

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. Zdeněk Kudrna PhD.

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

1) Theoretical background: The thesis is highly interdisciplinary, invoking elements from political economy of EU integration (in particular single market integration), regulatory theory (of finance) and legal debates of complexity. While the overall theoretical framework remains underdeveloped, individual elements are tied together sufficiently to justify and structure the empirical analysis. Some segments of the literature review are written in rather informal manner, yet they demonstrate good grasp of the underlying arguments. The two hypotheses that guide the research are novel, and broadly rooted in the presented literature. Especially, the question whether the convergence of capital markets across the EU facilitates simplification of some aspects of the ISD/MiFID legislation is original - it is a variant of the J-curve hypothesis traditionally discussed on economic reform debates - applied in unusual context.

2) Contribution: The findings of the thesis are modest, but empirically well justified. Author convincingly identifies a relationship between expansion of the text on those articles of the MiFID that became contested among member states. However, his attempt to pass any empirical judgement on the second hypothesis has drowned in methodological difficulties of separating different causes of identified changes in word-counts. Nonetheless, the combination of qualitative and quantitative analysis provides valuable insights into the process of EU decision-making on financial market regulation.

However, the potentially most important contribution of the thesis is not spelled out explicitly (only mentioned in passing on page 61). The thesis shows that even simple comparison of word-counts (i.e. using legal text as data) is sufficient to identify the most contested issues in the MiFID legislation. In other words, changes in word-counts provide a useful numerical proxy for quantitative analysis of the EU decision-making, which is often deterred by perceived need for labour-intensive (and judgemental) content analysis of political debates. This is a hidden contribution of the thesis that can be fruitfully exploited in further research in this field.

3) Methods: The thesis applies simple quantitative method to comparisons of different (drafts of) MiFID and combines them with qualitative analysis of the negotiation process. For data it relies on the legislative proposals of the Commission and Council as well as (rarely utilized) documents submitted by national authorities during the official consultation process. These are complemented by articles from the financial press.

The qualitative analysis (chapter 5) describes the negotiation process, by highlighting the most contested regulatory issues. The data analysis (chapter 6) then compares word-counts (listed in 2 tables) and matches contested issues identified in chapter 5 to increases in complexity of individual articles. The qualitative and quantitative findings are then brought together and discussed in sections following each table. The author also carefully examines the limitations of the chosen approach and alternative interpretations of some of the key assumptions of the analysis (page 61 to 64). While such concerns are legitimate, they should not undermine the fact that the thesis actually makes valuable contributions (noted in the section 2 above).

4) Literature: The thesis cites about 80 sources, about half of them from academic literature. Given the deliberately narrow focus on MiFID legislation, this seems appropriate.

5) Manuscript form: The thesis is structured in a logical way and complies with the usual standards of academic writing. The style occasionally slips to rather informal formulations, yet the overall text is of appropriate level for non-native speaker. Although it contains some typing errors and minor lapses of citation standards, these never undermine the legibility of the argument or traceability of sources. Given the large number of acronyms, their list at the beginning would be useful.

Box for the thesis supervisor only. Please characterize the progress in the working out of thesis (e.g. steady and gradual versus discontinuous and abrupt) and the level (intensity) of communication/cooperation with the author: The thesis topic has been changed in response to the changes in Stefan’s studies. He has worked consistently on the original proposal, until he went for a study exchange to the University of Luxembourg. There his interests shifted more towards finance topics, which was also driven by his internship in a large bank, where he was handling MiFID-related compliance issues. Since the internship provided him with unusually deep insight (by the standard of MA studies) into the EU financial regulation, we agreed to shift thesis topic in this direction. Although the thesis was finished under considerable time pressure, we have met for one-on-one consultation and stayed in touch over email.

Suggested questions for the defence are:

1. The thesis often invokes the ‚Northern‘ and ‚Southern‘ coalitions of member states that advocate conflicting MiFID proposals. However, these coalitions are not clearly defined. Which member states belong to which group and what determines their affiliation?
2. Moreover, the North-South distinction was applied to pre-enlargement EU before 2004. Has it been replicated in MiFID II (thesis refers to unspecified ‘camps’)? How do the new member state fit in the politics of MiFID II?

I recommend the thesis for final defence. I recommend the following grade: “1” (excellent) in case of successful defence and satisfactory answers to the above questions.

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

CATEGORY	POINTS
<i>Theoretical background (max. 20)</i>	14
<i>Contribution (max. 20)</i>	18
<i>Methods (max. 20)</i>	16
<i>Literature (max. 20)</i>	15
<i>Manuscript form (max. 20)</i>	18
TOTAL POINTS (max. 100)	81
The proposed grade (1-2-3-4)	1

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

DATE OF EVALUATION:



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