

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Jozef Regináč</b>
<b>Advisor:</b>	<b>Pavel Ryska</b>
<b>Title of the thesis:</b>	<b>Modern Banking and Preference Channels</b>

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

The master thesis by Jozef Regináč explores the flows of funds in the banking sector from the point of view of contracts and preferences. I believe the thesis is very original and inspiring, even though I think it leaves several questions unanswered.

I see two main contributions of the thesis. Firstly, the author does a good job of explaining in Section 2 the contrasting legal principles of deposit vs. loan banking. The author brings a law-and-economics approach to banking, which is unorthodox and valuable. Secondly, the author extends the contractual analysis to ask the question whether preferences of individuals are well preserved in today's fractional banking systems, given that money which is meant to be only deposited is in fact loaned out without the depositor knowing about it. Another interesting point brought up is that the skewed form of deposit banking may also lead to a distorted understanding of loan banking by creditors. That is, because the current system effectively blurs the difference between deposit banking and loan banking, those who loan money through term deposits may not fully understand the difference and may not care enough to whom the money is loaned.

As a reaction to these observations, the author suggests a new loan banking institution which would ensure full transmission of preferences from creditors to debtors' projects. Although this new institution is a logical solution to the problems outlined above, I see two shortcomings there. First, I lack more discussion on why the banks have not proposed it yet if it is wanted by the public. In other words, if the creditors were interested in knowing more about the projects that are funded by their savings, the banks would come forward with such an alternative for their clients. Second, it can be argued that there have long been forms of financial intermediation such as the bond market where creditors see precisely where their funds go. Therefore, the suggested institution might just imitate a form that already exists.

Overall, despite these shortcomings, I consider the thesis to be an original contribution to the theory of banking.

I suggest the following question for the defence:

- Can the market efficiently circumvent the distortion in deposit/loan banking by the bond market? In other words, if some people prefer to know where their savings go, can they use the bond market to achieve this goal? As a follow-up question, are there any barriers in the bond market that may prevent (smaller) savers from taking part in it?

I recommend the thesis for defence and propose grade 1.

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

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	23
Contribution (max. 30 points)	24
Manuscript Form (max. 20 points)	17
<b>TOTAL POINTS</b> (max. 100 points)	<b>83</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Pavel Ryska

**DATE OF EVALUATION:** June 5, 2011

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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

**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

**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

**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 POINTS	GRADE		
81 – 100	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě