

Report on Bachelor / Master Thesis

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

Student:	Jana Prochazkova
Advisor:	Boril Sopov
Title of the thesis:	Stability of Financial System: Systemic Dependencies between Bank and Insurance Sectors

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

This is a referee report provided by Karel Janda.

This Master Thesis is an applied econometric thesis using the state-of-the-art method from the relatively recent economic literature on current data. The thesis is dealing with the question of how many institutional breakdowns in the banking (insurance) sector we may expect on average given that one bank (insurance company) has already broken down.

The paper is taking papers by Slijkerman et al. (2005) and De Vries (2009) and applies their model on new Bloomberg data (daily historical closing stock prices) on 20 banks and 20 insurance companies in EU over the period 1999-2014.

Review of the literature (Chapter 3) is rather wide, it would be better to focus only on the content covered in the empirical part of the thesis. However at the same time, the theory part of the thesis is focused very much on statistical modelling of dependence. It does not cover theoretical structural models of systemic risk and dependence.

Chapter 4 (Measures of Dependence) could also very briefly mention some additional measures of co-movement of time series (for example wavelet coherence) in addition to discussed measures.

The thesis is very well written in a good English. Typos like “insitution” on page 34 or stylistic deficiencies (p. 39 : 2 reasons are 2 reasons, not several reasons, or p 7: there is no need to define subsection 2.2.1 if it is the only subsection inside the subsection 2.2) are very rare and it is clear that the thesis was carefully written, read and polished before being submitted for a defense.

During the defense the author should clearly show where and how she defines in the thesis the key concept of failure (breaking down) of a financial institution. Alternative definition of failure could provide a robustness check on the results of this thesis. Also some alternative data (some other financial data, indicators in addition to daily historical closing prices) could be discussed too.

I recommend the thesis for defense.

In the case of successful defense, I recommend the grade „excellent“ (grade 1).

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

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CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	19
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	21
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	88
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Karel Janda*

DATE OF EVALUATION: *August 21, 2014*

Karel Janda

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