

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Dana Klímová</b>
<b>Advisor:</b>	<b>PhDr. Boril Šopov, MSc., LL.M.</b>
<b>Title of the thesis:</b>	<b>Impact of the Basel III Liquidity Rules on EU Banks</b>

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

The thesis **Impact of the Basel III Liquidity Rules on EU Banks** focuses at analyzing the impact of Basel III, mainly NSFR ratio, on banks' profitability. Author testes hypothesis that NSFR will reduce banks' profitability and will be easily maintainable by smaller banks as smaller banks hold more liquidity buffer. I have to say that especially the second hypothesis is interesting as I would assume exactly the opposite. However, this I would assume for banks funded through retail deposits with large share of government bonds, not for investment based banks, which author mentions in the literature review as well. Furthermore, author mentions that only European banks are analysed. European sector, with exception of Greece, is rather over-liquid now, so we need to keep this in mind while interpreting the results of the analysis. Still, as the author used only 2014 data, this might not yet be the case mostly within the scope of the thesis. Before I will follow on thesis results, I have some general comments regarding the outline of the thesis.

The thesis is very well structured, readable and prepared. Some sentences are too long, but the main information is provided efficiently and so the text, even with long sentences, is easily readable.

Concerning the outline of the thesis, I found no major drawbacks. The author supports her analysis by nice and well prepared and placed pictures. The thesis has standard structure, with extensive literature review that shows that the author fully encompassed her topic.

Both empirical and theoretical parts of the thesis are extensive and provide the full information for a reader.

Concerning results of the empirical analysis. First, I find interesting that the autor uses total deposit base with 0.95 factor to calculate ASF. Generally, effective maturities of demand deposits in a form of current accounts, which form a large part of banks' deposist, are much longer than 1 year, so these should receive 100% factor in such banks, which would drive us close to the authors' estimation. But what about banks that have lower amout of stable demand deposits. Here, the factor 0.95 would be too much. From this, we can say that the author inherently assumes that banks in the study are mostly banks that are funded through retail current accounts.

Second, to my surprise, author really finds evidence that smaller banks have generally better NSFR that big ones. Still, I would suggest to include later years into the analysis to see how this would developed during low-rates environment. In fact

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there are two options. (i) either NSFR will be reached more easily during low-rates environment as amount of stable deposits base is extensive or (ii) NSFR will in fact worsen as banks will opt for riskier reinvestment to maintain interest income.

In my point of view, this thesis is excellent and I assign grade A to this thesis and I would suggest a possibility of the publication of this thesis or the part of it.

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

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

**NAME OF THE REFEREE:**

**Hana Džmuráňová**

**DATE OF EVALUATION:** 5.9.2016



**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