

REVIEW

to a dissertation work for SED "Doctor" on a topic
„Assessment and risk management of regulated financial institutions“

with author Beatrice Lyubenova,

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with scientific supervisor Prof. Stoyan Prodanov, PhD

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member of a scientific jury, appointed by Order No. 686 of 11.07.2023.

of the Rector of SA "D. A. Tsenov" - Svishtov

1. Relevance and importance of the topic

The topicality of the topic stems from the originality of its research focus, which is contained in the parallel and comparative analysis between regulatory measures for risk management in the banking and insurance sectors. Given the fact that the regulatory measures in the banking system follow one, it can be called, already classical policy, and although a similar regulatory concept is implemented in insurance with a shorter development period, such an object and subject of research is extremely useful, with deriving the development, relative weaknesses and advantages or common ones for the regulatory frameworks of the two autonomous systems.

2. Introduction and main elements of the dissertation research

The introduction of the dissertation contains a correct definition of the mandatory elements defining the scientific research and introduces the reader to the object and goals of the dissertation research.

The object of research in the dissertation is banks and insurance companies. **The subject** of research "is risk management in banks and insurance companies in the conditions of increasing regulatory requirements.

The dissertation is based on the **research thesis** "that in order to achieve stability, predictability and solvency of banks and insurance companies in the conditions of periodic turbulence of the global environment and dynamic changes and transformations in the financial services sector, it is necessary to constantly revise, adapt and expand regulatory requirements in risk management. This dynamic in the regulatory framework poses new challenges to the management

of insurance companies and banks in making adequate, innovative and responsible management decisions."

The purpose and tasks of the dissertation work are clearly stated and logically follow the confirmation of the research thesis.

"The aim of the dissertation work is to investigate the regulatory requirements in relation to the assessment of risk and capital positions of the banking and insurance sector in the conditions of the Basel III and Solvency II regulatory mechanisms." For the implementation of the main objective, 6 more detailed tasks are also defined.

The set subject, goals and tasks give a request for a very comprehensive and serious study.

3. Volume and structure

The dissertation has a total volume of 271 pages. It includes 29 figures and 33 tables.

The structure of the dissertation is classical in three chapters. It is logical, balanced and contributes to the realization of the set goals.

The first chapter is entitled *THEORETICAL FOUNDATIONS OF RISK MANAGEMENT IN THE BANKING AND INSURANCE SECTOR* and includes: *Concepts of the essence of risk; Risk management in the banking and insurance sector - essence and features; Models and methods for quantitative risk assessment; Stress tests as an integral approach to risk and capital management.*

The Second chapter examines the *REGULATORY FRAMEWORK OF THE BANKING AND INSURANCE SECTOR*. *The development of the international regulatory framework for the Basel banking sector - Basel I, II and III. The development of the international regulatory framework for the insurance sector. Comparison between Basel III and Solvency II regulatory requirements.*

Chapter Three is focused on *ANALYSIS OF KEY INDICATORS FOR CAPITAL AND RISK MANAGEMENT IN BANKS AND INSURANCE COMPANIES*. *Analysis of the structure of equity capital in the banking and insurance sector. Analysis of the implementation of capital requirements in the banking and insurance sector. Analysis of the relationship between risks and equity in the banking sector. Analysis of the relationship between risks and equity in the insurance sector.*

4. Methodology

For the purposes of the study, various research methods were used: "the deductive and inductive approach, the method of analysis and synthesis, the interdisciplinary approach and the statistical approach in studying mass phenomena in the financial sector. In the process of the research, publications of Bulgarian and foreign authors in the field of finance, management, probability theory, statistical methods for the analysis of variation distributions, for the analysis of connections and dependencies, etc., were studied and systematized. Calculations were performed using MS Excel software.'

5. Empirics

The empirical part of the dissertation includes an extensive analysis of capital in the banking and insurance sectors, their components and structure, their compliance with regulatory requirements, stress tests and dependencies between individual risks and the capital base, etc.

"The research's information provision is based on official statistical data of the BNB, the ECB and the European Banking Authority (EBA) for the banking sector and of the FSC and the European Insurance and Occupational Pensions Authority (EIOPA) for the insurance sector."

The empirical research covers the period 2017-2020, which ensures representativeness of the results for the tasks set.

6. References and citation

The bibliography includes 145 literary sources, most of which are in foreign languages.

The citation is correct and in accordance with the accepted APA standard.

7. Style

The style is good, scientifically sound and corresponds to the professional language in the banking and insurance spheres.

8. Layout

The layout and overall technical performance are very good.

9. Results achieved

The tasks set in the dissertation have been completed. The author brings out five results of a contributing nature, which objectively reflect the essence and what was achieved in the dissertation:

- 1) *An author's interpretation of the regulatory paradigm in the insurance and banking spheres is presented."*

- 2) *The importance of the banking and insurance sectors for the financial system and their influence on the economy is emphasized, "which makes them subject to extensive regulation and supervision".*
- 3) *Specific features and differences in risk management are brought out.*
- 4) *It is emphasized THAT The common key features of the regulatory mechanisms for both sectors include capital adequacy requirements, the focus on risk management, solvency and liquidity requirements.*
- 5) *Emphasis is placed on the importance of strengthening the capital base in the conditions of the continuous expansion and complication of risks in the banking and insurance sectors.*
- 6) *The differences between the regulatory frameworks for the banking and insurance sectors stand out. Banking supervisors often focus on prudential regulation and systemic stability, while insurance supervisors typically focus on solvency and consumer protection.*
- 7) *Derived and substantiated three key components describing the regulatory impact - scope of application, capital adequacy requirements and the concept of risk management.*
- 8) *Indicators for analysis and evaluation of financial institutions from the banking and insurance sectors have been systematized.*
- 9) *On the basis of the empirical research, based on official statistical data of the European Banking Authority and the European Insurance and Occupational Pensions Authority, factor influences are deduced and cause-and-effect relationships and dependencies are substantiated for risk management, the structure of own capital and the fulfillment of capital requirements in the banking and insurance sectors."*

We can summarize that the indicated results are derived in a scientifically sound manner and have a practical-applied character.

10. Positive sides

- The set and performed Comparative analysis of the regulations in the banking and insurance sector, which also contains the originality of the dissertation;
- A thorough and critical reading of the specialized normative requirements of the regulations - for Basel banks and in insurance, respectively Solvency, and each of them is studied in development and in parallel with each other;

- There is a responsibly applied econometric methodology "statistical methods for the analysis of variation distributions, for the analysis of relationships and dependencies" regression factor analysis.

11. Notes

I do not find any critical notes that should be mentioned.

I note two considerations of an editorial nature, which do not reduce the positive assessment for the overall dissertation work:

- The research thesis can be more seriously defined to reflect the scope and depth of the dissertation research. More and more significant findings are present in the introduction, exposition, conclusion and results.
- Literary sources should be numbered, which facilitates their use.

12. Publications

On the topic of the dissertation, 2 studies, 1 article and 4 reports (two of which were co-authored) were published in non-refereed editions, with the total number of points being 65, which more than doubles the legal requirements.

13. Abstract

The abstract objectively reflects the content, analyzes and results of the dissertation.

14. Questions

Models and indicators for assessing financial risks are almost entirely aimed at determining the amount of possible loss of value in expected income and capital. Accepted methods of risk management in the banking and insurance spheres affect to varying degrees the assessment of the probability of occurrence of events that lead to loss. To what extent do banking and insurance regulations address and require the assessment of the probability of occurrence of adverse events?

15. Summary assessment

On the basis of everything stated, **my overall evaluation of the dissertation work is categorically positive, and I propose to award The educational and scientific degree "Doctor" to Beatrice Lyubenova.**

21.08.2023 г.

Reviewer:

Prof. St. Simeonov, PhD