

Dissertation's Review

SECURITIZATION – A CRITICAL ASSESSMENT IN THE LIGHT OF THE FINANCIAL CRISIS.

submitted by Lic. Oec. Int. Milena Marinova

elaborated by prof. Ing. Petr Marek, CSc.

Submitted dissertation thesis “*Securitization – A Critical Assessment in the Light of the Financial Crisis*” deals with very interesting and actual problem which has been uncovered in the context of financial crisis. It is said that after a battle everyone is general. Originally, many financiers, politicians and researchers believed that securitization process can lead to better and safer market. Nowadays, securitization and especially CDOs are accused of an incurrence of financial crisis. What's the matter of fact? It is one of the objectives for current financial and accounting research. Lic. Oec. Int. Milena Marinova dissertation thesis is one of the contributions to this discussion.

Relation to present scientific knowledge

Dissertation thesis is based on study of respectable quantity of scientific publications. The list of references includes 112 publications which represent various books, scientific journals, conference and working papers or next internet pages. Just only 5 titles dated from last century. All mentioned publications are actively used in the text.

Fulfilment of objectives

Main objectives of dissertation thesis are stated on pages 4-5 by following:

- a) *What were the mechanisms to broadly transfer the economic crisis from the U.S. housing sector to the financial sector over the globe?*
- b) *Which typical characteristics of securitization techniques were commonly accepted as benefits of securitization but in fact turned to be threads for the financial and even non-financial sector?*
- c) *What is the current regulatory treatment for securitizations and what are the existing securitization-related problems with it?*
- d) *Can the recent financial crisis be considered a regulation failure based on inadequate securitizations rules and what were and are the reasons for that?*
- e) *What should be done in order to improve quality of financial regulation and accounting standards in order to provide adequate regulation for the future?*

Let me appreciate the level of this fulfilment:

- ad a) There is presented an integrated description of securitization mechanism. The process is illustrated using well-arranged figures. Nevertheless, I have one additional question. What is the role of U.S. support for homeownership among low- and moderate-income families?

- ad b) Author argues with other researchers over benefits and shortcomings of securitization in pre-crisis literature. On contrary, she devotes her attention to explanation in terms of agency theory. In relation to the fact that I am also fan of agency theory I must consider this access as good idea.
- ad c) An answer to the question is judged in the context of Basel Agreement I and Basel Agreement II. Conclusions are logical.
- ad d) An answer is based on case studies. Five firms (IKB, Sachsen LB, Northern Rock, Lehman Brothers, Merrill Lynch) are investigated in relation to capital ratios requirements. Results are summarized and generalized. These methods are satisfied in terms of scientific procedure.
- ad e) I agree with the most of author's conclusions. Although „keep it simple” is a nice idea the realization is unfortunately difficult. I agree that regulation is necessary however it is necessary to keep in mind that bad regulation can make the situation worse.

Let me declare that all stated objectives have been fulfilled.

Final evaluation

Dissertation thesis presents integrated and well-arranged explication analysed problem. It can be acknowledged as very actual in terms of contemporary research on financial crisis. The thesis brings new knowledge and offers new questions and new suggestions for further research.

I appreciate that these results have been partially published especially in scientific journal *European Financial and Accounting Journal* and I hope in broad author's publication activity.

Questions and suggestions for discussion in the framework of defence

1. In my first question, I must return to my first paragraph of this review. What's the matter of fact? Is securitization guilty or not guilty of a financial crisis? Is securitization good servant and bad master simultaneously? What went wrong? Greed, populism, low regulation or strong regulation, weak or strong invisible hand?
2. How can we explain this problem in terms of agency theory? Who are principals and who are agents? And what was the role of moral hazard, adverse selection and information asymmetry?

Opinions on proposal for a conferment of a doctor's degree in studying branch *accounting and corporate financial management*

I recommend dissertation thesis “*Securitization – A Critical Assessment in the Light of the Financial Crisis*” to the defence in front of the respective examination committee. Simultaneously, I recommend conferment of a doctor's degree in studying branch *accounting and corporate financial management* for **Lic. Oec. Int. Milena Marinova** on condition of successful defence.



Prague, 27th January, 2010

prof. Ing. Petr Marek, CSc.