

Report on Bachelor Thesis

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

Student:	Jan MALEGA
Advisor:	Jakub Seidler
Title of the thesis:	Countercyclical capital buffers in a new regulatory framework

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

The bachelor thesis looks in detail at the proposed countercyclical capital buffer instrument embedded in the new regulatory framework of Basel III. More specifically, it is showing that the proposed method to calibrate the buffer – the Hodrick-Prescott filter with high lambda – is not very suitable for CEE countries. In the empirical part, the alternatives for CEE countries are explored. Clearly, for the alternative calibration using other leading variables, it is quite difficult to set threshold values.

The clear contribution of the thesis is its policy relevance, as national policymakers will have to prepare a methodology for calibrating the buffer rates as soon as from 2013 onwards. Thus, a research in this area is highly welcome. While the thesis is relatively well written and fulfills the requirements for a BA thesis, although the structure is sometimes a bit unclear (eg. the last part on alternative lambdas in HP filter could have been put more upfront). Moreover, I have the following remarks:

1/ The thesis has a reasonable survey of literature and issues related to procyclicality which is at heart of the countercyclical regulation. Nevertheless, while the discussion is reasonable, it seems to be based on a limited number of references (BCBS background material and Borio et al. 2010 paper). A wider usage of literature on procyclicality, accumulation of risks in good times and indicators of (future) problems in the financial sector (such as literature on early warning indicators) could be added here.

2/ The chapters could have been numbered to enable the reader a better orientation within the thesis (and also allowing for cross-references).

3/ It was not clear to me from the text where the threshold values applied in the part on alternative leading indicators are taken from. It is mentioned that it depends on a parameter which itself depends on the length of the times series used, but why?

During the defence, the student should address the comments 1 (adding some examples of other literature on the topic) and 3 (how to calculate thresholds beyond which an indicator can signal future problems?).

I recommend the thesis for defence and suggest the grade 2.

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

CATEGORY	POINTS
<i>Literature (max. 20 points)</i>	15
<i>Methods (max. 30 points)</i>	22
<i>Contribution (max. 30 points)</i>	25
<i>Manuscript Form (max. 20 points)</i>	15
TOTAL POINTS (max. 100 points)	77
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: Adam Gersl
DATE OF EVALUATION: 11 June 2012


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	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě