

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	More is Less: The Political Economy of the MiFID Revision
Author of the thesis:	Stefan Mandić
Referee (incl. titles):	PhDr. Jiří Schwarz Ph.D.

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

Stefan Mandić in his master thesis provides a combination of qualitative and simple quantitative analysis of complexity development of the MiFID regulation.

1) Theoretical background:

Stefan Mandić builds his master thesis mainly on three papers: Story and Walter (1997), Quaglia (2010), and Kudrna (2011). These three papers provide the methodological starting points and also are used to formulate his two research hypotheses. Stefan provides relevant theoretical background regarding his main focus – legal complexity, its sources, and approaches to its measurement. In the end, he chooses one of the theories of legal complexity source and one possible (albeit very simple) way of its measurement. The chosen theory focuses mainly on the role of national governments' interests in shaping EU-wide regulation which I consider to be one of the important weaknesses of the author's approach – I believe in private economic actors' ability to successfully lobby in favor of various exceptions. Of course, I understand that trying to capture the extend of such activities would be very hard. But, on the other hand, omitting this channel may lead to a serious bias in the analysis – the classical omitted variable bias may be present also in a qualitative type of analysis.

2) Contribution:

Author's contribution seems to be the application of an analysis of legal complexity on the process of MiFID II & MiFIR evolution and adoption. However, the formulation of research questions seems to be slightly confusing. On p. 3 the author writes that "The purpose of this paper is to try to provide an answer to that question [what is causing the increase in complexity from 1993 Investment Services Directive to the 2014 MiFID II & MiFIR]..." However, the thesis doesn't try to find out what the cause is – it is assumed to be the differences of national authorities' preferences. What the thesis does is testing whether prediction based on this assumption fits the reality. Which are, in fact, two different, even though similar questions. The author also doesn't clearly state his contributions anywhere in the thesis and leaves it for the reader to guess.

Part of the author's contribution seems to be the choice of provisions he predicts to gain the most in complexity during the evolution of MiFID II (p. 27): "Upon meticulously reviewing the literature, we have decided that the provision that we are looking for will be those related to ..." But he doesn't give any further details, there is no clear explanation why he made this choice. Partly, the choice seems to be following the discussion provided on pp. 43-53, but for such an important part of the analysis the explanation should be much more explicit. Also, I was not sure if the list comes from the author's own analysis, or whether he was inspired by some already existing literature.

3) Methods:

Stefan combines two methods. First, he qualitatively analyzes various documents revealing national authorities' preferences and the debates regarding the regulatory proposals. Based on this (probably – see above), he predicts which parts of MiFID II would get more complex during the process of MiFID II preparation. Then he constructs a simple quantitative comparison of word count differences among different stages of preparation of the MiFID II regulation and also between MiFID and MiFID II & MiFIR. In the end Stefan concludes whether his predictions were correct.

Generally speaking, such methods are probably appropriate for addressing Stefan’s research questions. Even though they have a number of very clear limitations. I appreciate that Stefan tries to address some of these limitations in subchapter 6.3 (pp. 61-64). But from my point of view, the analysis and the used methods are a bit too simple for a master thesis.

4) Literature:

Stefan quotes used literature in a correct way and provides a sufficiently thorough literature review chapter. I slightly missed some kind of a debate about what may be the best practice for addressing legal complexity. Now the text seems to say that all methods are equally appropriate, which is hard for me to believe.

5) Manuscript form:

The thesis is written nicely. Some parts would have benefitted from more thorough proofreading, but overall it is a pleasure to read. I was not sure if such a long introduction into the topic of MiFID (chapter 4) was needed. Also, chapter 5 could have been structured better in my opinion – for example by dividing it into subchapters based on individual topics and issues covered by MiFID, and not so much based on countries. Chapter 5 is also a bit too descriptive for a master thesis and could have been written more concisely – less words, more clarity.

Suggested questions for the defence are:

1. Do you think that private actors could also influence the final form of the MiFID II regulation? In which direction? More complexity, or less complexity? And on which provisions would private interests focus, in your opinion?
2. What do you think would happen if MiFID II was created in the post-brexit phase, that is without the UK? Would the final product be better for national authorities (supervisors) or the regulated entities? Are there generally any policy implications of your analysis?
3. Is there any approach in measuring legal complexity, which you would call the best practice? Disregarding the level of difficulty to provide such measures.
4. On p. 58 (the MiFID I – MiFID II analysis), you write that “out of 369 provision comparisons...” What is the share of 369 provisions on the total MiFID I/MiFID II&MiFIR? In other words, how large part of the documents do you even address in your analysis?

I recommend the thesis for final defence. I recommend the following grade: “2” (good).

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

CATEGORY	POINTS
<i>Theoretical background (max. 20)</i>	15
<i>Contribution (max. 20)</i>	12
<i>Methods (max. 20)</i>	10
<i>Literature (max. 20)</i>	18
<i>Manuscript form (max. 20)</i>	15
TOTAL POINTS (max. 100)	70
The proposed grade (1-2-3-4)	2

You can use the decimal point (e.g. giving the grade of 2.4 for 61 points).

DATE OF EVALUATION: 1.9.2017

Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Czech grading	US grading
81 – 100	1	= excellent	= A
61 – 80	2	= good	= B
51 – 60	3	= satisfactory	= C
41 – 50	3	= satisfactory at a margin of failure	= D a marginal passing grade
0 – 40	4	= failing is recommended	= non-defendable