

Report on Bachelor / Master Thesis

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

Student:	Daniela Vandasová
Advisor:	Mgr. Magda Pečená, Ph.D.
Title of the thesis:	Assessment of AML/CFT Practices and Suspicious Activity Reporting in the European Union Member States

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

Short summary

The thesis investigates the determinants of the number of reports of suspicious transactions (STR) in the EU countries over the last six years in the context of Anti-Money Laundering. Daniela developed several interesting hypotheses that definitely carry economic value and are, therefore, of interest. The thesis elaborates on the drivers of suspicious transactions and considers the efficiency of the EU's understanding and classification of crimes leading to higher money laundering.

Contribution

The thesis follows a relevant and meaningful topic of economic research. Since one of the issues of the current literature is the availability and standardization of the data used in empirical studies, the thesis pays particular attention to it. It puts together international and country-specific factors which are evaluated against a measure of suspicious transactions. Altogether, there are six hypotheses that are introduced with appropriate background in the current literature and evaluated empirically. Daniela finds that the main drivers of STRs were drug-related offenses and that predicate offenses are not well defined to capture the number of STRs.

Methods

The methods used are straightforward, well-motivated, and correctly used. Much of the value of this thesis lies in the construction of the dataset. Daniela discusses the statistical properties of the data and reports appropriate statistical tests, although, for example, the unit root tests are only commented without numerical results. Overall, the setup of the tests is suitable to the hypotheses and follows previous results in the literature.

Literature

Chapter 2 presents relevant literature and terminology within the context of the thesis's motivation and the review covers the sources well. The sources are referenced in an appropriate way and format. It does not seem there are bibliographical entries not mentioned in the text.

Manuscript form

The text is logical, well-organized, and concisely written. The manuscript itself attains a high academic quality, and the outputs are well-readable. The tables, however, do not have a description, only a title. In the beginning, there is a little improper referencing, such as Reganati & Oliva after the first reference (with date, then lost later on). I would object that writing the structure of the thesis in bullet points is at least unusual and that declaration of the use of AI tools should not be part of the text itself, in my opinion. A couple of times, Daniela writes out full names of references, such as Schneider 2021 on page 16, which is definitely unnecessary.

Overall evaluation and suggested questions for the discussion during the defense

To sum up, in my opinion, this is great work attaining the highest standard of IES Bachelor theses. Daniela presents a great command of the topic from the theoretical point of view and shows a deep understanding of the current literature.

However, the reader might benefit from a clearer motivation and Introduction of the STR variable. In the Introduction, we learn "Chaikin assessed the efficiency of Suspicious Transaction Report (STR) systems through primary document evaluations and observations at the Financial Action Task Force

Report on Bachelor / Master Thesis

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

Student:	Daniela Vandasová
Advisor:	Mgr. Magda Pečená, Ph.D.
Title of the thesis:	Assessment of AML/CFT Practices and Suspicious Activity Reporting in the European Union Member States

(FATF) Plenary meetings. "Then there is no mention further on. So one thinks, What are STR levels you aim to explain? Or something about the plenary meetings? Are the STR some IT systems, since you look for efficiency? The Introduction is missing a bigger picture motivating the topic and instead goes very quickly into fine details of institutions around AML in EU. The reader finally gets some explanation on page 18, which is a little late. I re-read the first two pages several times and still was a little confused as to what is going on. Altogether, there are 48 pages of text, which could definitely be substantially reduced to improve readability and to be more on-point.

Overall, this is a great piece of work on an interesting topic and I would be interested to see if it develops further as an MSc thesis or an academic publication.

Suggested questions for the defense:

- one of the independent variables is sexual exploitation and the text says that it includes all crimes of sexual violence. I would assume that a solid proportion of such crimes would be committed by "ordinary" citizens, not organized crime, and therefore not related to AML. Can you elaborate on this?
- How do you account for an endogeneity, where countries with well-developed crime systems might have higher STRs? Such as Germany, which you show in Figure 4.1?
- Did you consider transformations of some of the variables? Such as log-log form, particularly with the GDP per capita variable?
- Can you comment on any potential statistical issues with having just 6 yearly observations for 27 countries? Is there any problem with inference? Would that influence the "two-way" F test?
- Can you elaborate on the insignificance of GDP per capita variable? Since it does not correspond the known evidence mentioned in the thesis, have you tried to find some explanation for it?

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B."

The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

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

CATEGORY		POINTS
<i>Contribution</i>	<i>(max. 30 points)</i>	25
<i>Methods</i>	<i>(max. 30 points)</i>	26
<i>Literature</i>	<i>(max. 20 points)</i>	17
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	15
TOTAL POINTS	<i>(max. 100 points)</i>	83
GRADE	(A – B – C – D – E – F)	B

NAME OF THE REFEREE: *Jan Šíla*

DATE OF EVALUATION: *August 28, 2023*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F