Diploma Thesis Supervisor's Review

Author's name: Bc. Hang Xia
Diploma thesis topic: Shadow Banking, Financial Risk and Regulation in China
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1. Topic of the thesis
The topic of shadow banking in China is a really “hot” topic of economic debates particularly after the world financial crisis. The thesis is focused on China's shadow banking sector and its comparison with this sector in the US and as such it is very up-to-date and corresponds with the aim and the structure of the thesis. It is necessary to emphasise that this topic is quite new and complicated and requires a real effort to understand because not many books and study texts have been published so far.

2. Aim of the thesis
The aim of the thesis is “to identify both the positive effect of the shadow banking and more importantly the potential risks of this activity”. The aim is well-defined and quite clear and was met.

3. Structure of the thesis
The thesis is logically structured, the chapters are well-connected. The first chapter is introduction. The second chapter is focused on the theoretical aspects of the shadow banking system. In the third chapter, the author compares the shadow banking sector in China and in the US. In the fourth chapter, the author mentions the potential risks connected with the Chinese shadow banking sector and proposes possible measures how to regulate it and minimise the risk of shadow banking in order to prevent the potential financial crisis in China. Each chapter is concluded by a short revision of the chapter. The extent of the thesis is adequate (79 pages).

4. Methods used in the thesis
The author uses the method of description and comparison in the third and fourth chapter of the thesis. The author demonstrates the ability to use these methods correctly. The methods used in the thesis meet the average requirements posed on diploma theses.
5. Conclusion of the thesis

The author mentions the specific character of the Chinese shadow banking sector compared to the US. The most obvious difference is that the Chinese shadow banking sector is dominated by Wealth Management Products (WMPs) and Trust Products. The author suggests possible solutions to regulate the potential risks connected to the shadow banking activities in China such as the tightening the regulations concerning the WMPs and implementing stress tests on banks in China and a better collaboration of banks and trust companies.

I recommend the thesis for defence.

Date: 4 May 2015

doc. Ing. Zuzana Kučerová Ph.D.