

Report on Master Thesis

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

Student:	Ján Malega
Advisor:	PhDr. Jakub Seidler
Title of the thesis:	Countercyclical capital buffers in a new regulatory framework

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

The thesis presents actual theme regarding the new regulation of the banks (Basel III) and the new tool – so called *countercyclical capital buffer*. The thesis describes arguments behind the overall idea of the buffers – preventing cyclicity of the banking sector, setting the buffer and its releasing – and shows that the proposed methodology of the buffers' setting, which is based on the HP filter, may not be suitable for converging countries in the Central and Eastern Europe. This conclusion is illustrated by other indicators reflecting possible credit excessiveness, which provide different conclusions than indicate results based on HP trend of credit-to-GDP ratio.

The author uses different setting of HP filter and illustrates sensitivity of given results with respect to the smoothing parameter lambda. Mr. Malega also proposes additional set of “indicators”, which evaluate possible credit excessiveness in the given country. Thesis well demonstrates author's good understanding of this concept and skills to think out-of-the-box and come with the relatively simple, but well working indicators.

Most of the relevant comments given by the supervisor were incorporated into the text during the process of writing.

However, possible defense question could be:

- 1) Why does the regulation focus on preventing cyclical behavior of the financial sector?
- 2) What are the main disadvantages of setting countercyclical buffers based on the HP filter for the Czech Republic?

I recommend the thesis for the defense and in the case of successful defense I suggest **grade A**.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	17
<i>Methods</i> (max. 30 points)	26
<i>Contribution</i> (max. 30 points)	27
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	86
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Jakub Seidler*

DATE OF EVALUATION: *June 6th, 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