elevated prevalence of certain offenses, such as financial crime or drug trafficking, could explain the growing number of SARs or if the upward trend could be in part explained by institutions over-reporting in fear of the penalties. In her empirical analysis of a panel of 51 U.S. states, including the District of Columbia, she did not indicate a presence of excessive over-reporting. In contrast, her results showed a negative correlation between the SAR filing rate and the prevalence of financial crime in the state.

Her high-level interpretation of these results is very interesting (if not without controversy): the increasing number of SARs cannot be viewed as a result of more financial crime, implying that systematic under-reporting may be present and thus, putting the effectiveness of the SAR system in question. Her thesis and findings are insightful and policy relevant, also on the background of the so called FinCEN Files (Financial Crimes Enforcement Network) leaks of SARs published in September 2020 by the International Consortium of Investigative Journalists that have put the SAR problematic firmly on the policy makers' agenda.

Ivana's thesis is an achievement for a bachelor thesis (and this is even more so perhaps, considering that my input as a supervisor into the process of her research has been minimal) and it is worth thinking for her how to make her findings accessible to researchers in the field.

Methods

The methods and data sets chosen seem appropriate for an undergraduate thesis and the research question at hand.

Ivana's approach of applying a method from one context (international – countries) by Braun et al (2016) to another (the United States – states) is commendable. While I read the range of arguments by Ivana for the use of random effects, I was wondering whether it was not possible to run a fixed effect model, albeit with a restricted set of data / variables (as fixed effects model seems to me to be the more suitable option for the case of panel of the US states).

While the descriptive part of the thesis, basically the whole of section 2 spanning about 20 pages, is long and maybe too long even for a student thesis, it enabled Ivana to have a relatively short and, importantly, succinct exposition of her empirical analysis in section 3. But at times the empirics are described in a too short form, including the results and interpretation, which might be partly due to her leaving the finish of the empirical part to the last minute. This limits the persuasiveness of her empirical analysis.

Literature

Ivana is very well familiar with the existing relevant literature, on money laundering more generally and on SARs in the United States specifically. I understand that her topic of interest is not so well established in economics and so there are not too many economics journals cited in her thesis (and

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those that are relate as often to econometrics as to the topic at hand) and the references are interdisciplinary and are mostly what could be labelled as grey literature consisting of a variety of reports by international organisations.

Manuscript form

The thesis is written very clearly, the style and language used is mostly very appropriate. (A minor note: only when preparing this report, I have noticed that there is a typo in the title of the thesis – "suspicious" without the second "i"; it is correctly spelled elsewhere.) As discussed above, perhaps more discussion in section 3 and less in section 2 might benefit the thesis.

Suggested questions for the committee
Have you thought about sharing your empirical findings with the relevant research community and, if so, what field or what academic journals you would consider presenting it in?

Summary

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

In short, Ivana Krouparová did an excellent job of writing a thesis and I recommend **a grade of B.**

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	25
Methods	*(max. 30 points)*	25
Literature	*(max. 20 points)*	18
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**86**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE:

DATE OF EVALUATION: *Digitally signed (17. 8. 2021)*
                                          Petr Janský

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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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

Overall grading:

TOTAL	GRADE
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**