Discussion Papers

The Reverse Revolving Door in the Supervision of European Banks

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Editor

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Abstract

We show that around one third of executive directors on the boards of national supervisory authorities (NSA) in European banking have an employment history in the financial industry. The appointment of executives without a finance background associates with negative valuation effects. Appointments of former bankers, in turn, spark positive stock market reactions. This „proximity premium" of supervised banks is a more likely driver of positive valuation effects than superior financial expertise or intrinsic skills of former executives from the financial industry. Prior to the inception of the European Single Supervisory Mechanism, the presence of former financial industry executives on the board of NSA associates with lower regulatory capital and faster growth of banks, pointing to a more lenient supervisory style.

Keywords: banking supervision, conflicts of interest, revolving door

JEL classification: G14, G21, G28

1 Introduction

A remarkable flow of employees between banks and their national supervisory authorities (NSA) exists at all hierarchical levels, a phenomenon known as the *revolving door* (e.g., Lucca, Seru, and Trebbi, 2014; Shive and Forster, 2016). Most studies of the implications for supervisory activity pertain to the United States (US) and devote particular attention to the flow of human capital from regulation to banking (e.g., Agarwal, Lucca, Seru, and Trebbi, 2014; Bond and Glode, 2014). Revolving door appointments caught considerable media attention and also sparked regulatory action to prevent excessive conflicts of interest, for example compulsory cooling-off periods for former policy makers before assuming executive positions in the industry. We shed light on the so-far largely neglected opposite job flow, from supervised banks to their NSA in Europe: the *reverse revolving door*.

The implications of this phenomenon for the functioning of the financial industry are a priori unclear. Former bankers can contribute industry expertise to the design of better rules. Leveraging practical business experience may enhance the effectiveness of regulation and improve prudential supervision if former bankers are more knowledgeable about how to enforce rules better. However, lingering relationships with former peers in the financial industry could foster cronyism and facilitate regulatory capture compared to socially unconnected supervisors. We are neither the first to use the expression "reverse revolving door" (see, e.g., Fang, 2013; Castellani and Dulitzky, 2018; Alquézar-Yus and Amer-Mestre, 2022) nor to study the phenomenon of former corporate sector executives joining the ranks of (US) policy makers (see, e.g., Luechinger and Moser, 2014; Egerod and McCrain, 2023). But the hand-collected data assembled here allows us to study for the first time the trade-off between possible entrenchment issues that destroy value versus enhanced competence in regulating an inherently complex financial industry in Europe, one of the hallmark sectors subject to cohesive policies after the Great Financial Crisis.

The trade-off posed by the reverse revolving door is scarcely scrutinized by the public and relatively underexplored in academic research. This void is surprising given that in the US Federal Reserve System, the presence of bankers at the very top of NSA is even enshrined in bylaws (e.g., Adams, 2017). However, the institutional setting in the US differs substantially from that in Europe. Most importantly, the Federal Reserve System is a completely integrated banking market as opposed to the incomplete European Banking Union in which NSA assume a prominent rule in both the design and the enforcement of regulation (Koetter and Nguyen, 2024). The governance arrangements of regional Federal Reserve Banks differ vastly from that of European NSA. Most importantly, directorships

in the US are secondary appointments. The main occupation of these directors remains at the supervised banks, which gives rise to conflicts of interest, whereas executive directors at European NSA are appointed to full-time positions that preclude contemporary employment with supervised subjects. Thus, the sparse evidence on the magnitude and implications of reverse revolving doors in the US is of limited relevance for the European Union (EU), where the phenomenon is even less understood.

We fill this gap by collecting curriculum vitae (CV) data on executive directors of NSA in charge of banking supervision from selected EU countries, which offer a useful laboratory in which supranational and national institutions interact. After quantifying the pervasiveness of former finance professionals' presence at the top of NSA of banks, we use an event study to assess the impact on supervised banks' value. This exercise points to their friendliness towards the industry relative to supervisors with a civil-servant or an academic background. Banks that are supervised by NSA that have more executives with a finance background on their board tend to be less capitalized and to grow faster prior to the inception of the Single Supervisory Mechanism (SSM). This finding suggests that former finance professionals are more lenient supervisors.

The sample manually collected for this study features detailed information on the careers of the 185 executive directors serving on the boards of 13 NSA of banks in the ten largest EU economies over the period 2002-2019. We leverage these data to assess the magnitude of the reverse revolving door phenomenon across Europe. Using a broad definition of what constitutes a significant experience in the finance sector, the phenomenon involves up to 38.6% of all sampled executives. Also when requiring a previous managerial position directly in finance, the phenomenon remains important in most NSA, although with notable cross-country and time variation. The appointments of executives at NSA also display heterogeneity across groups of countries where civil-servant profiles dominate (like France and Italy) compared to those exhibiting a more balanced mix of public and private sector backgrounds (like the UK and Sweden).[1] In addition, we contrast hiring choices of NSA against those of supervised banks. The profiles selected by these two groups of institutions are similar in many regards, but NSA favor a more diverse industry background within their executive boards. The appointment of former finance professionals appears to be part of this broader pattern.

To infer how personal links to the banking industry shape supervisory activity, we carry out an event study on bank stock returns around announcements of executive ap-

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[1]We define "private" entities as those that are neither government-owned nor part of the public administration. We refer to entities issuing public equity securities as "listed".

pointments. Qualitatively, the average appointment is associated with a negative return of 0.118% on the announcement day, which is however statistically barely insignificant. This total value-decreasing effect is driven by executives without prior experience in the finance industry, commanding a stock market response of -0.2% upon appointment. Appointees with a finance background trigger no significant market reaction. Provided that both groups of executives inform supervisory activity with valuable, yet different technical know-how, we argue that proximity to supervised entities of former bankers underlies the result. We corroborate this conjecture by separately examining direct bank-executive links, where the proximity aspect is stronger. These appointments are associated with positive stock price responses for banks that formerly employed these individuals. Hence, executives' industry proximity matters for investors' expectations, leading to a differential valuation effect of finance- and non-finance-related appointments. This positive valuation is stronger for appointments with experts that replace executives without prior financial industry experience and for more recent financial industry experience. The latter suggests that skills and relationships acquired during executives' industry spells decay over time.

We scrutinize the role of industry proximity by ruling out three alternative explanations for our findings. First, investors may react more positively to finance-related appointments if these executives are intrinsically more skilled than non-finance executives. Intrinsic skills are unobservable, but existing theory and evidence suggest that the quality of the applicant pool of supervisors varies countercyclically. As banking becomes less attractive for talented individuals during downturns (Bond and Glode, 2014; Lucca et al., 2014), bank stocks should react more favorably to appointments made in recessions after controlling for market-wide fluctuations. We find no evidence of such a pattern; in fact, negative responses are more pronounced in bad times.

Second, most of the sampled NSA are central banks, which are also charged with many tasks other than supervision. A possible concern is then to falsely attribute bank stock price responses to revolving door appointments instead of policy actions in pursuit of other objectives, such as monetary policy.[2] To test more explicitly if reverse revolving door appointments affect investors' views about future supervisory activity, we exploit the transfer of supervisory responsibility for important banks from national supervisors to the ECB after the introduction of the SSM. Consistently, the average market reaction to national supervisors' executive appointments becomes weaker in the post-SSM period.

Third, announcements of executive appointments by national banking supervisors may

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[2]Note, however, that only two of the ten sampled EU countries conduct monetary policy independently from the European Central Bank (ECB).

coincide with other policy decisions by the same institutions or attract little attention by stock market participants, which would render our findings a statistical artifact. We conduct a systematic press release search around appointment dates and find that the main results depend on events without other major policy decisions, appointments that get most detailed coverage, or those that spark an intense debate on news outlets.

Finally, we study correlation patterns between the overall board structure of banking authorities and the behavior of supervised banks over a longer time horizon. Banks that are supervised by authorities employing more executives with a finance background tend to exhibit lower regulatory capital and faster asset growth. These effects seem to prevail especially before the inception of the SSM. While point estimates of annual bank outcome responses can for the most part only be obtained imprecisely due to few degrees of freedom, the results are qualitatively consistent with looser oversight fostered by the proximity of such executives to the banking industry.

In sum, our results suggest the widespread existence of reverse revolving doors in the boards of banking NSA in Europe. Investors' expectations as well as supervised banks' performance and policies further indicate that former finance professionals introduce a positive bias towards supervised banks. Further research to detect the presence (or absence) of such a bias in actual supervisory decisions is needed to better substantiate the consequences of the reverse revolving door.

We add to the literature studying the relationship between banking supervisory authorities and supervised entities through the revolving door.[3] Lucca et al. (2014) characterize the trade-off posed by the flow of workers between the regulatory and the banking sector. Revolving doors can lead to suboptimal outcomes if regulators soften their standards to enhance their future employability in the private sector ("quid-pro-quo hypothesis"). If regulators become more employable in banks by virtue of the expertise they acquire while in supervision, the revolving door may benefit financial system stability ("regulatory schooling hypothesis"). Lucca et al. (2014) provide evidence supportive of this second view for the US context. Related, Shive and Forster (2016) show that US bank CEOs with a background in supervision are paid more and implement safer policies.

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[3]Beyond banking, revolving doors are pervasive in any highly regulated industry. Cornaggia, Cornaggia, and Xia (2016) and Kempf (2020) analyze the phenomenon among credit rating agencies, their client firms, and underwriting banks. Blanes i Vidal, Draca, and Fons-Rosen (2012) consider the flow of US federal government employees into lobbying and show that they use personal connections in government to generate revenues. Luechinger and Moser (2020) illustrate that firms benefit from hiring former EU commissioners, especially if they recruit them shortly after they left office. This result supports the intuition that their personal connections matter. Silano (2022) studies the revolving door between government debt management units and financial institutions acting as dealers for government securities.

Whereas there is a substantial body of work on the effects of workers flowing from the regulatory to the banking sector, the consequences of the reverse revolving door are much less studied.[4] The structure of Federal Reserve Banks' boards in the US, in which one-third of the directors are nominated by member banks, is a useful setting to evaluate such consequences. Adams (2017) and Black and Dlugosz (2018) find that the appointment of a connected director benefits banks through supervisory forbearance and information advantage. In line with regulatory capture, Lim, Hagendorff, and Armitage (2019) find that connected banks are less capitalized than non-connected ones. We add to this literature on an institutionally recognized reverse revolving door by documenting the existence of a similar, informal phenomenon in EU national supervisors and by studying its impact on supervised banks.

2   The reverse revolving door and supervised banks

To inform the empirical analysis, we discuss potential forces that affect the responses of supervised banks' performance and policies to reverse revolving door events and briefly consider the appointment rules of executive board members of NSA in Europe. The 2019 Bank Regulation and Supervision Survey maintained by the World Bank (see, e.g., Cihak, Demirgüç-Kunt, Peria, and Mohseni-Cheraghlou, 2013) provides a useful overview with regards to this issue. Appointments are mostly made by the head of the government or the minister of finance, but can also involve other legislative bodies, such as the parliament (e.g, in Belgium, Ireland, and Spain). The procedures are highly formalized and aimed at ensuring independence from political contingencies, although Ioannidou, Kokas, Lambert, and Michaelides (2023) caution that the appointments of central bank governors is increasingly driven by political considerations. In some instances (e.g., in Austria, Germany, Ireland, and the UK), appointments are made through a multifaceted process that involves advice, recommendation, or consent by external experts to reduce the influence of any single political party in the selection process. External party involvement may not fully ensure independence from political contingencies if the confirmation or advice is merely a formality. Lengthy terms for the board relative to the political cycle, re-appointment rules, power to dismiss, and post-employment restrictions help to

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[4]An exception are Alquézar-Yus and Amer-Mestre (2022), who study the impact of the reverse revolving door on legislative voting at the EU Parliament. Other studies investigate the value of personal relationships with the public administration for financial firms. For instance, financial firms connected with Timothy Geithner exhibited positive abnormal returns around the announcement of his appointment as Treasury Secretary (Acemoglu, Johnson, Kermani, Kwak, and Mitton, 2016) and lobbying banks are less likely to be disciplined by their supervisors (Lambert, 2019).

underpin independence of central banks from external contingencies. Terms generally range between five and seven years with the exception of Germany, where no maximum duration is defined. To remove the incentive for supervisory board members to seek favors from parties who may decide for their reappointment, only one or two terms are allowed. To further reduce political influence, the power to dismiss executive board members is restricted to severe causes and typically involves more than one authority, such as the head of the government and the parliament. Finally, post-employment restrictions are important tools to prevent conflict of interests between board executives and supervised entities. Numerous NSA prevent their executives from seeking employment in supervised entities after the end of their term through cooling-off periods, which effectively limit the revolving door.[5] By contrast, restrictions on the reverse revolving door are hardly found.

Against this backdrop, the effect of an appointment hinges prominently on the individual's proximity to supervised entities (*bias*, for brevity) as well as on technical knowledge about the banking sector and its regulation (*competency*, for brevity). The personal and institutional connections established by individuals during their careers are likely to affect supervisory "styles", which may spur regulatory capture in the form of biased decisions favoring incumbents' institutions, for example via the provision of private information or preferential treatment. Competency, in turn, helps to effectively design and enforce rules on inherently complex matters and facilitates a faster detection and sanctioning of bank misbehavior. The impact of supervisors' competency cannot be evaluated ex ante in isolation, but depends critically on banking market traits. If markets are highly competitive, a more competent supervisor might benefit incumbent banks by preserving the efficiency of the system. But if incumbent banks realize substantial (quasi-)rents, a regulator favoring competition and transparency may impose costly rules on such institutions. Given the counteracting forces of bias and competency, the overall valuation effect in financial markets is thus an empirical question.

Former bankers are arguably more likely than other supervisors to entertain personal relationships with employees of supervised banks, but there is no obvious prior on the competency distribution across both groups. Whereas former bankers may possess superior knowledge of supervised entities, regulators with a background in the public sector may better understand regulatory issues. We expect the bias channel to be largely muted for supervisors without a finance background whereas the direction of the effect gauging

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[5]Frisell, Roszbach, and Spagnolo (2009) provide a comprehensive overview of central bank governance, which in most countries hold banking supervisory powers. Kalmenovitz, Vij, and Xiao (2023) look at a broad sample of US regulatory agencies—including financial supervisors—to study the consequences of a legal provision aimed at preventing supervision-to-industry moves (typically a cooling-off period).

differences in average competency across the two groups of supervisors is unclear.

An important issue that may conflate the effects of both bias and competence on value responses to appointments at NSA are intrinsic skill differences across the candidate pools of banks and regulators. Such unobservable skill differences may determine early-career self-selection into either supervision or banking as well as human capital flows between these two sectors over the business cycle later on. Bond and Glode (2014) and Lucca et al. (2014) predict that relatively more skilled individuals may prefer the higher compensation offered by the banking sector, thereby leading to a higher average skill level in banking. During labor shortages in boom periods, the best supervisors would be poached by the banking sector. During recessions though, individuals' in later stages of their careers might favor higher certainty in supervision and human capital of higher quality flows from the banking to the NSA sector. We analyse therefore below the role of the business cycle to insulate the effect of across-group differences in bias and competency from self-selection effects, but argue that such dynamics are more relevant for positions below the ones we consider. Executive board seats are highly prestigious roles, which bankers with high-profile careers might accept if power considerations are as relevant as monetary rewards. Unlike for entry- or middle-level positions in supervision, "brain drain" towards banks may not be a major force at the very top level.

In sum, the interaction of supervisors' bias and competency determines the *net* effect on supervised banks' performance and policies. The direction of this effect is a priori ambiguous and likely to vary with the background of the executives serving on NSA boards. We seek to empirically tease out such differences with a variety of methods.

3 Data

We collect data on the characteristics and career paths of executive board members of NSA, usually national central banks (NCBs) or other national competent authorities, that are in charge of banking supervision in Europe between 2002 and 2019. We focus on NSA from the ten largest EU economies as of 2002: Austria, Belgium, Germany, Spain, France, Ireland, Italy, Netherlands, Sweden, and the UK. Panel A of Appendix Table A.2 lists the NSA included in our sample. Most countries designate one institution to supervise the banking sector. The exceptions are Austria, Germany, and the UK, where two institutions share this responsibility.[6] We construct a comprehensive dataset

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[6]The Prudential Regulation Authority in the UK, the Irish Financial Services Regulatory Authority, and the Autorité de Contrôle Prudentiel et de Résolution in France were separate regulatory entities at some point during the sample period. As they were eventually integrated with their respective NCB,

on all full-time executive directors serving on the management board of sampled NSA by manually collecting their career paths from CVs. The final sample features 185 executive directorships at 13 institutions, resulting in 1,131 executive-year observations. Out of the 185 executives, 94 move at least once from the private to the public sector during their career and 18 executives move multiple times.

We observe 153 appointments of both external and internal candidates, of which 36 relate to the head of the executive body. Among the appointees, 59 (46) have previous experience in the finance (banking) industry, of which 37 (30) were previously employed at the managerial level; 67 of them have a management-level background in the same appointing supervisory institution. We can identify 21 appointments in which the executive director has a direct CV link to one of the listed banks included in the sample.

For each executive director, we retrieve information on the appointment by searching local newspapers and using the Bloomberg Professional Service (BPS) news search function. The latter includes news from a wide range of sources, such as international newspapers, official press releases from central banks, and a proprietary news service. Thereby, we can precisely determine the timing when each appointment was announced to the market. Importantly, executive appointments are usually disclosed well in advance relative to the effective starting date, and in some cases on non-trading dates. In the latter case, we set the announcement date to the first subsequent trading day.

Using this procedure, we identify the announcement dates of 146 out of 153 appointments. Supervisory institutions often appoint multiple executives at the same time. We classify the type of career path (e.g., of being a former banker) of multiple appointments, if at least one of the appointees meets the criterion.[7] Because of multiple appointments, the number of distinct supervisory institution-events declines from 146 to 126. The final sample contains 123 country-bank-event days with available stock return data.

We then construct an alternative dataset on executive directors' career paths from the BoardEx database for the same period and countries as above. The broader coverage by BoardEx allows us to extend the analysis of appointments across all sectors and to compare the characteristics of appointees in financial supervision (or banking) relative to the rest of the economy. Starting from the universe of employment trajectories, we retain spells as executive in listed and non-listed firms, public administration, partnerships, and universities, and for which the starting date is available.[8] But the breadth of the

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we record their executive directors as staff of their NCB . Executives from the UK's Financial Services Authority are recorded separately until its liquidation in 2013.

[7]We exclude inherently more noisily measured multiple appointments in robustness tests.

[8]We use information on non-executive spells to measure job experience prior to an appointment, but

sample comes at a cost. BoardEx typically collects information on executive directors, including prior employment histories, at *listed* companies and their subsidiaries. Any stint at a supervisory institution, non-listed company, or in academia therefore only appears "indirectly", introducing a bias in this BoardEx sample.[9] Moreover, we use an algorithm levering reported job titles to identify positions at executive level rather than checking each spell manually in this large BoardEx database. The benefit of obtaining a large sample therefore entails the cost of potential misclassifications of (non-)executive positions. Therefore, we prefer to base the main analysis on the manually-collected data, which we complement with an analysis of appointments in financial supervision vs. banking based on the alternative sample.

To construct the bank sample, we start from the list of entities supervised by the SSM and the list of other systemically important institutions (O-SIIs) maintained by the EBA as of 2019. We then select listed banks because the empirical analysis focuses on an event study of ex-dividend daily stock returns around the relevant executive director appointment dates. Next, we select banks with available information on the board of directors in BoardEx, bank accounting data in Bureau van Dijk's Bankscope and Bankfocus, and stock market data in BPS. The final sample comprises 42 supervised banks that are listed in Panel B of Appendix Table A.2. Country-level data on macroeconomic conditions are from Datastream. Stock returns and ratios computed from accounting data are trimmed at the 0.5% and 99.5% level to mitigate the potential impact of outliers.

Table 1 reports summary statistics. Sampled banks are listed and generally large. In around 16% of bank-years at least one executive has prior experience in financial supervision, which approximates the *direct* revolving door phenomenon in banking.

4 The background of supervisors

Specific rules defined in bylaws and laws as well as the institutional culture govern and inform the operations of each NSA, with ramifications on the selection of executive di-

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exclude spells in clubs, medical institutions, charities, sport clubs, and armed forces.

[9]We observe at least one job spell in BoardEx only for ten of the 13 banking NSA listed in Panel A of Appendix Table A.2, missing out the Nationale Bank van België the Central Bank of Ireland, and Sveriges Riksbank. By contrast, BoardEx indirectly covers further national institutions, like those supervising financial markets: Autorité des Services et Marchés Financiers (Belgium), Comisión Nacional del Mercado de Valores (Spain), Financial Conduct Authority (UK), Autorité des Marchés Financiers (France), Commissione Nazionale per le Società e la Borsa (Italy), and Autoriteit Financiële Markten (Netherlands). Furthermore, we observe a number of appointments at EU supervisory authorities: the Committee of European Banking Supervisors (CEBS), the European Banking Authority (EBA, superseding CEBS), ECB, and the Committee of European Securities Regulators.

rectors as well as on their activity. For each individual, we observe prior experience, education background, age, and gender upon the first executive appointment. To obtain a prima facie assessment of the attractiveness of the regulatory sector relative to banking, and to gauge across-sector differences in directors' intrinsic skills, we examine how these characteristics differ across institutions and change over the business cycle.

4.1 Reverse revolving door patterns in European banking

Consider first career trajectories and managerial experience prior to appointments. In Table 2, we compare executive directors at NSA (Panel A) to those at supervised banks (Panel B) as of the time of their appointment.[10] Most executives at NSA have prior experience in the public sector (91.5%), specifically in financial supervision (69.3%).[11] By contrast, only 51.0% exhibit private sector experience, and 38.6% in financial institutions. The opposite holds for bank executives. Conditional on having private sector experience, 75.7% (= 38.6%/51.0%) of supervisors held positions in the finance sector, considerably less than bank executives. The average executive of a NSA has held 1.5 positions in the private sector before being appointed executive or president, again much less than the 8.7 spells of bank executives. The lower number of previous spells of regulators is not only a mechanical consequence of their more limited private sector experience. Most likely it also gauges a lower inherent job mobility, as documented by Lucca et al. (2014) for the US. The fact that 43.1% of sampled executive directors held previous management positions below the board-level in the same institution corroborates this notion. An average of only 4.4 previous positions in the entire public sector further supports the idea that internal progression is the typical career path in the regulatory sector. Potentially, a career in regulation may require the accumulation of highly specific human capital, which increases the cost of switching occupations. A second factor favoring internal progressions (and low mobility) may be that more risk-averse individuals, who weigh job and income security highly, choose to start a career at supervisory authorities systematically more often.[12]

The descriptive statistics above provide a first assessment of the reverse revolving

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[10]The sample of bank executive directors in Table 2 is from BoardEx and focuses on supervised entities included in the event study below. We do not report the subject of university studies for bank executives because these data is of poor quality in BoardEx.

[11]We define financial supervision broadly to include the NSA in Panel A of Appendix Table A.2 as well as financial markets authorities, central banks, as well as EU and international institutions, such as the ECB, the International Monetary Fund, the Bank for International Settlements, and the like.

[12]This is not to say that incentives in the form of performance-linked pay or promotions/demotions are absent in regulation and supervision. For instance, Kalmenovitz (2021) demonstrate the relevance of promotion incentives at the Securities and Exchange Commission in the US.

door phenomenon. Across all NSA, 38.6% of executives have a background in the finance industry. We consider this share an upper bound of the issue because it also captures early-career employment in the finance industry. Such experience could matter little if, for instance, it was an entry-level position held at very beginning of the executive's career. The fraction of executives at NSA with prior *management* experience, both in executive positions and non-executive positions with managerial duties (e.g., heads of division), in the finance industry (24.2%) is a more conservative estimate of reverse revolving doors.

Managerial positions usually entail a dense network of personal connections that influence the executive's supervisory conduct. Figure 1 visualizes the remarkable difference of management experiences across the NSA in the 10 EU countries that we analyze. For each country and year, we single out those executives with some prior management experience in the public sector (and its subsectors) in the positive domain of each panel. The negative domain decomposes in the same vein the share of executives with respect to private sector management-level experience. In both domains, the categories are nested, starting from the broadest one of having any management experience, which is by construction symmetric around the x-axis. Categories are not mutually exclusive. A number of patterns and stylized facts stand out.

First, NSA boards in nine EU countries recruited at least some executives from the banking sector, depicted by the area shaded in light gray in the negative domain of each panel. Thus, the reverse revolving door is a salient feature in the boards of EU banking NSA. At the same time, the heterogeneity of this phenomenon across both countries and time is substantial. Especially in Spain and Sweden former bank managers take around half the board positions of executives with prior management experience. But also in countries like Austria, Belgium, Germany, the Netherlands, and the UK bankers or former executives from the non-banking financial industry have been on the boards of supervisors since 2002. Whereas these patterns are relatively stable for most countries, a few exhibit an increasing share of bankers within the group of non-public sector career executives, notably the Netherlands and more recently France.

Second, the relative shares of executives with a public sector managerial background, depicted in the positive domain of each panel, reveals that one group of countries appoints the majority of executives to their NSA internally from below-executive ranks (the light blue shaded areas) or, more broadly, from other financial supervisory institutions (dark blue). Rising through the ranks is frequent among boards of NSA from Austria, Belgium, France, Germany, Spain, Italy, and Netherlands. This is especially striking for Banca d'Italia, where all but one of the appointed executives had prior internal management-

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level experience before appointment.[13]

Third, regarding the executives of national supervisors with a managerial background in the private industry that is depicted in the negative domain of each panel, another group of countries emerges that hire from a rather diverse set of backgrounds. Most notably the UK, but also Germany, Spain prior to 2014 and the Netherlands prior to 2012 exhibit a fairly even distribution of executive shares across the private realm.

Consider next patterns pertaining to demographic trends across supervisors and banks. Table 2 shows that among NSA executives, the most common education background is in economics or related subjects (66.4%), with a sizable minority whose highest degree is in law (30.7%). The highest degree is a Ph.D. for 35.3% of the individuals in supervision, as opposed to 10.0% of bankers. Cross-country differences in terms of education and academic background exist. For each country and year, Figure 2 visualizes in the positive domain of each panel the fraction of executive directors with an academic background in general as the dark gray shaded areas. In addition, we distinguish in light gray the share of those executives that held faculty positions at the rank of assistant professor at least. The rationale is that this group might have much less developed networks in the industry, but are likely to add highly specialized human capital in specific competency dimensions of supervision. Our hand collected data reveals even more pronounced heterogeneity across countries and time. Countries that tend to recruit more bureaucrats from the ranks of the public administration, such as Italy, France, and Germany, exhibit the lowest shares of academic backgrounds in general and highly specialized faculty in particular. These backgrounds are, in turn, more frequent on NSA boards in small, open economies, notably Spain, Sweden, and Belgium, but also the Netherlands and Austria.

The negative domain in each panel of Figure 2 shows the share of NSA executives with a finance background—in this case, at any rank differently from Figure 1, where we look at managerial experience only—or, more specifically, a banking background. In several countries, finance experience comes predominantly from banking.[14]

Finally, Appendix Table A.3 explores correlation patterns among selected characteristics of newly appointed executive directors. Having a finance background does not correlate meaningfully with other traits for supervisory authorities' executives, with the

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[13]With regards to demographic traits, executive directors are on average older (53.6 vs. 52.6 years) and more likely to be female (20.9% vs. 6.4%) in supervision than banking. As shown in Appendix Figure A.1, executives are oldest at Banca d'Italia, whereas a majority of institutions exhibit an increasing trend in terms of female board representation (see also Hospido, Laeven, and Lamo, 2019).

[14] Academic and finance backgrounds are not mutually exclusive. Appendix Figure A.2 illustrates that most executives have an educational background in economics, except in France and Germany.

partial exception of a statistically significant correlation of -24.0% of having held previous positions in the public sector (Panel A). In the same way, no clear picture emerges from the correlation matrix for supervised banks' executives (Panel B).

4.2 Characteristics of appointees over the business cycle

The state of the economy may influence the inflow of top executives at the institutions in our sample. Table 3 compares the characteristics of newly appointed executives at NSA (Panel A) and supervised banks (Panel B), distinguishing between non-recession (columns 1-3) and recession years (columns 4-6), as well as testing the statistical significance of differences (columns 7-8).

New hires' traits are remarkably stable throughout the cycle in banks: although executives appointed in recessions have less experience in the private sector, the differences are economically small. In the case of NSA, recession hires have some more experience in financial supervision, especially at managerial level in the same institution. At the same time, they tend to have less private sector experience, although differences in this dimension are largely insignificant. No substantial differences in demographics or education emerge across the business cycle. This naïve evidence corroborates the conjecture that macroeconomic conditions matter less for positions at the very top of NSA and supervised institutions than for below-executive level positions studied by Lucca et al. (2014).

NSA do not appear to face more severe retention issues during boom periods, as an intake of less experienced executives would signal. Bearing the limits of a comparison based on few observable traits in mind, the quality of hired executives seems to deteriorate in recessions when banks are generally a less attractive occupation opportunity. Supervisors' labor market dynamics theorized by Bond and Glode (2014) do not seem to extend to top executive positions, whose attractiveness is largely determined by the associated power and prestige.[15] This reduces concerns that any heterogeneity observed in market reactions to the appointment of executives of national supervisory authorities is purely the byproduct of unobservable time-variation in the skills of the candidate pool.

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[15]Bank executives are paid considerably more, especially after accounting for bonuses (see, e.g., Colonnello, Koetter, and Wagner, 2023), but also top EU supervisors command high fixed salaries of up to around EUR 500,000 per year (Banca d'Italia, 2014). This combination of power, prestige, and safe and sizable remuneration renders executive jobs in supervision attractive also for bankers.

4.3 Determinants of appointments in supervision vs. banking

We examine next appointments of executives using the alternative dataset on career paths from BoardEx. By using this sample, we can consistently measure executives' characteristics both in supervision and banking and thus draw a tighter comparison of appointment patterns across the two sectors. Figure 3 depicts the appointment rates of executives and their background. Panel A shows that newly appointed executives constitute around 20% of boards at supervision authorities during the sample period. Reappointments are rare and executives' terms in supervision average consequently around five years. Nine out of ten appointees have no prior executive-level experience in supervision.[16] But a considerable fraction of them—from a minimum of around 30% in 2007 to a maximum of roughly 100% in 2013—do have executive experience in other sectors, confirming the attractiveness of supervision for high-ranking professionals from the private sector. Panel B documents similar patterns for executive appointments in banking, but points to an increasingly lower fraction of seasoned executives from outside the sector.

In Panel C, we investigate the industry background of seasoned appointees with prior executive experience at financial supervisory authorities, which include financial markets authorities, central banks, as well as EU and international institutions. In line with Panel A, around 11% of them previously held executive-level positions in supervision. Around 3% and 4% held such positions in banking and in other areas of public administration before, respectively. More than 20% of seasoned appointees in supervision were previously executives in the nonfinancial sector. Having experience in insurance or in other areas of finance is approximately as common as a banking background.[17] All in all, when not co-opting internal candidates, supervisory authorities appear to draw from a pretty diverse pool of experienced professionals. Panel D documents that banks attract seasoned appointees primarily from nonfinancial firms, banks, and other financial firms, but hardly any from the remaining categories. As such, bank executives appear to be recruited from a less diverse pool compared to supervisory authorities' boards.

Appointments are the result of a two-sided matching process between candidates

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[16]BoardEx largely focuses on boards of directors, thereby obfuscating below-board experience of those "sector-outsiders". This omission is possibly substantial since the manually-collected data contains 43% of internal career progressions in NSA from below-board supervisory experience (see Table 2).

[17] Starting from the relatively detailed industry classification in BoardEx, we define eight broad groups: financial supervision, nonfinancials, banking, insurance, other finance, public administration excluding financial supervision, and academia. BoardEx reports no information on the sector for many executive spells. We manually search for reported employers' names and assign an industry in these cases. We indicate the sector as "unknown" if we cannot classify the employer.

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and hiring institutions. We focus on the labor supply-side of this process and study in a regression framework, how executive characteristics associate with appointment decisions in supervisory authorities as opposed to banks. Because the entire pool of potential candidate executives is not observable, we restrict the analysis to actual appointments (excluding re-appointments). Starting from executive appointments across all sectors in BoardEx, we test whether new hires in supervision and banking differ from those in the rest of the economy. To this end, we employ cross-sectional regressions of this form:

$$\text{Appointment in sector } k_j = \mathbf{\Gamma} \mathbf{X}_j + \eta_e + \eta_n + \eta_t + \epsilon_j, \tag{1}$$

where *Appointment in sector* k_j is an indicator variable equal to 1 if executive j is appointed in sector k, and 0 if appointed in any other sector. We separately estimate regressions for both sectors of interest, i.e., $k = \{$Financial supervision; Banking$\}$. The vector $\mathbf{X}_j$ comprises a set of executive characteristics measured at the time appointment (age, gender, size of the personal network, several proxies for professional experience). Each specification includes fixed effects for the executive's level of education γ_e, nationality (γ_n), and the appointment year (γ_t). We cluster standard errors by year of appointment.

Table 4 shows coefficient estimates from specification (1). In columns 1 to 4, we contrast characteristics of appointees in supervision with those from all other sectors in the economy.[18] Column 1 considers the entire sample of appointments. Supervisors are on average older and more likely to be female, have a larger network and a more diverse industry background, but have previously held a smaller number of different positions than executives in other industries. This findings continue to hold if we limit the sample to inexperienced executives (column 2) or to appointees with prior executive experience (column 3). In the latter case, we augment the specification with a set of binary variables capturing industry-specific experience. Relative to firms in other sectors, financial supervisory authorities are significantly more likely to select professionals with prior executive experience in supervision and in other areas of public administration. Moreover, they hire banking executives at a rate similar to that of firms in the rest of the economy, suggesting that the reverse revolving door may fit in an economy-wide inclination to having banker directors (e.g., Booth and Deli, 1999). In column 4, we confine the sample to appointees with prior executive experience in banking to investigate cross-industry moves. This requirement reduces the sample drastically, which implies generally statis-

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[18] When specifying appointment events to banks, appointments at financial supervisors are considered non-events and vice versa, except in columns 4 and 8 where we explain appointments in one sector with previous experience in the other.

tically insignificant effects. Whereas the effects documented for the larger samples are qualitatively confirmed, it seems that within the sample of experienced bankers, especially older executives are also statistically more likely to join supervisory authorities.

In columns 5 to 8, we repeat the analysis for appointments by banks. Not differently from new hires in supervisory authorities' boards, columns 5 to 7 show that banking executives are older, with larger networks and more diverse industry backgrounds, but have previously held fewer positions than in other sectors. Unlike supervisory authorities, banks are as prone to hiring female executives as other firms in the economy. Focusing on seasoned hires, also banks are biased towards industry insiders. However, they are significantly less likely to hire professionals with executive experience in other sectors than non-banking firms, whereas they do not stand out when it comes to drawing from former supervisors. In column 8, we limit the sample to such a group of professionals. We observe only 66 instances of former executive supervisors finding another executive position among the entities covered by BoardEx. Except higher age, we do find again statistically only insignificant effects as statistical power is even lower compared to appointments of experienced executives to supervisory authorities.

In sum, the hiring choices of European financial supervisory authorities and banks share a number of similarities, such as a preference for older, better connected professionals, with experience in more industries relative to firms in other sectors. In both sectors, seasoned executives are significantly more likely to be recruited from within the same sector. Despite the pervasive existence of reverse revolving doors between banking and supervision documented above, such experience is not a statistically significant determinant of executive appointments at supervisory authorities. This fact bodes well for the proper functioning of fairly formalized appointment procedures to prevent outright cronyism and regulatory capture. What remains to be tested though is whether and how the reverse revolving door for bankers into supervision is valued by bank investors.

5 Event study around executive appointments by NSA

Given the pervasive existence of the reverse revolving door phenomenon in the EU banking sector, we assess next how bank shareholders value the appointment of finance experts to the executive boards of NSA.

5.1 Empirical specification and assumptions

To this end, we merge the hand-collected sample on announcement dates of executive directors with bank-level market data and conduct event studies around appointments at NSA by estimating pooled regressions of the form:

$$r_{it} = \alpha + \sum_{\tau=-k}^{k} \beta_\tau \cdot \mathbb{1}_{\{\text{Appointment at } t=t^* \text{ in } c,t-\tau\}} + \eta_t + \eta_i + \epsilon_{it}, \tag{2}$$

where r_{it} is the stock market return of bank i on trading day t, as measured in calendar time. The indicator variable $\mathbb{1}_{\{\text{Appointment at } t=t^* \text{ in } c,t-\tau\}}$ is equal to 1 on trading day $t - \tau$ if an executive appointment is made at $t = t^*$ by a NSA of host country c where the bank is based, and 0 otherwise. k defines the width of the event window over which we estimate abnormal returns (ARs). In the baseline specification, we choose $k = 5$ to test for possibly different valuation effects of various alternative appointment events, defined conditional on the professional background of incoming executives.

We saturate specification (2) with day fixed effects (η_t) to gauge market-wide fluctuations and with bank fixed effects (η_i) to account for time-invariant, unobservable differences across banks. We cluster standard errors at the bank level when estimating the main parameters of interest β_τ, where $\tau = [-k, k]$. Each parameter estimate $\hat{\beta}_\tau$ measures the average AR across all events for day τ around the executive appointment: $\overline{\text{AR}}[\tau]$. We compute the average cumulative AR (CAR) between day τ_1 and day τ_2 as $\overline{\text{CAR}}[\tau_1, \tau_2] = \sum_{\tau=\tau_1}^{\tau_2} \beta_\tau$. Note that ARs are defined relative to all periods outside of event windows between 2002 and 2019, which constitute the estimation window.[19]

An important assumption of this specification is that we associate executive appointment events at a NSA primarily with valuation effects for the banks that it supervises. For example, executive appointments at the Bank of Italy bear mostly valuation implications for Italian bank. This assumption is in line with the home-country principle in banking supervision paired with a single banking license in the European Single Market,

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[19]Results obtained with this specification are robust to a variety of scrutiny tests, which are available upon request in an Online Appendix (OA). These include an event study in event rather than calendar time (Table OA.1). There, we restrict the estimation window to 50 trading days before and after each announcement, which significantly reduces the number of no-news trading days in the sample. Main findings are also robust to using Driscoll and Kraay (1998) standard errors together with month-year fixed effects while controlling for daily returns of the STOXX Europe 600 index (Table OA.2). We specify next alternative adjustments of stock returns for outliers (Table OA.3), event window widths (Table OA.4), fixed effects schemes (Table OA.5), controls for country-level market conditions, namely local sovereign spread (Table OA.6), and we exclude Sweden and the UK from the sample (Table OA.6).

which entails that the supervisor of the jurisdiction where a bank is chartered is charged with supervision (Koetter and Nguyen, 2024). Two issues may raise concerns about this assumption. First, since November 2014 significant banks are supervised by the SSM and no longer by NSA alone. Therefore, we test below if national valuation effects change once supervision is transferred from the national to the supranational level for all but those banks located in Sweden and the UK. Given that the practical supervision is conducted by Joint Supervisory Teams, which conventionally consist of NSA experts in deputy lead positions to ensure local expertise though, we consider our approach to focus on within-jurisdiction valuation associations a reasonable baseline scenario. Second, a number of banks in our sample are internationally active such that executive appointments at NSA in jurisdictions other than the host country may have possible ramification for multinational banks. We expect that NSA executive appointments affect mostly the valuation of a bank in the host country of the head organization, as this typically also constitutes the Single Point of Entry in the resolution regimes of the European Banking Union. Koetter, Krause, Sfrappini, and Tonzer (2022) document how differences in the national transposition of EU directives to implement these aspects of the European Banking Union caused differences in the cost of capital of banks due to different expectations of market participants about the effectiveness of bail-in regimes across EU banking markets. Since similar differences in expectations also affect the valuation of bank stocks, our approach to assess return responses to appointments at NSA seems reasonable.

5.2   Valuation responses to reverse revolving door appointments

Table 5 shows coefficient estimates for different types of appointments specified in equation (2). Column 1 pertains to all 123 appointment events. The event-day ARs averages at -0.118%, but it is statistically insignificant at conventional levels just like $\overline{\text{CAR}}[0,1]$ and $\overline{\text{CAR}}[-1,1]$ at -0.076% and -0.204%.

Since pooling all appointment events may conflate the effects of executives' bias and competency, we distinguish next appointments based on the background of the designated executive. Contrasting market reactions to appointments of individuals with a finance background against the others indicates bank valuation effects of the reverse revolving door. In column 2, we only consider executives without prior experience in the finance sector (71 events). The average event-day AR is negative at -0.2% and statistically significant at the 10% level. The reported CARs exhibit similar values. Similarly, Adams (2017) documents a negative market reaction to appointments of non-banker directors to

the boards of Federal Reserve Banks in the US. In column 3, we do not find any significant effect when we concentrate on executives with a finance background (52 events), with average event-day ARs and CARs very close to zero. An unreported specification jointly accounting for non-finance- and finance-related appointments yields an estimated difference between the two types of hires of -0.358% for $\overline{\text{CAR}}[-1,1]$ with a p-value of 12.06%. Although statistically insignificant at conventional levels, this wedge tentatively suggests a more positive reaction to former finance professionals.

The different market reaction to the appointment of former finance professionals likely reflects their different degrees of proximity towards supervised institutions (bias), assuming that also executives without a finance background command useful technical knowledge (competency). We interpret this evidence to align with the intuition that finance-related executives appease bank shareholders because they are expected to be more friendly. This result is remarkable given the rather broad "financial expertise" definition to study the reverse revolving door phenomenon. Relatively many individuals may be "false positives", for example if they merely held low ranked positions at banks early in their career, with limited repercussions on the supervisory style relative to peer executives without such an experience.[20]

Therefore, we restrict the analysis to 19 appointments of executives who held a position in at least one of the supervised banks in the sample to scrutinize the role of supervisory bias in column 4. Our approach is to consider only the announcement days of appointments for the 21 banks with a direct CV link to these individuals and assume that all other banks are not affected.[21] We estimate a positive and statistically significant return reaction of $\overline{\text{AR}}[0]$ of 0.489% and $\overline{\text{CAR}}[0,1]$ of 0.845%. This reaction indicates bias, but it is weaker in magnitude compared to the appointments of banker directors to Federal Reserve Banks' boards studied by Adams (2017) and Black and Dlugosz (2018).

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[20]Appendix Table A.4 shows the impact of any prior experience in further sectors (Panel A) and of managerial experience in a number of sectors (Panel B) to mitigate the issue of "false positives". Having held a position in banking, rather than generically in finance, at any or at management level leads to a larger and positive return reaction on the event day. Nonfinancial sector experience, in financial supervision, in the same NSA, or in academia does not cast reactions. Prior experience in public administration other than in financial supervision, in turn, is associated with significantly lower bank valuations (74 events). Former bureaucrats with little to none experience in finance or financial supervision, possibly appointed for political reasons, appear to be perceived as less competent by markets.

[21]Appendix Table A.5 shows in columns 1-3 the stock market reaction for banks that compete with those that are directly linked to the appointees within the same host country. We find a positive, but small and statistically insignificant reaction for this group. This ambiguity echoes that competing banks may gain from the superior financial expertise of these executives, but may also suffer from cronyism favoring the directly linked bank. Stock market reactions between the banks making the appointments and those competing with them do not yield different valuation effects in columns 4-6.

Lower magnitudes could relate to the different board structure and appointment rules of European and US supervisory authorities. The presence of bankers is ingrained in Federal Reserve Banks' boards: three out of nine directors (Class A directors) are directly elected by member banks and represent their interest. In Europe, executive directors are nominated in political processes that differ across member states and not directly by the supervised banks, which could limit the ability of former bankers to influence supervisory decisions once designated.

5.3   The role of the business cycle

Overall, we interpret the headline findings as evidence supporting the notion of bias, i.e. a more benevolent treatment of supervised subjects by former bankers being appointed as executives on the boards of NSA. An ideal test would therefore rule out that executives joining NSA from the banking industry are inherently more competent compared to executives with a public administration background. Such a test is hard to design from secondary data given the inability to directly observe talent.

Therefore, we resort to an indirect test that builds on the model of a labor market for bankers and regulators by Bond and Glode (2014). They show that more skilled agents endogenously choose to start their careers as better compensated bankers. In a dynamic extension, banks subsequently "skim the cream" in the supervision sector's labor market and poach the best regulators during financial booms. Conversely, we expect that relatively better skilled bankers are more likely to be released from the banking sector during recessions and seek employment at NSA, thereby increasing the average competency according to countercyclical patterns. Hence, if our findings above were driven by lower intrinsic skills of executives with a civil servant career track rather than bias, we would expect market reactions to appointments to be less negative in recession than in other periods, due to the inflow of more skilled bankers.

In Table 6, we therefore augment specification (2) with interaction terms of *Appointment* indicators with a recession indicator defined at the country-year level. In two of the four specifications, both event-day ARs and CARs respond significantly negatively to recessions when the human capital inflow into the regulatory sector should be of higher quality. This result therefore negates the notion that negative market reactions to non-finance-related executive appointments reflect lower intrinsic skills.

Likewise, Table 3 shows that the observable traits in our hand-collected data do not indicate an increased flow of finance specialists or professionals with diverse job experi-

ences into executive boards of NSA during recessions. While numerous appointments at NSA involve individuals that rose internally through the ranks of the regulator itself or in other parts of the public sector, these career paths do not seem to necessarily indicate an inferior quality of the candidate pools for junior positions in supervision as opposed to banking as hypothesized by Bond and Glode (2014). A possible explanation is that we assess with our data for the first time top jobs at NSA in Europe. In this segment of the labor market, countercyclical patterns in hiring quality do not appear to exist.

We interpret the more negative reaction to executives nominated during recessions as indirect support to the role of bias as a driver of the value differential between finance-related appointees and the others.

5.4 The role of the SSM

Recall that our sample of NSA comprises many NCB that act as national supervisors between 2002 and 2019, but also pursue other tasks. A possible concern is then that stock market responses to the appointment of new executives documented so far gauge changing expectations of financial markets about other policies but banking supervision, a prime example being monetary policy conduct and future interest rates. To some extent this concern is alleviated by the fact that most banks in the sample reside in member states of the euroarea, for which the ECB instead of these NCB sets monetary policy. But bank stocks' reactions to executive board appointments by NSA may still reflect concerns about future interest rates in the two non-euroarea countries in the sample, Sweden and the UK, or changing expectations of investors about other tasks also conducted by NCB (for example, payment system operations).

To scrutinize our interpretation that market reactions to new executives reflect investors' expectations about supervisory activities, we exploit the transfer of supervisory powers from the national to the European level after the introduction of the SSM. In 2012, the Economic and Financial Affairs Council (ECOFIN) decided to establish the SSM as one pillar of the European Banking Union and charged the ECB with the direct supervision of significant banks (see Koetter and Nguyen, 2024, for institutional details). SSM-supervised banks are exactly those that we study in our sample, except those residing in Sweden and the UK. Thus, the launch of the SSM provides a suited testing ground because if market participants are concerned about banking supervision instead of other policies, our results should be driven by the pre-SSM period. Therefore, we compare market reactions to executive appointments before and after the decision to establish the

SSM and after, excluding banks from Sweden and the UK from the sample.[22] Table 7 reports coefficient estimates for specification (2) augmented with an interaction with a post-SSM indicator variable, which is equal to 1 for any date after 2011, and 0 otherwise. The baseline $\overline{\text{AR}}[0]$ estimates in columns (1) and (2) from Table 5 are qualitatively confirmed, but lack statistical significance and are even offset as indicated by the significantly positive interaction term in the post-SSM period when appointing non-financial executives. Reported CARs are, in turn, significantly positive for the whole sample of appointments and the non-finance ones, but remain economically small.

Importantly, event-day ARs estimates in the last column confirm that executives appointed at NSA that are linked to regulated entities feed expectations in markets of a benevolent bias towards former employers, an effect that is also not offset after the decision to setup the SSM. Altogether, the estimates thus exhibit a very similar pattern toward a mitigation of market reactions to appointments in the post-SSM period and corroborate the idea that market reactions pertain to expectations about supervisory stance rather than about other areas of activity of the executive board.

Beyond valuation responses to national appointments, the SSM provides further insights into supervisory bias and competency of executives, as it arguably constitutes a negative shock to the former, and a positive shock to the latter. Carletti, Dell'Ariccia, and Marquez (2021) theoretically show that central supervisors (like the ECB) are less reluctant to intervene because of lower intervention cost. There are at least two channels how intervention costs are reduced and supervision would became stricter when shifting from NSA to a central supervisor. First, the central supervisor has more resources to allocate to supervision and a higher ability to attract and retain talented regulators. Second, regulatory capture and ability of supervised banks to influence the supervisor is impaired.[23] Extant evidence on banking supervision supports the prediction that switch-

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[22]Note that banks from the UK and Sweden are not a sensible control group for possible alternative analyses, such as difference-in-difference analyses, for various reasons. First, confounding policy shocks beyond monetary policy in these countries are likely to compromise the introduction of the SSM as a defendable source of exogenous variation in bank behavior. Second, especially UK banks pursue substantially different (Anglo-Saxon) business models, which would likely fail to yield convincing counterfactual samples of banks, even when using matching techniques that rely ultimately on observable traits. Third, the inherently small number of observations on banks from these two countries results in a prohibitively low number of degree of freedom to permit a comparison with sufficient statistical power.

[23]The ECB supervisory board comprises a Chair, a Vice-Chair, four further ECB representatives, and a representative for each NSA of a member state. Hence, individual NSA supervisors have limited abilities to influence prudential decisions. The internal governance of a central supervisor that coordinates local supervisors that implement its standards can create frictions in the information collection process (Carletti et al., 2021). If central supervision is stricter, local supervisors have fewer incentives to collect information under centralization if it could be used to take actions undesired by the NSA.

ing from local to central supervisors implies stricter supervision. Agarwal et al. (2014) uncover differences in supervisory intensity between local and central supervision in the US, illustrating that geographic proximity to the bank is associated with more lenient supervision. Fiordelisi, Ricci, and Stentella Lopes (2017) find for the European context that significant banks, which anticipated stricter supervision under the SSM, contracted balance sheets by deleveraging and decreased lending compared to less significant banks. Likewise, Altavilla, Boucinha, Peydró, and Smets (2020) show that banks under the SSM tilt their loan portfolios away from risky borrowers towards stronger ones.

Executive appointments to the boards of national supervisors are of little use to tease out the value effect of the SSM and disentangle the role of bias and competency in supervision. To this end, we conduct a comprehensive event study of announcements related to SSM implementation. As in any regulatory event study, the major challenge is to insulate the effect of the regulatory shock of interest from that of other news disseminated around the same date (see, e.g., Schäfer, Schnabel, and Weder di Mauro, 2015; Bruno, Onali, and Schaeck, 2018). By means of an in-depth news search on BPS, we identify the 18 most relevant SSM-related announcements, starting from June 29, 2012, when the EU leaders agreed on the establishment of the SSM. The process ended when the SSM came into force on November 4, 2014.

Appendix Table A.6 reports estimated bank stock market reactions for the identified events. We start by looking at announcements related to the institutional architecture and procedures of the SSM. We detect positive and statistically valuation effects—as measured by event-day ARs or reported CARs—for the Vice President speech on the banking union (September 7, 2012), the landmark agreement on the establishment of the SSM (December 13, 2012), and the decision to cover capital gaps with CET1 instruments (April 29, 2014). Negative and statistically significant effects are obtained for the adoption of the two SSM proposals (September 12, 2021), the start of the ECB comprehensive assessment (October 23, 2013), the approval of stress-test parameters (February 3, 2014), the disclosure of the SSM regulatory framework (April 25, 2014), the start of the SSM (November 4, 2014), and the disclosure of stress test results (October 27, 2014). Overall, our estimates suggest that at the beginning the stock market rewarded the implementation of a common architecture for banking supervision. The sentiment turned negative when the market perceived that regulation and supervision was going to be more intrusive under the ECB, thus entailing a cost for supervised banks. Such a shift in sentiment is broadly consistent with the intuition that a central supervisor tends to be less friendly towards banks.

With regards to the three events related to director appointments at the SSM (De-

cember 16, 2013; January 9, 2014; January 22, 2014, March 7, 2014), we find a positive and statistically significant reaction only for the appointment of four directors in the new Directorates General for supervision (January 9, 2014). Of these four directors, two had prior experience in the finance industry, which again is suggestive of a positive valuation effect of the reverse revolving door. By contrast, the reaction is negative and significant to the appointment of Sabine Lautenschläger as Vice-Chair of the Supervisory Board, who instead had no prior industry experience.

5.5 Concurrent policy shocks and news coverage of appointments

Next, we examine in more detail the context in which executive appointments are announced. Specifically, we verify if NSA take important policy decisions around the appointments and how the latter are covered by primary news outlets. To this end, we conduct a news search around these events, levering both local and international newspapers as well as news archives of supervisors. Due to more patchy availability of information in the early years of the sample, we restrict the news search to the period 2010-2019.

Table 8 shows event study results around executive appointments using this hand-collected set of information to account more explicitly for heterogeneity in information flows. In Panel A, we investigate specifically to what extent contemporaneous policy decisions by the NSA or by the ECB may influence our main findings. After going through all press releases by these institutions in the days surrounding executive appointments, we manually classify each of them depending on whether a major policy announcement was made in its proximity or not. The main findings remain intact and are mostly driven by those announcements around which there is no major policy decision.

Panel B studies the intensity of news coverage about executive appointments and Panel C differentiates events depending on how controversial the appointments are. To classify appointments, we manually assign each of them a score on the intensity of coverage and another on how debated it is on newspapers. Highly covered (or debated) announcements are those with an above-median score. Whereas the two scores are positively correlated, the correlation is far from perfect at 65%. Hence, the two scores we develop do capture at least partially different dimensions. In both panels, we disregard multiple appointments due to the difficulty of disentangling news coverage about more than one appointee. In line with intuition, we estimate stronger market reactions for more detailed press coverage and more controversial appointment events. Thus, the headline results are driven by highly covered and hotly debated appointments. Whereas

this categorization of events is ultimately arbitrary, it provides a useful plausibility check: apparently those appointments that draw most attention are also those that determine market participants' views about new executives.

5.6 Turnover in executive boards

Stock market reactions to appointments at banking NSA may also reflect different types of turnover events. Some appointments may entail net changes of the skills on boards when contrasting the professional background of a designated new executive against that of the leaving individual. Similarly, it is useful to distinguish planned from unplanned turnovers. Therefore, we collect the identity of leaving executives as well as the type of executive turnover (before end of term, at the end of term, forced, etc.) to obtain a better comprehension, if and how uncertainty about the NSA's future conduct is resolved when an appointment is announced.

Table 9 reports estimates from event studies investigating banks' stock market reaction conditional on the net change in board skills (columns 1-4) and the type of turnover event (column 5). We insulate the net change in specific skills upon the replacement of executives, namely having a background in finance (columns 1-2) or having a CV link to the supervised bank (columns 3-4). We exclude multiple appointments in evenly enumerated columns due to the inherent difficulty to assess net changes in board skills when more than one executive is appointed. The net change in the presence of executives with finance experiences appears to matter little for event-day ARs. By contrast, as we focus on banks with CV links to their national supervisor, we do observe that gaining (losing) a position on the executive board comes with a positive (negative) valuation effect, while we find no relevant effect when the net change is zero. This result corroborates the intuition that supervisory bias drives our baseline finding of a positive market reaction for banks when one of their former employees becomes an executive at the NSA.

In column 5, we explore the stock market reaction conditional on turnover type, considering executive hires of any background, but excluding multiple appointments. For those turnover events that we can classify, average event-day ARs are almost always insignificant. Only scheduled turnovers cast a weakly significant, negative stock market reaction whereas the positive market stock reaction of instances that we cannot classify allows no further interpretation. In sum, the type of turnover event at boards of NSA therefore seems to be of no material concern to investors, suggesting that it is indeed the bias and competence traits of individual appointees that matter to markets.

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In Table 10, we refine the analysis in this vein by considering the time elapsed since the appointee's last experience in finance (columns 1-2) or, more narrowly, in banking (columns 3-4). We classify any position held in the last years prior to the appointment as recent. Estimated bank stock market reactions are invariably positive to appointments of individuals with recent industry experience, also when excluding multiple appointments. The effect becomes significant when restricting the attention to former bankers, which indicates that markets react more positively to recent experience than to management-level experience in the industry per se. This finding points to the obsolescence of human capital in terms of hard skills and/or personal relationships.[24]

Post- and pre-public office employment restrictions, introduced to curb possible conflicts of interest originating from the revolving door phenomenon, represent an additional force shaping market reactions to executive appointments. In Appendix Table A.7, we exploit (cross-sectional) information on the presence of such restrictions across the countries in our sample based on OECD (2015) in odd columns and on Silano (2022) in even columns. We compare the impact of executive appointments on bank valuations in countries with post- (columns 1-2) and pre-public office restrictions (columns 3-4). We do not find any evidence that restraining executive directors' job moves after leaving office, typically in the form of cooling-off periods, significantly changes market reactions. Instead, having a regulation that limits who can take a public office depending on the personal background seems to matter more. Market reactions to appointments in countries with this kind of regulations in place are significantly more negative, suggesting that they may help reduce bias from the reverse revolving door.

6 Bank-level outcomes and the background of supervisors

Supervisors with a finance background appear to be more welcome by supervised banks' investors than those with different professional profiles. Our evidence is suggestive that proximity to banks, rather than superior expertise or intrinsic skills, drives this result. The event studies implemented above capture investors' short-term reactions to single executive appointments. Here, we examine how the composition of NSA boards correlates with bank balance sheets over a longer horizon. We focus on capitalization and asset growth as two key aspects monitored by NSA and estimate panel regressions of supervised

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[24]Panel B of Appendix Table A.4 corroborates this interpretation based on assessing the impact of previous experience at management level.

banks' outcomes on measures of the executive board structure of NSA:

$$y_{it} = \beta \cdot z_{ct-1} + \mathbf{\Gamma} \mathbf{X}_{it-1} + \eta_t + \epsilon_{it}. \tag{3}$$

The unit of observation is bank i in year t. y_{it} is a bank-level outcome variable, either Tier 1 capital ratio or asset growth. Because it is likely that changes in NSA executive board composition take time to affect bank balance sheet policies, we lag all independent variables by one year. We denote the share of executives with a finance background serving on the board of the NSA in country c where the bank is based as z_{ct-1}. We separately specify two measures of finance background based on any prior experience in the finance industry and prior management experience in finance alone, respectively. By focusing on board structure rather than on the flow of individuals with a finance background, we aim to investigate the role for supervised banks of the overall expertise mix—and the resulting voting power balance—within supervisory authorities. $\mathbf{X}_{it-1}$ is a vector of control variables, such as the costs-to-income ratio, the logarithm of total assets, the loans-to-assets ratio, the deposits-to-assets ratio, and an indicator for the presence of at least one executive at the bank (even in a subsidiary company) with prior experience in financial supervision. The latter captures the "direct" revolving door phenomenon. We account for variation in macroeconomic conditions by means of year fixed effects (γ_t). Standard errors are clustered by bank and year.

Table 11 reports coefficient estimates for equation (3). In columns 1 to 4, the dependent variable is the Tier 1 capital ratio, one of the key measures of bank financial soundness at the core of regulatory and supervisory activity. Finance experience—whether at management level or below—associates with higher bank capitalization, but the estimated coefficients are economically small and statistically insignificant. Asset growth (columns 5 to 8)—a relevant metric both for micro- and macroprudential supervision—does also not respond significantly for banks that are supervised by a higher fraction of former finance professionals. However, if former bankers with management-level experience are on the board of the NSA, we estimate significantly faster asset growth.

The indicator for the presence of executives with supervisory experience in the board of banks has no significant effect on Tier 1 capital, but asset growth is significantly faster in all specifications in columns 1-4. Potentially, the presence of former supervisors on banks' boards may give them more latitude in its balance sheet choices vis-á-vis the NSA. The results are not sensitive to including (odd columns) or excluding Swedish and

UK banks (even columns).[25]

In Figure 4, we examine how the relation between these bank-level outcome variables and the board structure of NSA evolves over time, focusing on the role of executives' prior experience in the finance sector (Panels A and B). This analysis also allows to gauge whether and how the role of supervisors' executives changes around the ECOFIN decision of 2012 to launch the SSM. To this end, we also investigate differential patterns over time across banks' business models as of 2013, as measured by total assets (Panels C and D) or the deposits-to-assets ratio (Panels E and F). As the focus of this exercise is on the SSM, we exclude Swedish and UK banks from the sample .

Starting with regulatory capital (left graphs), we observe that the unconditional insignificantly positive relation with supervisors' finance experience is largely driven by the post-2011 years, during which the SSM was designed and implemented. This pattern is clearer for arguably weaker banks, namely those of smaller size or with higher funding fragility, as measured by a lower deposits-to-assets ratio. Instead, the year-by-year results for asset growth (right graphs) do not exhibit clear trends around the introduction of the SSM. In Appendix Figure A.3, we look at management level finance experience. We find similar patterns for bank capitalization. Moreover, we observe that the positive co-movement between asset growth and management-level experience on supervisors' executive boards (see columns 7-8 of Table 11) typically stems from the pre-SSM period, but largely disappears afterwards.

The totality of bank-level results tentatively suggests a certain degree of leniency in supervision by former finance professionals. Especially before the implementation of the SSM, a higher share of supervisors with (management-level) finance background correlates with lower regulatory capital and faster asset growth. These patterns tend to become weaker with the implementation of the SSM, which transferred oversight powers from NSA to the ECB.

7 Conclusion

The flow of workers between banks and their NSA has ramifications on the effectiveness of regulation design and enforcement, posing a trade-off between the cross-sector transfer of knowledge it favors, and the risk of regulatory capture personal connections may create.

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[25]To avoid concerns about "bad controls" in equation (3), we re-estimate parsimonious specifications in Online Appendix Table OA.8 and obtain qualitatively similar results. In Online Appendix Table OA.9, we specify bank fixed effects in (3). Then, baseline results largely disappear, which demonstrates that they are driven by cross-sectional rather than time variation in the board structure of NSAs.

Available evidence is mostly US-based and focused on the (adverse) incentives induced by individuals moving from the supervisory sector to supervised banks. We contribute by shedding light on the opposite flow in Europe, namely that of former finance professionals securing positions in national supervisory authorities.

We assemble a comprehensive dataset on the careers of executive directors of banking NSA from selected EU countries. We show that the reverse revolving door is prevalent for such top positions: around one executive out of three has prior experience in the finance industry, and one out of four at managerial level.

We go on to infer the consequences of such a phenomenon for supervisory activity. To this end, we perform an event study on bank stock returns around appointments of executives to the board of the NSA in charge. The average market response is generally statistically weak and economically small in most cases. Those responses that can be estimated sufficiently precisely at conventional levels of significance tend to be negative, but are also more favorable when the selected executive has a finance background. Further tests confirm that a relevant force driving the positive differential effect of an industry connection is the proximity to supervised banks of those executives, rather than their financial know-how or intrinsic skills. In line with this interpretation, authorities with a more pervasive presence of executives with a finance background appear to be more lenient towards the banks they supervise, which exhibit lower regulatory capital and faster asset growth. These effects pertain primarily to the period before the SSM was decided upon and implemented, thereby corroborating the notion that former bankers on the boards of NSA maintained close ties and good terms with former employers.

A main insight from our novel sample of executives at European NSA is thus that former finance professionals are very present on the boards of national banking supervisors in the EU. For this sample of large, listed banks we document that the appointment of former bankers to the boards of NSA is valued positively by stock market investors. Moreover, their presence is associated with a tendency towards more lenient supervisory activity. Further research on the impact of the reverse revolving door on *actual* supervisory actions would be warranted to enable a more explicit testing if and under which conditions such leniency actually turns into regulatory capture. Likewise, extending data on the existence of reverse revolving doors for non-listed banks would be needed to permit more explicit tests about the implications of this phenomenon for the financial stability of the European banking system.

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Figure 1: Management experience in the boards of banking NSA

This figure shows what fraction of executive directors of banking NSA from selected EU countries has prior management experience between 2002 and 2019. The positive domain of the *y*-axis visualizes a decomposition of management experience into internal positions below board level (light blue), financial supervision (dark blue), broad public sector positions (grey), and any other management experience (dark grey). The negative domain of the *y*-axis visualizes a decomposition of prior management experience into banking (light grey), finance (light red), broad private sector (light green), and any other management experience (dark grey). The positive and the negative domain of the *y*-axis positions are grouped in progressively more restrictive sets. For instance, a banking background is a subset of a finance background, which is a subset of broad private sector experience. The covered countries are Austria (AT), Belgium (BE), Germany (DE), Spain (ES), France (FR), Ireland (IE), Italy (IT), Netherlands (NL), Sweden (SE), and United Kingdom (UK).

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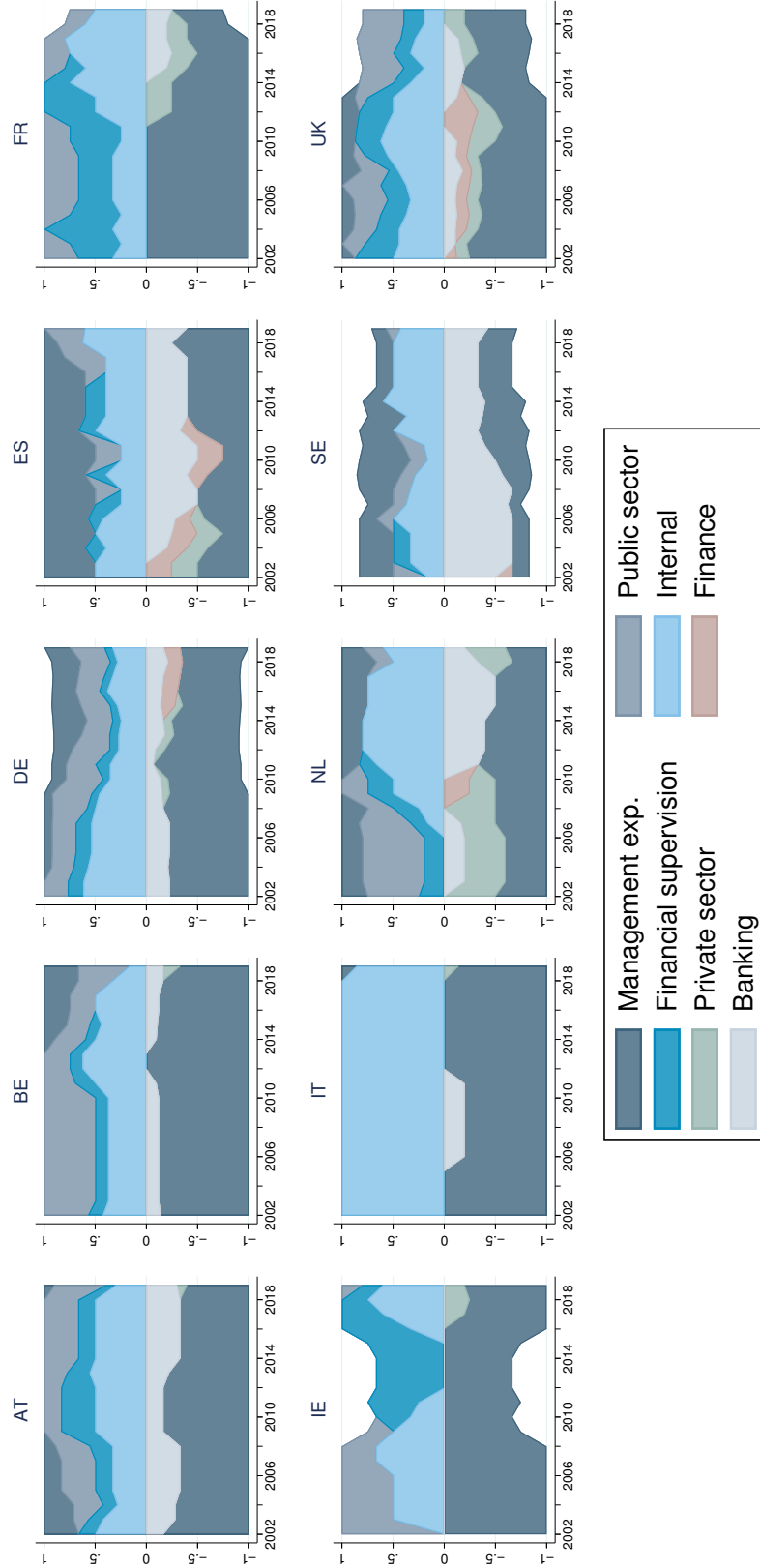
Figure 2: Academic and finance industry background in executive boards of banking NSA
This figure shows what fraction of executive directors of banking NSA from selected EU countries has an academic/faculty (positive domain of the y-axis, in dark grey/light grey) or a finance/banking sector background (negative domain of the y-axis, in light green/light red) between 2002 and 2019. The positive and the negative domain of the y-axis positions are grouped in progressively more restrictive sets. The covered countries are Austria (AT), Belgium (BE), Germany (DE), Spain (ES), France (FR), Ireland (IE), Italy (IT), Netherlands (NL), Sweden (SE), and United Kingdom (UK).

34
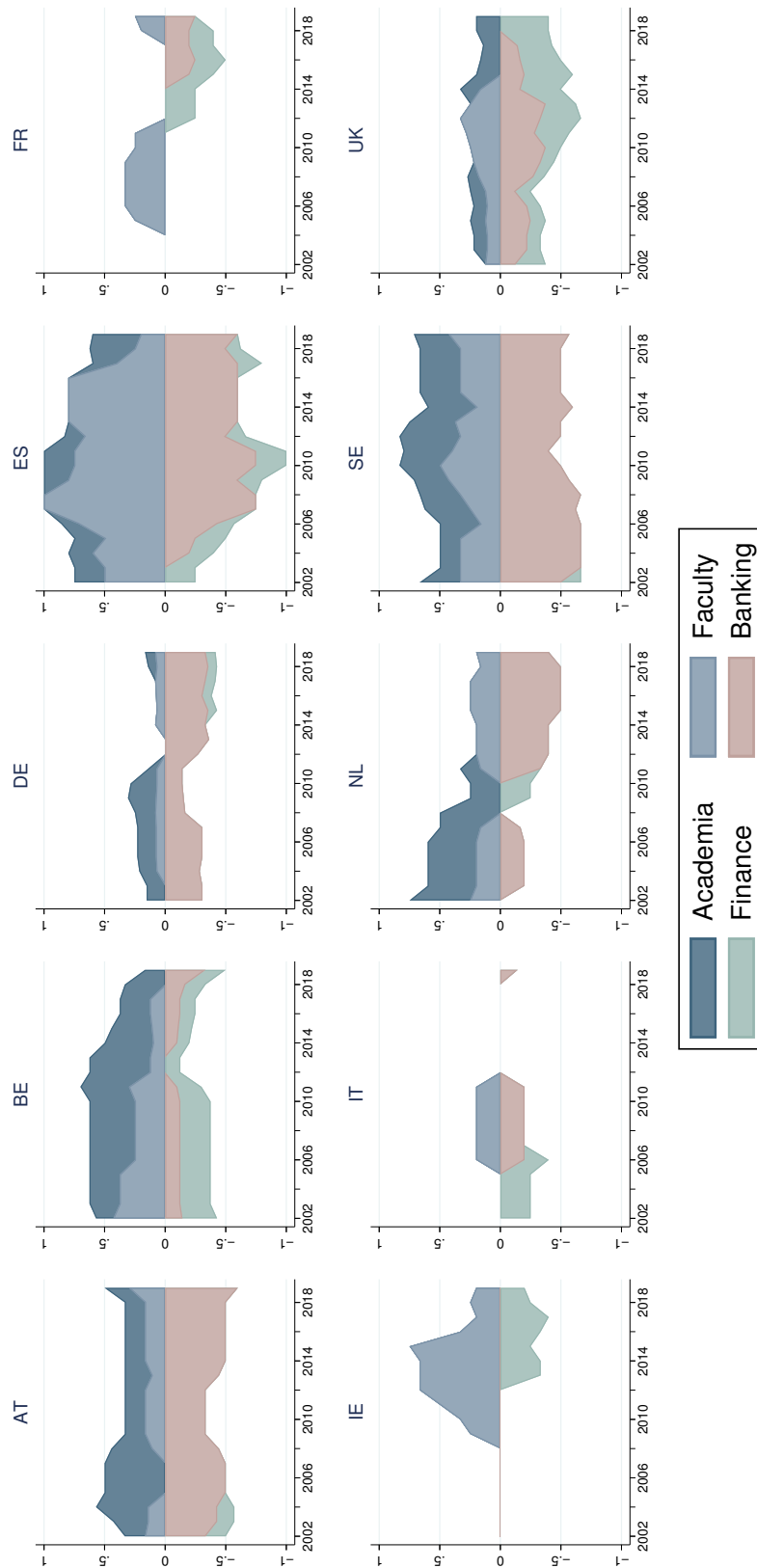
Figure 3: Executive appointments by financial supervisory authorities and banks

This figure visualizes patterns in executive appointments by financial regulatory institutions (left graphs) and bank (right graphs) from the ten largest European economies between 2002 and 2019. Panels A and B break down the appointments by distinguishing between new executives and reappointed ones (left axis), and by distinguishing them based on their prior executive experience (right axis). Panels C and D focus on appointments of directors that have prior executive experience, distinguishing them by their sector background (computed as a fraction of total new appointments, net of reappointments). Note that sector categories are not mutually exclusive, so they do not add up to 1 (a seasoned executive director can have experience in more than one sector).

Panel A: Appointments at financial supervisors

Panel B: Appointments at banks

Panel C: Seasoned appointments at financial supervisors

Panel D: Seasoned appointments at banks
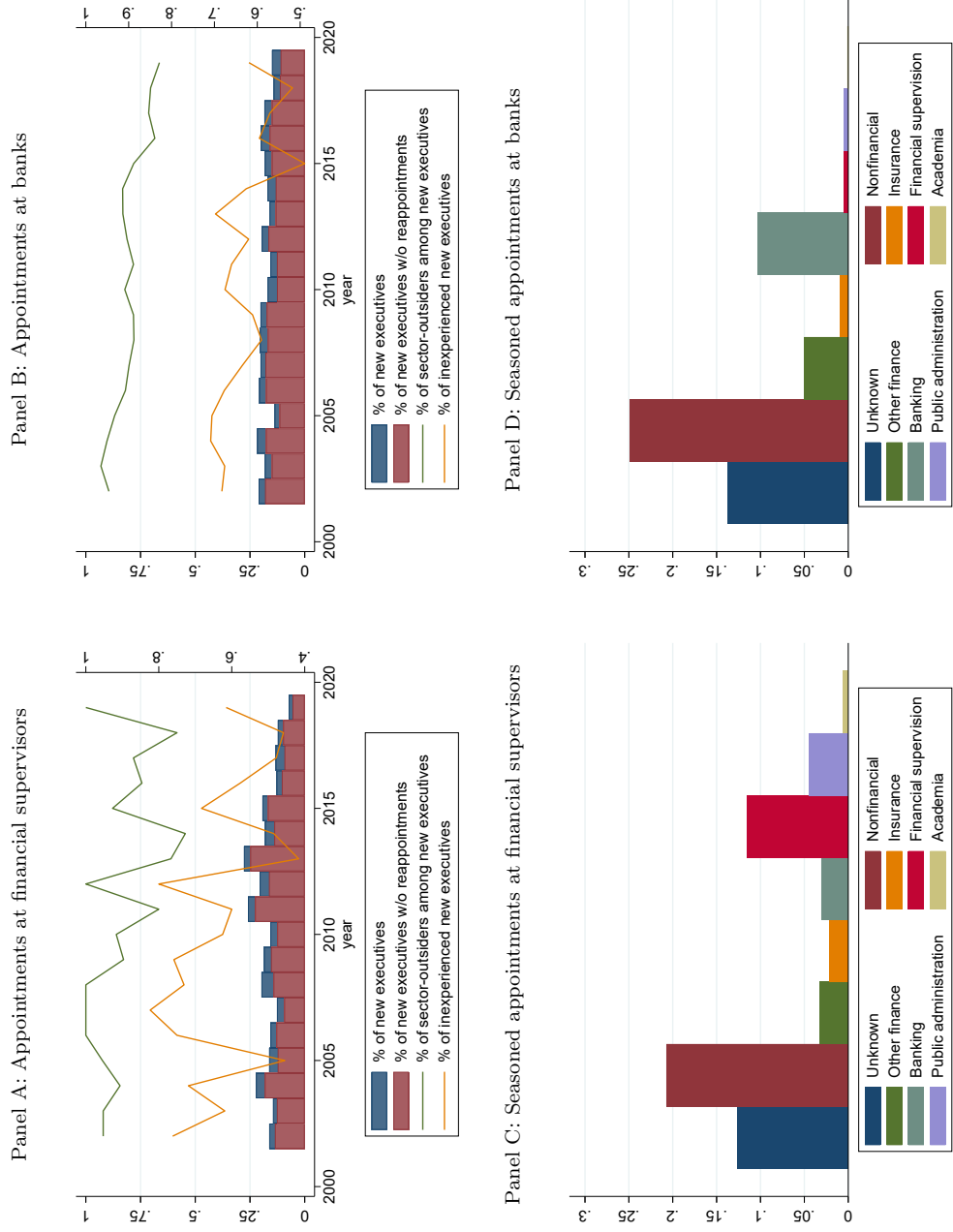
Figure 4: Bank-level outcomes and supervisors' experience in the finance industry over time
This figure plots the average marginal effects (AMEs) of prior experience in the finance industry of banking NSA executives on selected bank-level outcomes over time. Panels A and B report estimates from regressions of the following form:

$$y_{it} = \sum_t \beta_t \cdot z_{ct-1} \times \mathbf{1}_{\{\text{Year}=t\}} + \Gamma \boldsymbol{X}_{it-1} + \eta_t + \epsilon_{it}, \tag{4}$$

where y_{it} is the outcome variable in the header of each panel for bank i in year t. The variable z_{ct} is the fraction of executives with experience in finance in the banking NSA of the host country c for year t. $\mathbf{1}_{\{\text{Year}=t\}}$ is an indicator variable equal to 1 in year t, and 0 otherwise. The specification includes year fixed effects (η_t) as well as the following control variables ($\boldsymbol{X}_{it}$): an indicator for the presence of at least one executive at the bank with prior experience in financial supervision, the costs-to-income ratio, the logarithm of total assets, the loans-to-assets ratio, and the deposits-to-assets ratio. In Panels C and D, equation (4) is augmented with a triple interaction with an indicator variable equal to 1 if the bank has above-median total assets as of 2013, and 0 otherwise. In Panels E and F, equation (4) is augmented with a triple interaction with an indicator variable equal to 1 if the bank has an above-median deposits-to-assets ratio as of 2013, and 0 otherwise. The dashed vertical line in each panel indicates the start of the SSM in 2014 . The vertical bars denote 90% confidence intervals, based on standard errors clustered by bank and year.

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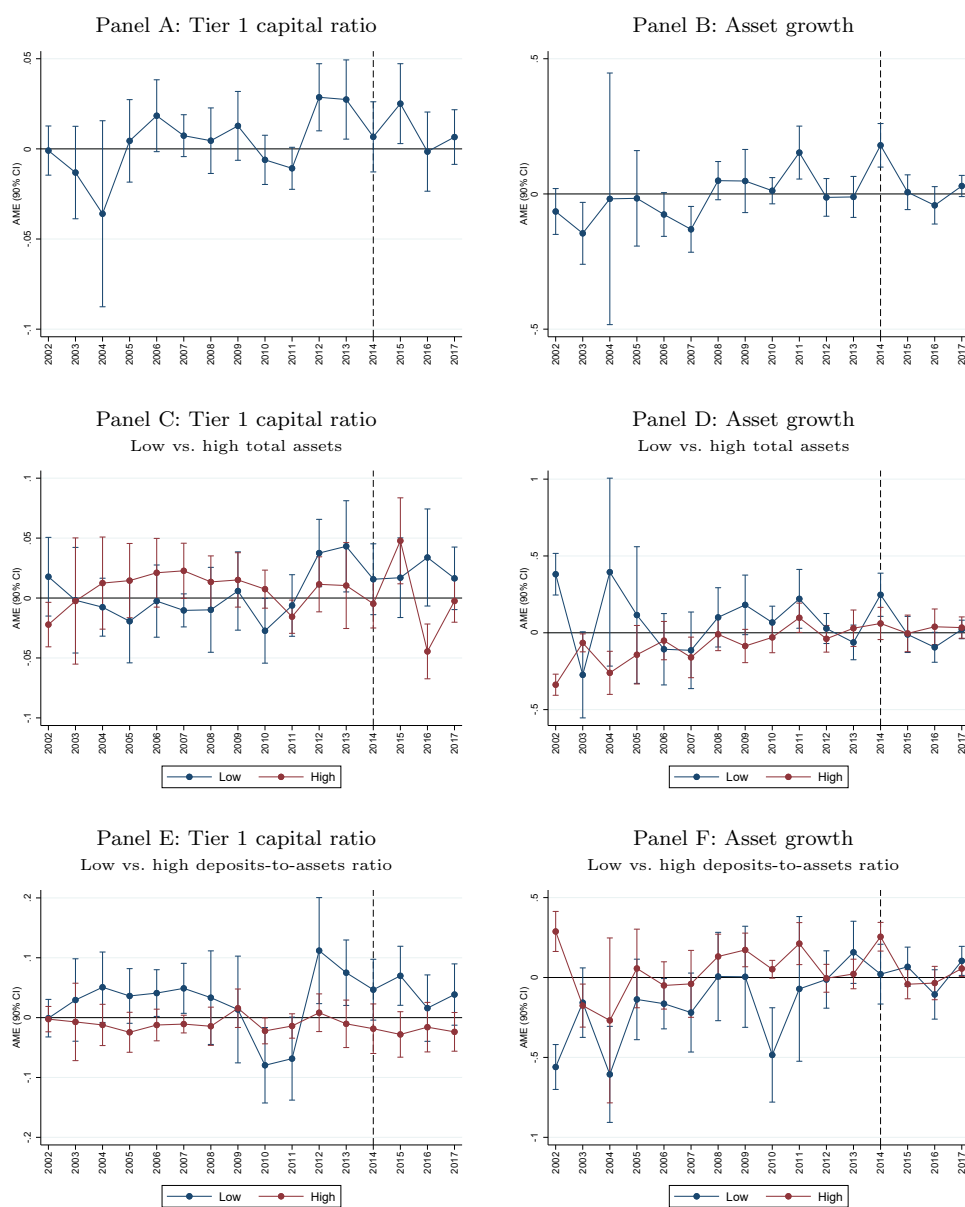
Table 1: Characteristics of banks

This table reports summary statistics for a sample of listed banks from selected EU countries between 2002 and 2019. Refer to Appendix Table A.1 for variable definitions.

	Obs. (1)	Mean (2)	SD (3)	P25 (4)	Median (5)	P75 (6)
Bank-level market information						
Stock return (%)	165,029	0.007	2.191	-1.047	0.000	1.031
Δ CDS spread (bps)	72,258	-0.042	4.280	-0.660	0.000	0.500
Bank-level accounting information						
Tier 1 capital ratio	613	0.111	0.038	0.079	0.106	0.131
Asset growth (%)	589	3.030	12.359	-3.838	2.164	8.666
Total assets (bln. EUR)	665	493.861	568.242	64.960	236.306	758.256
Deposits-to-assets ratio	664	0.432	0.143	0.336	0.428	0.542
Loans-to-assets ratio	664	0.543	0.148	0.455	0.569	0.650
Costs-to-income ratio	653	0.628	0.143	0.549	0.618	0.684
At least one executive with financial supervision experience	657	0.157	0.364	0.000	0.000	0.000
Country-level market information						
Sovereign credit spread (bps)	45,005	1.468	1.185	0.639	1.297	2.085
Aggregate market information						
STOXX Europe 600 return (%)	4,611	0.027	1.292	-0.562	0.053	0.655

Table 2: Characteristics of newly appointed executive directors

This table reports summary statistics on work experience, demographic, and education traits for a sample of executive directors serving on the board of NSA of banks (Panel A) or supervised banks (Panel B) from selected EU countries between 2002 and 2019. Information on career paths is as of the time of the appointment of the professional to the executive board of a given supervisory institution. Refer to Appendix Table A.1 for variable definitions.

Panel A: National Supervisory Authority (NSA)

	Obs. (1)	Mean (2)	SD (3)	P25 (4)	Median (5)	P75 (6)
Public sector experience						
Prior position in the public sector	153	0.915	0.280	1.000	1.000	1.000
No. prior positions in the public sector	153	4.405	3.130	2.000	4.000	6.000
Prior position in financial supervision	153	0.693	0.463	0.000	1.000	1.000
No. prior positions in financial supervision	153	2.229	2.472	0.000	1.000	3.000
Private sector experience						
Prior position in the private sector	153	0.510	0.502	0.000	1.000	1.000
No. prior positions in the private sector	153	1.503	2.134	0.000	1.000	2.000
Prior position in the finance industry	153	0.386	0.488	0.000	0.000	1.000
No. prior positions in the finance industry	153	1.033	1.599	0.000	0.000	2.000
Management experience						
Prior management position	153	0.954	0.210	1.000	1.000	1.000
Prior management position in finance industry	153	0.242	0.430	0.000	0.000	0.000
Prior management position in the public sector	153	0.810	0.393	1.000	1.000	1.000
Prior management position in financial supervision	153	0.562	0.498	0.000	1.000	1.000
Prior management position in the same institution	153	0.431	0.497	0.000	0.000	1.000
Demographics						
Age at appointment	141	53.631	6.917	48.000	54.000	59.000
Female	153	0.209	0.408	0.000	0.000	0.000
Education						
Holds a Ph.D.	153	0.353	0.479	0.000	0.000	1.000
Economics	140	0.664	0.474	0.000	1.000	1.000
Law	140	0.307	0.463	0.000	0.000	1.000

Panel B: Banks

	Obs. (1)	Mean (2)	SD (3)	P25 (4)	Median (5)	P75 (6)
Public sector experience						
Prior position in the public sector	418	0.163	0.370	0.000	0.000	0.000
No. prior positions in the public sector	418	0.366	1.135	0.000	0.000	0.000
Prior position in financial supervision	418	0.045	0.209	0.000	0.000	0.000
No. prior positions in financial supervision	418	0.055	0.293	0.000	0.000	0.000
Private sector experience						
Prior position in the private sector	418	0.967	0.180	1.000	1.000	1.000
No. prior positions in the private sector	418	8.684	5.808	5.000	8.000	12.000
Prior position in the finance industry	418	0.959	0.198	1.000	1.000	1.000
No. prior positions in the finance industry	418	7.423	5.401	4.000	7.000	10.000
Management experience						
Prior management position	418	0.909	0.288	1.000	1.000	1.000
Prior management position in finance industry	418	0.833	0.374	1.000	1.000	1.000
Prior management position in the public sector	418	0.017	0.128	0.000	0.000	0.000
Prior management position in financial supervision	418	0.005	0.069	0.000	0.000	0.000
Prior management position in the same institution	418	0.490	0.501	0.000	0.000	1.000
Demographics						
Age at appointment	365	52.693	8.587	46.000	51.000	58.000
Female	373	0.064	0.246	0.000	0.000	0.000
Education						
Holds a Ph.D.	418	0.110	0.313	0.000	0.000	0.000
Economics	.	.	.	.	.	.
Law	.	.	.	.	.	.

Table 3: Characteristics of newly appointed executive directors across the business cycle

This table reports summary statistics on work experience, demographic, and education traits for a sample of executive directors serving on the boards of National Supervisory Authorities (NSA) of banks (Panel A) or supervised banks (Panel B) from selected EU countries between 2002 and 2019, distinguishing appointments made in recession and non-recession times. The information on career paths pertain to the time of the appointment of the professional to the executive board of a given NSA. Recession times are those country-years when at least one quarter over the year exhibits a negative year-on-year real GDP growth. Refer to Appendix Table A.1 for variable definitions.

Panel A: National Supervisory Authorities (NSA)

	Non-recession years			Recession years			Mean-comparison test	
	Obs. (1)	Mean (2)	SD (3)	Obs. (4)	Mean (5)	SD (6)	Diff. (7)	t-stat (8)
Public sector experience								
Prior position in the public sector	120	0.908	0.290	33	0.939	0.242	-0.031	-0.564
No. prior pos. in the public sector	120	4.375	3.282	33	4.515	2.539	-0.140	-0.227
Prior pos. in financial supervision	120	0.667	0.473	33	0.788	0.415	-0.121	-1.336
No. prior pos. in financial supervision	120	2.033	2.446	33	2.939	2.474	-0.906	-1.880*
Private sector experience								
Prior pos. in the private sector	120	0.533	0.501	33	0.424	0.502	0.109	1.107
No. prior pos. in the private sector	120	1.692	2.300	33	0.818	1.158	0.873	2.106**
Prior pos. in the finance industry	120	0.400	0.492	33	0.333	0.479	0.067	0.693
No. prior pos. in the finance industry	120	1.133	1.705	33	0.667	1.080	0.467	1.490
Management experience								
Prior manag. pos.	120	0.950	0.219	33	0.970	0.174	-0.020	-0.477
Prior manag. pos. in finance industry	120	0.258	0.440	33	0.182	0.392	0.077	0.906
Prior manag. pos. in the public sector	120	0.792	0.408	33	0.879	0.331	-0.087	-1.128
Prior manag. pos. in financial supervision	120	0.517	0.502	33	0.727	0.452	-0.211	-2.179**
Prior manag. pos. in the same institution	120	0.367	0.484	33	0.667	0.479	-0.300	-3.161***
Demographics								
Age at appointment	110	53.609	6.955	31	53.710	6.895	-0.101	-0.071
Female	120	0.217	0.414	33	0.182	0.392	0.035	0.433
Education								
Holds a Ph.D.	120	0.358	0.482	33	0.333	0.479	0.025	0.264
Economics	110	0.673	0.471	30	0.633	0.490	0.039	0.402
Law	110	0.309	0.464	30	0.300	0.466	0.009	0.095

Panel B: Banks

	Non-recession years			Recession years			Mean-comparison test	
	Obs. (1)	Mean (2)	SD (3)	Obs. (4)	Mean (5)	SD (6)	Diff. (7)	t-stat (8)
Public sector experience								
Prior pos. in the public sector	337	0.154	0.362	81	0.198	0.401	-0.043	-0.945
No. prior positions in the public sector	337	0.338	1.034	81	0.481	1.484	-0.143	-1.020
Prior pos. in institutions	337	0.045	0.207	81	0.049	0.218	-0.005	-0.189
No. prior positions in institutions	337	0.045	0.207	81	0.099	0.515	-0.054	-1.500
Private sector experience								
Prior pos. in the private sector	337	0.979	0.143	81	0.914	0.283	0.066	2.973***
No. prior pos. in the private sector	337	8.810	5.899	81	8.148	5.392	0.662	0.921
Prior pos. in the finance industry	337	0.976	0.152	81	0.901	0.300	0.075	3.191***
No. prior pos. in the finance industry	337	7.558	5.501	81	6.852	4.945	0.706	1.057
Management experience								
Prior manag. pos.	337	0.932	0.253	81	0.815	0.391	0.117	3.322***
Prior manag. pos. in finance industry	337	0.864	0.344	81	0.704	0.459	0.160	3.501***
Prior manag. pos. in the public sector	337	0.012	0.108	81	0.037	0.190	-0.025	-1.586
Prior manag. pos. in financial supervision	337	0.003	0.054	81	0.012	0.111	-0.009	-1.097
Prior manag. pos. in the same institution	337	0.504	0.501	81	0.432	0.498	0.072	1.169
Demographics								
Age at appointment	298	52.285	8.328	67	54.507	9.513	-2.222	-1.921*
Female	305	0.072	0.259	68	0.029	0.170	0.043	1.298
Education								
Holds a Ph.D.	337	0.122	0.327	81	0.062	0.242	0.060	1.548
Economics	.	.	.	.	.	.	.	.
Law	.	.	.	.	.	.	.	.

Table 4: Determinants of executive appointments

This table reports estimates from cross-sectional linear probability models for appointments of executives at financial supervisory institutions and banks. In columns 1 to 4 (5 to 8), the dependent variable in an indicator equal to 1 if the executive is appointed at a financial supervisory institution (bank). The sample comprises: (i) all executive appointments (columns 1 and 5); (ii) appointments with no prior executive experience (columns 2 and 6); (iii) appointments with prior executive experience in banking (column 4); (iv) appointments with prior executive experience in financial supervision (column 8). All specifications include executive-level covariates measured as of appointment time (age, an indicator for female executives, the logarithm of network size, the number of positions previously held, and the number of sectors in which the executive previously held positions) as well as education, nationality, and year fixed effects. The specifications in columns 3 and 7 include binary variables equal to 1 if the appointee has prior executive experience in the indicated sector, and 0 otherwise. The dependent variable is multiplied by 100 in each specification. Robust standard errors (in parentheses) are clustered by year of appointment. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.1 for variable definitions.

Dependent variable:	Appointment at financial supervisor				Appointment at bank			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Age	0.020***	0.017**	0.015**	0.101*	0.100***	0.113***	0.037**	1.000*
	(0.004)	(0.007)	(0.006)	(0.053)	(0.010)	(0.015)	(0.014)	(0.532)
Female	0.591***	0.412***	0.402*	0.482	-0.218	-0.081	-0.426	-3.798
	(0.110)	(0.122)	(0.210)	(1.654)	(0.195)	(0.248)	(0.349)	(6.958)
ln (Network size)	0.185***	0.136***	0.123***	0.338	0.953***	0.855***	0.455***	0.619
	(0.030)	(0.029)	(0.032)	(0.229)	(0.071)	(0.078)	(0.079)	(6.435)
No. positions	-0.084***	-0.020	-0.140***	-0.205	-0.329***	-0.234***	-0.318***	-1.060
	(0.022)	(0.040)	(0.029)	(0.263)	(0.040)	(0.046)	(0.051)	(1.406)
No. prior sectors	0.790***	0.540***	0.807***	0.585	2.103***	0.263	2.951***	6.944
	(0.105)	(0.134)	(0.169)	(0.549)	(0.180)	(0.237)	(0.367)	(4.894)
Exec. exp. in fin. supervision			50.167***				-0.913	
			(5.970)				(2.620)	
Exec. exp. in pub. administration			1.907**				-4.330***	
			(0.800)				(0.668)	
Exec. exp. in banking			0.109				35.529***	
			(0.446)				(1.973)	
Exec. exp. in insurance			0.582				-3.127**	
			(0.950)				(1.360)	
Exec. exp. in other finance			-0.124				-2.206**	
			(0.445)				(0.790)	
Exec. exp. in nonfin. sector			-0.212				-4.861***	
			(0.499)				(0.856)	
Exec. exp. in academia			-2.114***				-6.994***	
			(0.708)				(1.724)	
Exec. exp. in unknown sector			-0.262***				-2.916***	
			(0.076)				(0.391)	
Education FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nationality FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample of appointments	All	No executive experience	Executive experience	Bank. exec. experience	All	No executive experience	Executive experience	Fin. sup. exec. experience
Mean(y)	0.428	0.346	0.510	1.093	2.845	2.442	3.247	9.091
SD(y)	6.528	5.869	7.125	10.403	16.625	15.437	17.725	28.968
R^2	0.016	0.019	0.195	0.070	0.046	0.039	0.242	0.493
Observations	51,639	25,753	25,868	915	51,639	25,753	25,868	66

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Table 5: Bank stock reaction to executive appointments at NSA

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.118	-0.200*	-0.010	0.489*
	(0.093)	(0.110)	(0.130)	(0.251)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0,1]$	-0.076	-0.170	0.043	0.845
H_0: $\overline{\text{CAR}}[0,1] = 0$ (*p*-value)	0.580	0.357	0.805	0.002
$\overline{\text{CAR}}[-1,1]$	-0.204	-0.355	-0.012	0.544
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (*p*-value)	0.230	0.107	0.952	0.112
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	123	71	52	19
No. bank-level events	487	284	203	21
Mean(*y*)	0.007	0.007	0.007	0.007
SD(*y*)	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767

Table 6: Bank stock reaction to supervisors' executive appointments across the business cycle

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, distinguishing between recession and non-recession periods. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. Such a variable is interacted with *Recession*, an indicator variable equal to 1 if year-on-year real GDP growth is negative for at least one quarter in a given year for the country where the bank is headquartered, and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\Delta\overline{\text{CAR}}[\tau_1, \tau_2]$ is the difference between appointments made in recession and those made in non-recession times in terms of average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a difference is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	0.011	-0.132	0.169	0.594**
	(0.106)	(0.127)	(0.120)	(0.279)
Recession	-0.026	-0.028	-0.029	-0.032
	(0.024)	(0.023)	(0.024)	(0.023)
Appointment × Recession	-0.595**	-0.215	-1.399***	-1.093
	(0.267)	(0.308)	(0.413)	(1.047)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0, 1]$	-0.506	0.343	-2.432	-0.343
H_0: $\Delta\overline{\text{CAR}}[0, 1] = 0$ (*p*-value)	0.175	0.484	0.001	0.751
$\Delta\overline{\text{CAR}}[-1, 1]$	-0.465	0.046	-1.582	-0.418
H_0: $\Delta\overline{\text{CAR}}[-1, 1] = 0$ (*p*-value)	0.298	0.938	0.039	0.711
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	123	71	52	19
No. bank-level events	487	284	203	21
Mean(*y*)	0.007	0.007	0.007	0.007
SD(*y*)	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767

Table 7: Bank stock reaction to supervisors' executive appointments around the introduction of SSM
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director around the introduction of the SSM. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. Such an variable is interacted with *Post-SSM*, an indicator variable equal to 1 from 2012 (year in which Eurozone leaders agreed on the establishment of the SSM), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\Delta\overline{\text{CAR}}[\tau_1, \tau_2]$ is the difference between appointments made in the post-SSM period and those made in the pre-SSM period in terms of average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a difference is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.141	-0.297	0.200	0.708**
	(0.170)	(0.188)	(0.208)	(0.282)
Appointment $\times$ Post-SSM	0.195	0.368*	-0.130	0.029
	(0.192)	(0.213)	(0.320)	(0.740)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0, 1]$	0.733	1.089	0.052	-0.917
H_0: $\Delta\overline{\text{CAR}}[0, 1] = 0$ (p-value)	0.021	0.004	0.911	0.437
$\Delta\overline{\text{CAR}}[-1, 1]$	0.642	1.268	-0.551	-0.380
H_0: $\Delta\overline{\text{CAR}}[-1, 1] = 0$ (p-value)	0.052	0.003	0.267	0.682
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	91	59	32	10
No. bank-level events	345	228	117	11
Mean(y)	0.000	0.000	0.000	0.000
SD(y)	2.249	2.249	2.249	2.249
R^2	0.464	0.464	0.464	0.464
Observations	128,585	128,585	128,585	128,585

Table 8: Bank stock reaction to supervisors' executive appointments and news coverage
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, conditioning on the news coverage of the events. Panel A focuses on the role of concurrent policy shocks. Panel B looks at the degree of news coverage of appointment events. Panel C distinguishes between controversial and non-controversial appointments. In Panels B and C, multiple appointments are excluded from the sample. The sample is restricted to the period 2010-2019. The dependent variable is the bank's daily stock return. *Appointment - News type* is an indicator variable equal to 1 if on a given day the bank's national supervisor appoints an executive director and news are of a certain type (indicated below), and 0 otherwise. The number of leads and lags of *Appointment - ...* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\Delta\overline{\text{CAR}}[\tau_1, \tau_2]$ is the difference between appointments of executives coming with news of certain type and the others in terms of average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a difference is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

Panel A: Contemporaneous policy decisions

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment - Policy decision	-0.165	-0.058	-0.172	0.325
	(0.159)	(0.201)	(0.228)	(0.509)
Appointment - No policy decision	-0.220	-0.287	-0.135	0.960**
	(0.169)	(0.197)	(0.222)	(0.434)
Lags/leads	$-5/+5$	$-5/+5$	$-5/+5$	$-5/+5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0,1]$	-0.825	-1.411	-0.062	0.667
H_0: $\Delta\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.023	0.004	0.893	0.465
$\Delta\overline{\text{CAR}}[-1,1]$	-1.053	-1.795	-0.104	-0.243
H_0: $\Delta\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.008	0.003	0.827	0.729
Sample period	2010-2019	2010-2019	2010-2019	2010-2019
Sample of appointments	All	No finance exp.	Finance exp.	Linked to bank
No. appointment events	72	40	32	12
No. bank-level events	287	170	117	13
Mean(y)	-0.001	-0.001	-0.001	-0.001
SD(y)	2.244	2.244	2.244	2.244
R^2	0.469	0.469	0.469	0.469
Observations	95,227	95,227	95,227	95,227

Panel B: Degree of news coverage

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment - High news coverage	-0.438**	-0.604***	-0.226	1.355***
	(0.176)	(0.198)	(0.293)	(0.431)
Appointment - Low news coverage	0.067	0.077	0.069	0.094
	(0.143)	(0.187)	(0.214)	(0.595)
Lags/leads	$-5/+5$	$-5/+5$	$-5/+5$	$-5/+5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0,1]$	-1.082	-1.256	-0.925	1.495
H_0: $\Delta\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.000	0.001	0.055	0.087
$\Delta\overline{\text{CAR}}[-1,1]$	-1.317	-1.567	-1.109	0.573
H_0: $\Delta\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.002	0.001	0.038	0.540
Sample period	2010-2019	2010-2019	2010-2019	2010-2019
Multiple appointments	Excluded	Excluded	Excluded	Excluded
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	58	34	24	11
No. bank-level events	241	147	94	12
Mean(y)	-0.001	-0.001	-0.001	-0.001
SD(y)	2.244	2.244	2.244	2.244
R^2	0.469	0.469	0.469	0.469
Observations	95,227	95,227	95,227	95,227

Panel C: Controversial appointments

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment - Controversial	-0.531***	-0.618***	-0.404	1.305**
	(0.179)	(0.197)	(0.287)	(0.501)
Appointment - Uncontroversial	0.067	0.080	0.150	0.353
	(0.129)	(0.178)	(0.212)	(0.519)
Lags/leads	$-5/+5$	$-5/+5$	$-5/+5$	$-5/+5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0,1]$	-1.008	-1.228	-0.741	1.096
H_0: $\Delta\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.001	0.003	0.134	0.271
$\Delta\overline{\text{CAR}}[-1,1]$	-1.553	-1.874	-1.180	0.210
H_0: $\Delta\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.000	0.000	0.037	0.843
Sample period	2010-2019	2010-2019	2010-2019	2010-2019
Multiple appointments	Excluded	Excluded	Excluded	Excluded
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	58	34	24	11
No. bank-level events	241	147	94	12
Mean(y)	-0.001	-0.001	-0.001	-0.001
SD(y)	2.244	2.244	2.244	2.244
R^2	0.469	0.469	0.469	0.469
Observations	95,227	95,227	95,227	95,227

Table 9: Bank stock reaction to supervisors' executive appointments across turnover categories

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, distinguishing between different turnover categories. The dependent variable is the bank's daily stock return. *Appointment - Net increase in experience* is an indicator variable equal to 1 if on a given day the bank's NSA replaces an executive director without a given professional background (see *Sample of appointments* below) with another one with such a background, and 0 otherwise. The indicator variable *Appointment - No change in experience* and *Appointment - Net decrease in experience* are defined analogously. Column 5 considers a set of indicator variables for different types of turnover events. The number of leads and lags of *Appointment - ...* and fixed effects included in each specification are indicated below. Specifications in odd (even) columns include (exclude) multiple appointments from the sample. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)				
	(1)	(2)	(3)	(4)	(5)
Appointment - Net increase in exp.	-0.245	-0.205	0.743**	0.791**	
	(0.195)	(0.211)	(0.311)	(0.331)	
Appointment - No change in exp.	-0.136	-0.138	-0.178	-0.198	
	(0.135)	(0.155)	(0.126)	(0.142)	
Appointment - Net decrease in exp.	-0.164	-0.248	-0.928**	-0.925**	
	(0.219)	(0.243)	(0.400)	(0.356)	
Appointment - Before end of term					0.100
					(0.150)
Appointment - End of term					-0.341*
					(0.191)
Appointment - Board expansion					-0.423
					(0.317)
Appointment - Forced					-0.327
					(0.373)
Appointment - Promotion to governor					0.075
					(0.370)
Appointment - NA					0.573**
					(0.256)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes
Multiple appointments	Included	Excluded	Included	Excluded	Excluded
Sample of appointments	Finance exp.	Finance exp.	Linked	Linked	All
Mean(y)	0.007	0.007	0.007	0.007	0.007
SD(y)	2.192	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458	0.459
Observations	164,767	164,767	164,767	164,767	164,767

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Table 10: Bank stock reaction to supervisors' executive appointments and recent industry experience
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director with finance or banking experience, distinguishing between those with recent industry experience and the others. The dependent variable is the bank's daily stock return. *Appointment - Recent experience* is an indicator variable equal to 1 if on a given day the bank's NSA an executive director that held a position in finance in the previous years (columns 1-2) or banking (columns 3-4) at a given date, and 0 otherwise. The indicator variable *Appointment - Non-recent experience* is computed similarly but for executive directors whose industry experience dates to more than five years before the appointment date. Specifications in odd (even) columns include (exclude) multiple appointments from the sample. The number of leads and lags of *Appointment - ...* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\Delta\overline{\text{CAR}}[\tau_1, \tau_2]$ is the difference between appointments of executives with recent industry experience and the others in terms of average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a difference is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment - Recent experience	0.164	0.221	0.272*	0.371**
	(0.122)	(0.139)	(0.140)	(0.155)
Appointment - Non-recent experience	-0.439*	-0.395	-0.399	-0.338
	(0.242)	(0.254)	(0.249)	(0.264)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\Delta\overline{\text{CAR}}[0, 1]$	0.332	0.417	0.720	0.881
H_0: $\Delta\overline{\text{CAR}}[0, 1] = 0$ (*p*-value)	0.284	0.219	0.026	0.013
$\Delta\overline{\text{CAR}}[-1, 1]$	0.342	0.417	0.867	1.001
H_0: $\Delta\overline{\text{CAR}}[-1, 1] = 0$ (*p*-value)	0.290	0.284	0.010	0.013
Multiple appointments	Included	Excluded	Included	Excluded
Sample of appointments	Finance exp.	Finance exp.	Banking exp.	Banking exp.
No. appointment events	46	36	37	29
No. bank-level events	186	156	143	123
Mean(y)	0.007	0.007	0.007	0.007
SD(y)	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767

Table 11: Bank-level outcomes and supervisors' background

This table reports estimates from regression for selected bank-level outcomes on measures of the background of executives serving on the board of the relevant NSA. The dependent variables are Tier 1 capital ratio (columns 1-4) and asset growth (columns 5-8). *Share of supervisors with experience in finance* measures the fraction of executives that previously held positions in the finance sector at supervisory authorities of the country in which the bank is located. *Share of supervisors with management experience in finance* measures the fraction of executives that previously held managerial positions in the finance sector at supervisory authorities of the country in which the bank is located. *At least one executive with financial supervision experience* is an indicator variable equal to 1 if in the executive team of the bank there is one or more individual with prior experience in financial supervision, and 0 otherwise. Each specification includes year fixed effects and the following control variables: the logarithm of total assets, the deposits-to-assets ratio, the loans-to-assets ratio, and the the costs-to-income ratio. All explanatory variables are lagged by one year. The sample in odd (even) columns includes banks from for all countries in the baseline (excludes banks from Sweden and UK). Robust standard errors (in parentheses) are clustered by bank and year. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.1 for variable definitions.

	Tier 1 cap. ratio				Asset growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Share of supervisors with experience in finance	0.016	0.006			0.010	0.019		
	(0.009)	(0.007)			(0.026)	(0.029)		
Share of supervisors with management experience in finance			0.007	0.000			0.059*	0.078*
			(0.011)	(0.010)			(0.033)	(0.038)
At least one executive with financial supervision experience	-0.005	-0.005	-0.005	-0.006	0.024**	0.026***	0.028***	0.029***
	(0.004)	(0.004)	(0.004)	(0.003)	(0.009)	(0.009)	(0.009)	(0.008)
Bank control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample countries	All	No SE, UK	All	No SE, UK	All	No SE, UK	All	No SE, UK
Mean(y)	0.114	0.109	0.114	0.109	0.032	0.030	0.032	0.030
SD(y)	0.038	0.032	0.038	0.032	0.121	0.109	0.121	0.109
R^2	0.591	0.604	0.583	0.602	0.293	0.312	0.299	0.324
Observations	541	421	541	421	572	452	572	452

Appendix for

"The Reverse Revolving Door
in the Supervision of European Banks"

Figure A.1: Demographic characteristics in executive boards of banking NSA
This figure shows the dynamics of selected demographic traits of executive directors at banking NSA from selected EU countries between 2002 and 2019. The red line indicates the share of female directors. The green line indicates the average age of newly appointed executive directors. The covered countries are Austria (AT), Belgium (BE), Germany (DE), Spain (ES), France (FR), Ireland (IE), Italy (IT), Netherlands (NL), Sweden (SE), and United Kingdom (UK).

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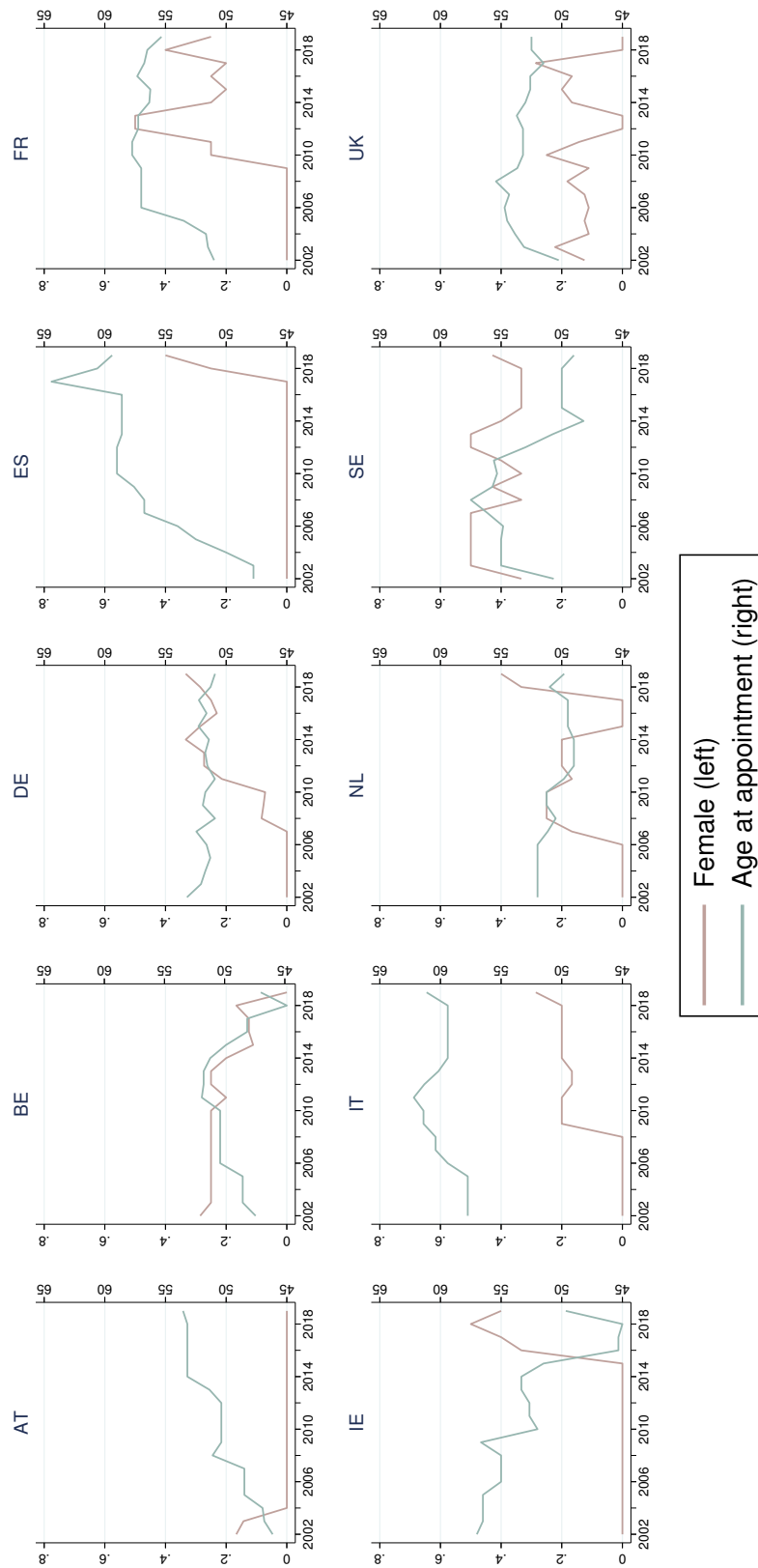
Figure A.2: Education background in executive boards of banking NSA

This figure shows what fraction of executive directors at banking NSA from selected EU countries has an education background in economics (positive domain of the y-axis, in brown) or law (negative domain of the y-axis, in green) between 2002 and 2019. Board members are categorized as having an education background in economics if they studied economics, finance, business, or completed an MBA program. The covered countries are Austria (AT), Belgium (BE), Germany (DE), Spain (ES), France (FR), Ireland (IE), Italy (IT), Netherlands (NL), Sweden (SE), and United Kingdom (UK).

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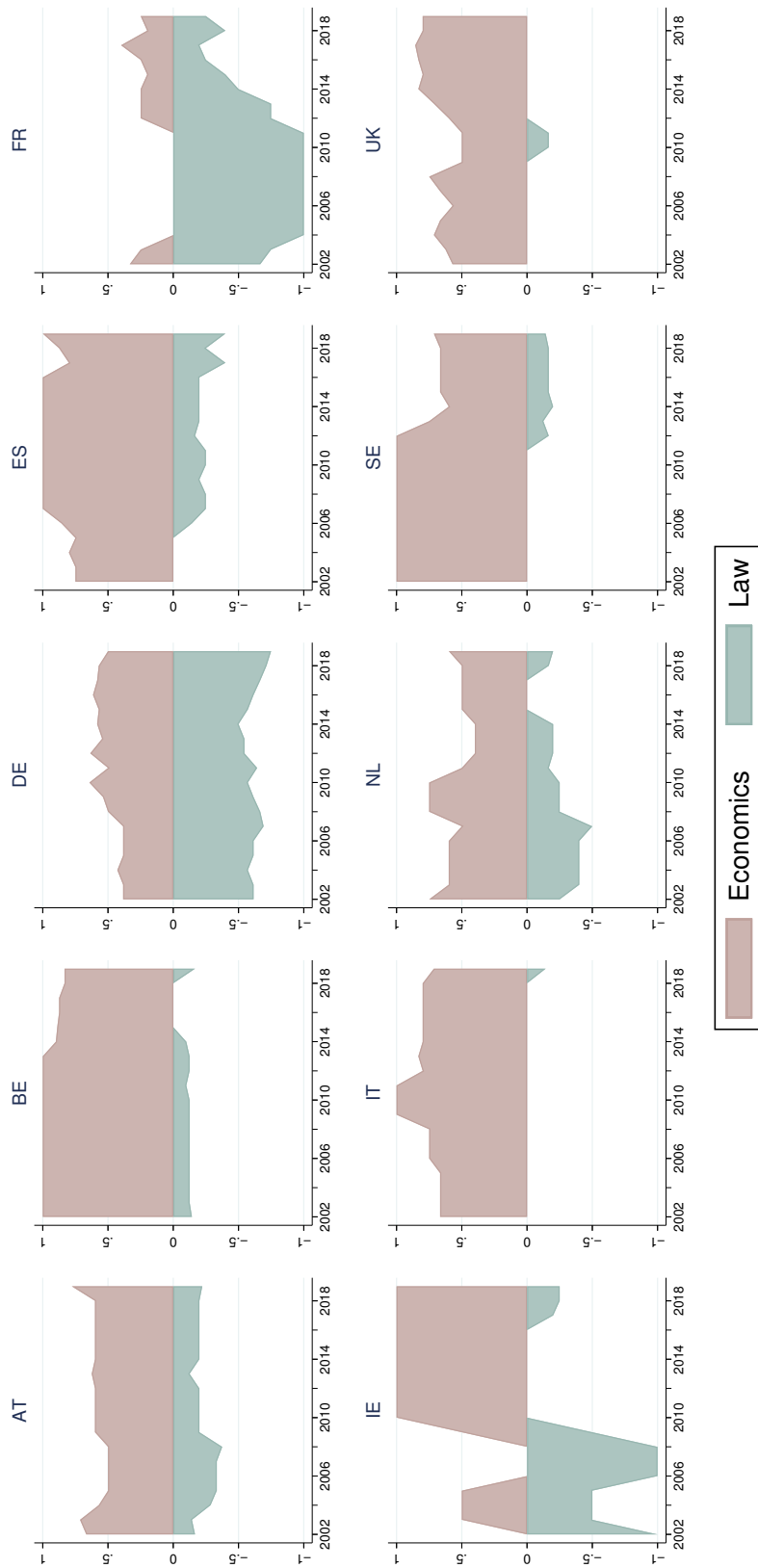
Figure A.3: Bank-level outcomes and supervisors' management experience in the finance industry over time

This figure plots the average marginal effects (AMEs) of prior management experience in the finance industry of banking NSA executives on selected bank-level outcomes over time. Panels A and B report estimates from regressions of the following form:

$$y_{it} = \sum_t \beta_t \cdot z_{ct-1} \times \mathbf{1}_{\{\text{Year}=t\}} + \Gamma \boldsymbol{X}_{it-1} + \eta_t + \epsilon_{it}, \tag{A.1}$$

where y_{it} is the outcome variable in the header of each panel for bank i in year t.. The variable z_{ct} is the fraction of executives with management experience in finance in the banking authorities of country c (where the bank is based) for year t. $\mathbf{1}_{\{\text{Year}=t\}}$ is an indicator variable equal to 1 in year t, and 0 otherwise. The specification includes year fixed effects (η_t) as well as the following control variables ($\boldsymbol{X}_{it}$): an indicator for the presence of at least one executive at the bank with prior experience in financial supervision, the costs-to-income ratio, the logarithm of total assets, the loans-to-assets ratio, and the deposits-to-assets ratio. In Panels C and D, equation (A.1) is augmented with a triple interaction with an indicator variable equal to 1 if the bank has above-median total assets as of 2013, and 0 otherwise. In Panels E and F, equation (A.1) is augmented with a triple interaction with an indicator variable equal to 1 if the bank has an above-median deposits-to-assets ratio as of 2013, and 0 otherwise. The dashed vertical line in each panel indicates the start of the SSM in 2014. The vertical bars denote 90% confidence intervals, based on standard errors clustered by bank and year.
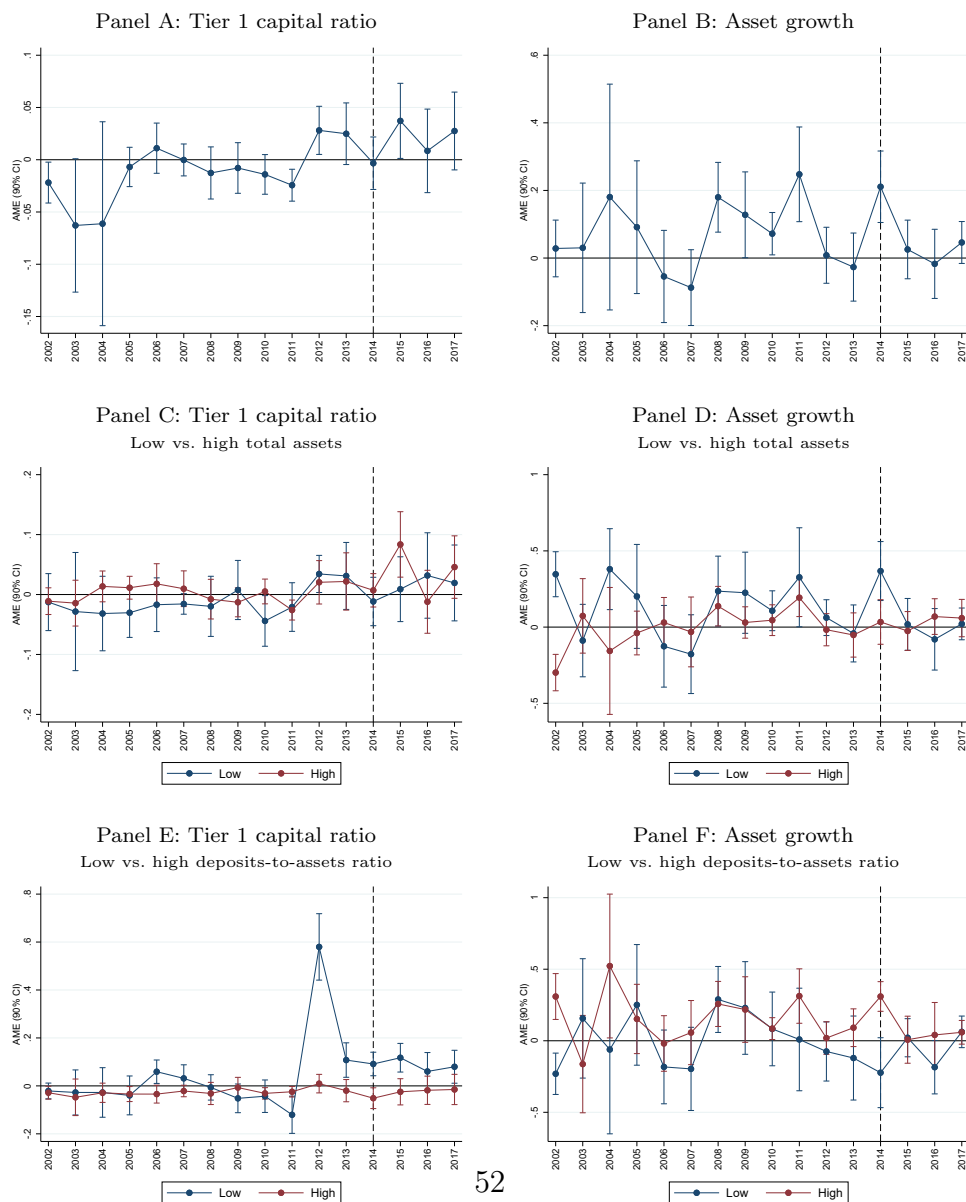
Table A.1: Definition of main variables

Variable	Databases	Definition
Stock return	BPS	Daily stock return.
CDS spread	BPS, Datastream	Bank CDS spread on unsecured bonds.
Appointment	Manually collected, BPS	Indicator equal to 1 on the day of an announcement of an appointment of a new executive director at a supervisory institution in the home country of the bank, and 0 otherwise. The indicator is modified to capture different types of professional background of executives, news coverage, or turnover.
Share of supervisors with experience in finance	Manually collected	Fraction of executives on the board of the bank's supervisory authority that have prior experience in the finance industry.
At least one executive with financial supervision experience	BoardEx	Indicator variable equal to 1 if at least one executive on the bank's board has prior experience in supervision (including national and European banking authorities as well financial markets authorities), and 0 otherwise.
Total assets	Bankscope, Orbis Bank Focus	Book value of total assets.
Impaired loans ratio	Bankscope, Orbis Bank Focus	Ratio of impaired loans over total loans.
Tier 1 capital ratio	Bankscope, Orbis Bank Focus	Ratio of tier 1 regulatory capital over risk weighted assets.
Loan growth	Bankscope, Orbis Bank Focus	Annual growth rate of total loans.
Asset growth	Bankscope, Orbis Bank Focus	Annual growth rate of total asset.
Costs-to-income ratio	Bankscope, Orbis Bank Focus	Ratio of non-interest expenses over the sum of net interest income and other operating income.
Loans-to-assets ratio	Bankscope, Orbis Bank Focus	Ratio of total loans over total assets.
Deposits-to-assets ratio	Bankscope, Orbis Bank Focus	Ratio of deposits over total assets.
Age	BoardEx, manually collected	Age of the executive.
Female	BoardEx, manually collected	Indicator equal to 1 if the executive is female, and 0 otherwise.
Network size	BoardEx	Size of the executive's personal network based on overlaps via job spells, education, etc.
No. positions	BoardEx	Number of positions (executive and supervisory directorships as well as below-board positions) previously held by the executive.
No. prior sectors	BoardEx	Number of sectors in which the executive has experience based on prior positions (executive and supervisory directorships as well as below-board positions).
Executive experience in [*sector*]	BoardEx	Indicator variable equal to 1 if the executive has prior executive-level in [*sector*], and 0 otherwise.
Sovereign credit spread	BPS, Datastream	Difference between sovereign yield and reference rate.
STOXX Europe 600 return	BPS	Return of STOXX Europe 600 stock market index.

Table A.2: List of National Supervisory Authorities (NSA) and banks

This table lists the NSA of banks (Panel A) and banks (Panel B) included in the sample, together with the time span available and the executive body covered for each of them. In Panel B, the time span refers to the years for which we observe stock returns in BPS. For banks, professionals categorized as executive directors in BoardEx are considered. The covered institutions are from the following countries: Austria (AT), Belgium (BE), Germany (DE), Spain (ES), France (FR), Ireland (IE), Italy (IT), Netherlands (NL), Sweden (SE), and United Kingdom (UK).

Panel A: Supervisors

Country	Institution	Executive body	First year	Last year
AT	Österreichische Finanzmarktaufsichtsbehörde	Vorstand	2002	2019
AT	Österreichische Nationalbank	Direktorium	2002	2019
BE	Nationale Bank van België	Directiecomité	2002	2019
DE	Bundesanstalt für Finanzdienstleistungsaufsicht	Direktorium	2002	2019
DE	Deutsche Bundesbank	Vorstand	2002	2019
ES	Banco de España	Comisión Ejecutiva	2002	2019
FR	Banque de France	Conseil de la Politique Monétaire	2002	2007
		Conseil Général	2008	2019
IE	Central Bank of Ireland	Commission	2002	2019
IT	Banca d'Italia	Direttorio	2002	2019
NL	De Nederlandsche Bank	Directie	2002	2019
SE	Sveriges Riksbank	Direktionen	2002	2019
UK	Bank of England	Governor and Deputy Governors	2002	2019
UK	Financial Services Authority	Board (Executive Members)	2002	2013

Panel B: Banks

Country	Institution	First year	Last year
AT	BAWAG PSK	2017	2019
AT	Erste Group Bank	2002	2019
AT	Raiffeisen Bank International	2005	2019
BE	BNP Paribas Fortis	2007	2019
BE	Dexia	2002	2019
BE	KBC Group	2002	2019
DE	Aareal Bank	2002	2019
DE	Commerzbank	2002	2019
DE	Deutsche Bank	2002	2019
DE	Deutsche Pfandbriefbank AG	2002	2019
ES	Banco Sabadell	2002	2019
ES	Banco Santander	2002	2019
ES	Bankinter	2002	2019
ES	BBVA	2002	2019
ES	CaixaBank	2006	2019
ES	Liberbank	2013	2019
ES	Unicaja Banco	2017	2019
FR	BNP Paribas	2002	2019
FR	Crédit Agricole	2002	2019
FR	Société générale	2002	2019
IE	AIB Group	2002	2019
IE	Bank of Ireland	2002	2019
IT	Banca MPS	2002	2019
IT	Banca Popolare di Sondrio	2002	2019
IT	Banco BPM	2007	2019
IT	BPER Banca	2002	2019
IT	Credito Emiliano	2002	2019
IT	Banca Carige	2002	2019
IT	Intesa Sanpaolo	2002	2019
IT	Mediobanca	2002	2019
IT	UniCredit	2002	2019
IT	UBI Banca	2003	2019
NL	ABN AMRO Bank	2015	2019
NL	ING Groep	2002	2019
SE	SEB	2002	2019
SE	Svenska Handelsbanken	2002	2019
SE	Swedbank	2002	2008
UK	Barclays	2002	2019
UK	HSBC Holdings	2002	2019
UK	Lloyds Banking Group	2002	2019
UK	Royal Bank of Scotland	2002	2019
UK	Standard Chartered	2002	2019

Table A.3: Correlation across characteristics of newly appointed executives
This table reports pairwise correlations among on work experience, demographic, and education traits for a sample of executive directors serving on the boards of banking NSA (Panel A) or supervised banks (Panel B) from selected EU countries between 2002 and 2019. Information on career paths refers to the positions held by each individual as of the time of appointment to the executive board of a given supervisory institution. p-values for significance tests are reported below estimated correlation coefficients. Refer to Appendix Table A.1 for variable definitions.

Panel A: Supervisors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Prior position in the private sector (1)	1.000								
Prior position in the finance industry (2)	0.777	1.000							
	0.000								
Prior position in the public sector (3)	-0.158	-0.240	1.000						
	0.051	0.003							
Prior position in financial supervision (4)	-0.086	-0.113	0.458	1.000					
	0.290	0.165	0.000						
Age at appointment (5)	-0.069	0.033	0.043	0.062	1.000				
	0.417	0.698	0.615	0.469					
Female (6)	0.054	-0.011	-0.074	-0.041	-0.059	1.000			
	0.506	0.891	0.364	0.617	0.485				
Holds a Ph.D. (7)	0.040	0.005	-0.118	-0.072	-0.131	-0.111	1.000		
	0.621	0.951	0.145	0.380	0.120	0.173			
Economics (8)	-0.035	0.004	-0.002	0.073	0.114	-0.058	0.253	1.000	
	0.681	0.961	0.986	0.394	0.190	0.496	0.003		
Law (9)	0.132	-0.047	0.093	-0.150	0.027	0.204	-0.209	-0.478	1.000
	0.119	0.577	0.273	0.078	0.755	0.015	0.013	0.000	

Panel B: Banks

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Prior position in the private sector (1)	1.000								
Prior position in the finance industry (2)	0.933	1.000							
	0.000								
Prior position in the public sector (3)	-0.062	-0.047	1.000						
	0.205	0.336							
Prior position in financial supervision (4)	-0.023	-0.016	0.495	1.000					
	0.636	0.739	0.000						
Age at appointment (5)	-0.040	-0.115	0.185	0.181	1.000				
	0.447	0.028	0.000	0.001					
Female (6)	-0.112	-0.092	0.057	-0.008	-0.084	1.000			
	0.031	0.077	0.274	0.877	0.111				
Holds a Ph.D. (7)	0.023	0.030	0.011	-0.003	-0.035	0.001	1.000		
	0.640	0.537	0.827	0.946	0.511	0.979			
Economics (8)	.	.	.	.	.	.	.	.	
	.	.	.	.	.	.	.		
Law (9)	.	.	.	.	.	.	.	.	.
	.	.	.	.	.	.	.	.	

Table A.4: Bank stock reaction to supervisors' executive appointments and other types of professional experience

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, focusing on further types of professional background. Panel A focuses on experience in further sectors relative to the baseline ones in Table 5. Panel B focuses on managerial experience across different sectors. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointments*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

Panel A: Experience in other sectors

	Stock return (%)				
	(1)	(2)	(3)	(4)	(5)
Appointment	0.019	-0.003	-0.051	-0.285**	-0.030
	(0.155)	(0.113)	(0.084)	(0.127)	(0.153)
Lags/leads	-5/+5	-5/+5	-5/+5	-5/+5	-5/+5
Bank FE	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0,1]$	0.098	0.076	0.007	-0.206	-0.199
H_0: $\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.657	0.706	0.958	0.204	0.388
$\overline{\text{CAR}}[-1,1]$	0.043	-0.053	-0.048	-0.365	-0.534
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.861	0.836	0.770	0.098	0.074
Sample of appointments	Banking experience	Nonfin. experience	Fin. sup. experience	Public admin. experience	Academic experience
No. events	41	39	89	74	44
No. bank-level events	156	133	373	289	155
Mean(y)	0.007	0.007	0.007	0.007	0.007
SD(y)	2.192	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767	164,767

Panel B: Managerial experience

			Stock return (%)			
	(1)	(2)	(3)	(4)	(5)	(6)
Appointment	-0.111	0.070	0.041	-0.089	-0.017	-0.032
	(0.091)	(0.132)	(0.159)	(0.085)	(0.089)	(0.093)
Lags/leads	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0,1]$	-0.095	-0.071	-0.026	-0.039	0.012	-0.078
H_0: $\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.471	0.697	0.905	0.771	0.936	0.648
$\overline{\text{CAR}}[-1,1]$	-0.229	-0.018	-0.134	-0.145	-0.002	-0.029
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.166	0.933	0.585	0.390	0.990	0.886
Sample of appointments	Any manag. experience	Fin. manag. experience	Bank. manag. experience	Public sector manag. experience	Fin. sup. manag. experience	Internal manag. experience
No. events	119	34	28	102	75	57
No. bank-level events	476	129	102	411	322	261
Mean(y)	0.007	0.007	0.007	0.007	0.007	0.007
SD(y)	2.192	2.192	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767	164,767	164,767

Table A.5: Bank stock reaction to banks' and supervisors' bank-linked executive appointments

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA or a supervised bank appoints an executive director. The dependent variable is the bank's daily stock return. Specifications in columns 1-3 focus on appointments of executive director linked to supervised banks by the bank's NSA. Column 1 investigates the stock market reaction of all banks in the jurisdiction of the appointing NSA. Column 2 restricts the analysis to banks with a direct link to the appointed executive director as in column 4 of Table 5. Column 3 studies the stock market reaction only of those banks in a given jurisdiction that compete with the bank directly linked to the appointee. Specifications in columns 4-6 focus on appointments of executive directors by supervised banks. Column 4 investigates the stock market reaction to such appointments by all banks under the jurisdiction of the appointing NSA. Column 2 restricts the analysis to appointing banks. Column 3 studies the stock market reaction of banks competing in a given jurisdiction with the bank making the appointment. *Appointment* is an indicator variable defined accordingly in each column. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointments*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)					
	(1)	(2)	(3)	(4)	(5)	(6)
Appointment	0.187	0.489*	0.064	0.014	-0.026	0.029
	(0.174)	(0.251)	(0.202)	(0.081)	(0.203)	(0.085)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0,1]$	-0.064	0.845	-0.396	-0.126	-0.388	-0.032
H_0: $\overline{\text{CAR}}[0,1] = 0$ (*p*-value)	0.817	0.002	0.281	0.189	0.120	0.796
$\overline{\text{CAR}}[-1,1]$	-0.383	0.544	-0.703	-0.308	-0.685	-0.168
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (*p*-value)	0.209	0.112	0.063	0.019	0.004	0.280
Sample of appointments	Linked	Linked	Linked	All	All	All
Appointing entities	Supervisors	Supervisors	Supervisors	Banks	Banks	Banks
Sample of banks	All	Linked	Competing	All	Appointing	Competing
No. events	19	19	19	115	115	115
No. bank-level events	81	21	60	482	115	367
Mean(*y*)	0.007	0.007	0.007	0.007	0.007	0.007
SD(*y*)	2.192	2.192	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767	164,767	164,767

Table A.6: Bank value and SSM-related events

This table reports estimates of bank stock market reactions to the most salient events that led to the introduction of the SSM. For each event, average abnormal returns at day 0 ($\overline{AR}[+0]$) around the announcement date, as well as the average cumulative abnormal returns between day 0 and day 1 ($\overline{CAR}[0,1]$), and between day -1 and day 1 ($\overline{CAR}[-1,1]$) are reported. To obtain such estimates, separate event studies on bank daily stock returns have been conducted based on specifications including month-year and bank fixed effects as well as the STOXX Europe 600 daily return as control variable. In each regression, the sample is restricted to the two years around the respective event date. p-values (in parentheses) are based on robust standard errors clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Date	Event	$\overline{AR}[0]$ (1)	$\overline{CAR}[0,1]$ (2)	$\overline{CAR}[-1,1]$ (3)
June 29, 2012	Eurozone leaders agree on the establishment of the SSM	-0.402	-0.044	-0.596
		0.484	0.952	0.405
September 7, 2012	ECB Vice President speech at the Duisenberg School of Finance titled "Toward a European Banking Union"	1.895***	2.929***	4.473***
		0.001	0.001	0.000
September 12, 2012	European Commission adopts two proposals for the establishment of the SSM	-0.816***	-0.784	0.436
		0.009	0.108	0.568
December 13, 2012	ECOFIN reaches a landmark agreement on the establishment of the SSM	0.626*	0.225	0.912
		0.094	0.685	0.207
December 14, 2012	Disclosure of the criteria adopted by the ECB to identify significant banks	-0.330	0.017	0.714
		0.327	0.977	0.392
February 12, 2013	ECB Vice President speech at the Warwick Economics Summit titled "Financial Stability Risks, Monetary Policy and the Need for Macro-Prudential Policy"	-0.501	0.172	1.270*
		0.172	0.777	0.089
September 12, 2013	EU parliament approves the EU bank supervision system	0.315	-0.382	0.817
		0.247	0.405	0.159
October 23, 2013	ECB starts comprehensive assessment in advance of its supervisory role	-2.364***	-1.708***	-3.315***
		0.000	0.002	0.000
December 16, 2013	Danièle Nouy appointed as Chair of the supervisory board	-0.288	-0.452	0.031
		0.388	0.262	0.954
January 9, 2014	Four directors appointed in the new Directorate General for supervision	0.845**	0.284	1.934***
		0.042	0.553	0.007
January 22, 2014	Sabine Lautenschläger appointed as Vice-Chair of the supervisory board	-1.596***	-1.532**	-2.589***
		0.000	0.026	0.001
February 3, 2014	ECB makes progress with the Asset Quality Review (AQR) and confirms stress-test parameters for comprehensive assessment.	-1.395***	-0.163	-0.557
		0.000	0.745	0.302
March 7, 2014	ECB appoints three representatives to the bank supervisory board	0.087	0.425	0.609
		0.829	0.455	0.458
April 25, 2014	ECB publishes framework for SSM regulation.	-0.267	-0.625**	-1.011**
		0.344	0.047	0.028
April 29, 2014	ECB says that capital gaps from AQR must be covered with CET1 instruments	0.789**	0.202	-0.151
		0.017	0.623	0.737
July 17, 2014	ECB Vice President says strictness of ECB test not just about results	-0.192	-0.605	-0.173
		0.671	0.106	0.744
October 27, 2014	ECB discloses results of the AQR exercise and identifies banks that need further actions	-0.825**	-1.246***	0.229
		0.026	0.003	0.675
November 4, 2014	SSM starts	-0.219	-1.760***	-2.244***
		0.516	0.002	0.008

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Table A.7: Bank stock reaction to supervisors' executive appointments and employment restrictions
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, conditioning on the presence of post- or pre-public office employment restrictions. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director, and 0 otherwise. Such a variable is interacted with *Employment restriction*, an indicator variable equal to 1 the country where the bank is headquartered has a post- or pre-public office employment restriction in place based on OECD (2015) or Silano (2022), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\Delta\overline{\text{CAR}}[\tau_1, \tau_2]$ is the difference between appointments made in countries with a given employment restriction and those made in other countries in terms of average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a difference is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.368	-0.033	-0.108	0.006
	(0.251)	(0.144)	(0.099)	(0.117)
Appointment $\times$ Employment restriction	0.283	-0.119	-0.156	-0.351*
	(0.280)	(0.193)	(0.279)	(0.194)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
Employment restriction	Post-office	Post-office	Pre-office	Pre-office
	(OECD, 2015)	(Silano, 2022)	(OECD, 2015)	(Silano, 2022)
$\Delta\overline{\text{CAR}}[0, 1]$	0.317	0.187	-0.284	-0.760
H_0: $\Delta\overline{\text{CAR}}[0, 1] = 0$ (*p*-value)	0.469	0.478	0.381	0.002
$\Delta\overline{\text{CAR}}[-1, 1]$	0.698	-0.028	-0.239	-0.834
H_0: $\Delta\overline{\text{CAR}}[-1, 1] = 0$ (*p*-value)	0.032	0.925	0.553	0.006
Sample of appointments	All	All	All	All
No. appointment events	123	123	123	123
No. bank-level events	487	487	487	487
Mean(y)	0.007	0.007	0.007	0.007
SD(y)	2.192	2.192	2.192	2.192
R^2	0.458	0.458	0.458	0.458
Observations	164,767	164,767	164,767	164,767

Online Appendix for
"The Reverse Revolving Door
in the Supervision of European Banks"

Table OA.1: Bank stock reaction to supervisors' executive appointments (in event time)
This table reports estimates from event-time regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. The estimation sample is restricted to the window of $[-50, 50]$ days around each appointment event, and excludes events exhibiting overlapping windows. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.120	-0.199*	-0.010	0.489*
	(0.093)	(0.110)	(0.130)	(0.252)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0, 1]$	-0.061	-0.141	0.035	0.844
H_0: $\overline{\text{CAR}}[0, 1] = 0$ (*p*-value)	0.656	0.455	0.834	0.002
$\overline{\text{CAR}}[-1, 1]$	-0.069	-0.043	-0.171	0.476
H_0: $\overline{\text{CAR}}[-1, 1] = 0$ (*p*-value)	0.186	0.120	0.804	0.112
Sample of appointment events	All	No finance exp.	Finance exp.	Linked
No. appointments	123	71	52	19
No. bank-level events	487	284	203	21
Mean(y)	0.007	0.007	0.007	0.007
SD(y)	2.191	2.191	2.191	2.191
R^2	0.458	0.458	0.458	0.458
Observations	165,023	165,023	165,023	165,023

Table OA.2: Bank stock reaction to supervisors' executive appointments (alternative standard errors)
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment*, control variables, and fixed effects included in each specification are indicated below. Standard errors (in parentheses) are computed following Driscoll and Kraay (1998). Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.076	-0.125	-0.011	0.551*
	(0.142)	(0.208)	(0.180)	(0.285)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
STOXX Europe 600 return	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Month-year FE	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0, 1]$	-0.026	-0.100	0.065	0.906
H_0: $\overline{\text{CAR}}[0, 1] = 0$ (p-value)	0.857	0.623	0.777	0.031
$\overline{\text{CAR}}[-1, 1]$	-0.144	-0.325	0.101	0.746
H_0: $\overline{\text{CAR}}[-1, 1] = 0$ (p-value)	0.459	0.243	0.712	0.103
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	123	71	52	19
No. bank-level events	487	284	203	21
Mean(y)	0.007	0.007	0.007	0.007
SD(y)	2.193	2.193	2.193	2.193
Observations	164,548	164,548	164,548	164,548

Table OA.3: Bank stock reaction to supervisors' executive appointments (alternative adjustments for outliers)

This table reports estimates from regressions of bank stock returns that are adjusted for outliers following three different approaches on an indicator for days in which the banking NSA appoints an executive director. The dependent variable is the bank's daily stock return: in columns 1, 4, 7, and 10, the returns are unadjusted; in columns 2, 5, 8, and 11, the returns are winsorized at the 0.5% and the 99.5% level; in columns 3, 6, 9, and 12, bank-days with return equal to 0 are excluded from the sample. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\mathrm{CAR}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_d1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
						Stock return (%)						
Appointment	-0.039	-0.083	-0.131	-0.214	-0.203*	-0.216*	0.181	0.068	-0.016	0.501*	0.500*	0.539**
	(0.118)	(0.097)	(0.095)	(0.131)	(0.115)	(0.112)	(0.199)	(0.140)	(0.134)	(0.250)	(0.249)	(0.261)
Lags/leads	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5	-5/5
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Return adjustment	None	Wins.	No zeros	None	Wins.	No zeros	None	Wins.	No zeros	None	Wins.	No zeros
$\overline{\mathrm{CAR}}[0,1]$	-0.096	-0.118	-0.077	-0.289	-0.256	-0.177	0.148	0.055	0.050	0.845	0.845	0.909
H_0: $\overline{\mathrm{CAR}}[0,1] = 0$ (p-value)	0.505	0.397	0.586	0.140	0.177	0.348	0.497	0.754	0.782	0.003	0.003	0.003
$\overline{\mathrm{CAR}}[-1,1]$	-0.282	-0.262	-0.214	-0.448	-0.418	-0.374	-0.083	-0.070	-0.009	0.561	0.558	0.622
H_0: $\overline{\mathrm{CAR}}[-1,1] = 0$ (p-value)	0.104	0.138	0.220	0.051	0.070	0.097	0.664	0.713	0.963	0.095	0.097	0.098
Sample of appointments	All	All	All	No fin.	No fin.	No fin.	Finance	Finance	Finance	Linked	Linked	Linked
No. appointment events	124	124	123	exp. 71	exp. 71	exp. 71	exp. 53	exp. 53	exp. 52	19	19	18
No. bank-level events	490	490	475	286	286	279	204	204	196	21	21	20
Mean(y)	0.014	0.009	0.007	0.014	0.009	0.007	0.014	0.009	0.007	0.014	0.009	0.007
SD(y)	2.728	2.397	2.224	2.728	2.397	2.224	2.728	2.397	2.224	2.728	2.397	2.224
R^2	0.407	0.456	0.466	0.407	0.456	0.466	0.407	0.456	0.466	0.407	0.456	0.466
Observations	166,534	166,534	159,998	166,534	166,534	159,998	166,534	166,534	159,998	166,534	166,534	159,998

Table OA.4: Bank stock reaction to supervisors' executive appointments (alternative length of event window)

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, considering event windows of different length. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\mathrm{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

						Stock return (%)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Appointment	-0.118	-0.101	-0.100	-0.200*	-0.202*	-0.201*	-0.010	0.038	0.041	0.490*	0.489*	0.489*
	(0.093)	(0.090)	(0.090)	(0.110)	(0.109)	(0.109)	(0.130)	(0.122)	(0.122)	(0.251)	(0.252)	(0.251)
Lags/leads	-1/1	-10/10	-20/20	-1/1	-10/10	-20/20	-1/1	-10/10	-20/20	-1/1	-10/10	-20/20
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
$\overline{\mathrm{CAR}}[0,1]$	-0.077	-0.070	-0.067	-0.172	-0.175	-0.170	0.044	0.076	0.076	0.845	0.844	0.845
H_0: $\overline{\mathrm{CAR}}[0,1]=0$ (p-value)	0.578	0.604	0.621	0.354	0.343	0.356	0.802	0.657	0.656	0.002	0.002	0.002
$\overline{\mathrm{CAR}}[-1,1]$	-0.205	-0.195	-0.196	-0.359	-0.358	-0.358	-0.011	0.030	0.028	0.546	0.543	0.546
H_0: $\overline{\mathrm{CAR}}[-1,1]=0$ (p-value)	0.228	0.247	0.244	0.105	0.104	0.103	0.956	0.871	0.880	0.111	0.113	0.110
Sample of appointments	All	All	All	No fin. exp.	No fin. exp.	No fin. exp.	Finance exp.	Finance exp.	Finance exp.	Linked	Linked	Linked
No. appointment events	123	122	122	71	71	71	52	51	51	19	19	19
No. bank-level events	487	482	482	284	284	284	203	198	198	21	21	21
Mean(y)	0	0	0	0	0	0	0	0	0	0	0	0
SD(y)	2.191	2.193	2.195	2.193	2.193	2.195	2.191	2.193	2.195	2.191	2.193	2.195
R^2	0.458	0.458	0.459	0.458	0.458	0.459	0.458	0.458	0.459	0.458	0.458	0.459
Observations	164,972	164,433	163,728	164,972	164,433	163,728	164,972	164,433	163,728	164,972	164,433	163,728

Table OA.5: Bank stock reaction to supervisors' executive appointments (alternative fixed effects)
This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, including alternative fixed effects schemes. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment* and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The *p*-value of the *F*-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Appointment	-0.062	-0.076	-0.123	-0.113	-0.125	-0.203*	0.008	-0.011	-0.024	0.556**	0.551**	0.500*
	(0.102)	(0.102)	(0.098)	(0.122)	(0.127)	(0.113)	(0.131)	(0.124)	(0.127)	(0.234)	(0.238)	(0.251)
Lags/leads	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5	−5/5
Bank FE	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Day FE	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes
Month-year FE	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No
Month-year-country FE	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes
$\overline{\text{CAR}}[0,1]$	0.003	-0.026	-0.105	-0.069	-0.100	-0.213	0.096	0.065	0.025	0.924	0.906	0.867
H_0: $\overline{\text{CAR}}[0,1] = 0$ (*p*-value)	0.982	0.846	0.479	0.679	0.582	0.286	0.603	0.703	0.885	0.007	0.013	0.001
$\overline{\text{CAR}}[-1,1]$	-0.096	-0.144	-0.235	-0.273	-0.325	-0.399	0.148	0.101	-0.037	0.767	0.746	0.574
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (*p*-value)	0.613	0.470	0.197	0.250	0.206	0.092	0.510	0.628	0.858	0.044	0.077	0.104
Sample of appointments	All	All	All	No fin.	No fin.	No fin.	Finance exp.	Finance exp.	Finance exp.	Linked	Linked	Linked
No. appointment events	123	123	123	71	71	71	52	52	52	19	19	19
No. bank-level events	487	487	487	284	284	284	203	203	203	21	21	21
Mean(*y*)	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007
SD(*y*)	2.193	2.193	2.192	2.193	2.193	2.192	2.193	2.193	2.192	2.193	2.193	2.192
R^2	0.343	0.350	0.470	0.343	0.350	0.470	0.343	0.350	0.470	0.343	0.350	0.470
Observations	164,548	164,548	164,767	164,548	164,548	164,767	164,548	164,548	164,767	164,548	164,548	164,767

Table OA.6: Bank stock reaction to supervisors' executive appointments (controlling for local market conditions)

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, accounting for local market conditions via the inclusion of country-level sovereign credit spreads in the specification. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment*, control variables, and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\mathrm{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.143	-0.181	-0.093	0.533*
	(0.095)	(0.110)	(0.121)	(0.277)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
Sovereign credit spread	Yes	Yes	Yes	Yes
$\overline{\mathrm{CAR}}[0,1]$	-0.084	-0.129	-0.032	0.851
H_0: $\overline{\mathrm{CAR}}[0,1] = 0$ (p-value)	0.555	0.485	0.852	0.004
$\overline{\mathrm{CAR}}[-1,1]$	-0.212	-0.299	-0.106	0.494
H_0: $\overline{\mathrm{CAR}}[-1,1] = 0$ (p-value)	0.226	0.163	0.589	0.171
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. appointment events	119	70	49	17
No. bank-level events	476	282	194	19
Mean(y)	0.006	0.006	0.006	0.006
SD(y)	2.198	2.198	2.198	2.198
R^2	0.462	0.462	0.462	0.462
Observations	159,853	159,853	159,853	159,853

Table OA.7: Bank stock reaction to supervisors' executive appointments (excluding banks from Sweden and the UK)

This table reports estimates from regressions of bank stock returns on an indicator for days in which the banking NSA appoints an executive director, excluding banks from Sweden and the UK. The dependent variable is the bank's daily stock return. *Appointment* is an indicator variable equal to 1 if on a given day the bank's NSA appoints an executive director with a given professional background (see *Sample of appointments* below), and 0 otherwise. The number of leads and lags of *Appointment*, control variables, and fixed effects included in each specification are indicated below. Robust standard errors (in parentheses) are clustered by bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. $\overline{\text{CAR}}[\tau_1, \tau_2]$ is the average cumulative abnormal return between day τ_1 and day τ_2 around the appointment date. The p-value of the F-test of the null hypothesis that such a sum is equal to 0 is reported below. The number of appointment events (*No. appointment events*) as well as the number of banks affected by them (*No. bank-level events*) are indicated below. Refer to Appendix Table A.1 for variable definitions.

	Stock return (%)			
	(1)	(2)	(3)	(4)
Appointment	-0.036	-0.123	0.127	0.730
	(0.115)	(0.145)	(0.134)	(0.456)
Lags/leads	$-5/5$	$-5/5$	$-5/5$	$-5/5$
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
$\overline{\text{CAR}}[0,1]$	0.113	0.052	0.227	0.881
H_0: $\overline{\text{CAR}}[0,1] = 0$ (p-value)	0.502	0.822	0.286	0.036
$\overline{\text{CAR}}[-1,1]$	-0.030	-0.096	0.091	0.526
H_0: $\overline{\text{CAR}}[-1,1] = 0$ (p-value)	0.889	0.712	0.725	0.356
Sample of appointments	All	No finance exp.	Finance exp.	Linked
Excluded countries	SE, UK	SE, UK	SE, UK	SE, UK
No. appointment events	91	59	32	10
No. bank-level events	345	228	117	11
Mean(y)	0.000	0.000	0.000	0.000
SD(y)	2.249	2.249	2.249	2.249
R^2	0.464	0.464	0.464	0.464
Observations	128,585	128,585	128,585	128,585

Table OA.8: Bank-level outcomes and supervisors' background (no control variables)

This table reports estimates from regression for selected bank-level outcomes on measures of the background of executives serving on the board of the banking NSA, without controlling for bank balance sheet characteristics. The dependent variables are Tier 1 capital ratio (columns 1-4) and asset growth (columns 5-8). *Share of supervisors with experience in finance* measures the fraction of executives that previously held positions in the finance sector at NSA of the country in which the bank is located. *Share of supervisors with management experience in finance* measures the fraction of executives that previously held managerial positions in the finance sector at NSA of the country in which the bank is located. *At least one executive with financial supervision experience* is an indicator variable equal to 1 if in the executive team of the bank there is one or more individual with prior experience in financial supervision, and 0 otherwise. Each specification includes year fixed effects. All explanatory variables are lagged by one year. The sample in odd (even) columns includes banks from for all countries in the baseline (excludes banks from Sweden and UK). Robust standard errors (in parentheses) are clustered by bank and year. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.1 for variable definitions.

	Tier 1 cap. ratio				Asset growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Share of supervisors with experience in finance	0.014 (0.011)	0.001 (0.008)			0.038 (0.028)	0.048 (0.032)		
Share of supervisors with management experience in finance			0.006 (0.013)	-0.009 (0.011)			0.086** (0.036)	0.104** (0.041)
At least one executive with financial supervision experience	-0.004 (0.005)	-0.006 (0.004)	-0.004 (0.005)	-0.007 (0.004)	0.024*** (0.007)	0.019* (0.010)	0.027*** (0.007)	0.020* (0.010)
Bank control variables	No	No	No	No	No	No	No	No
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample countries	All	No SE, UK	All	No SE, UK	All	No SE, UK	All	No SE, UK
Mean(y)	0.114	0.110	0.114	0.110	0.030	0.028	0.030	0.028
SD(y)	0.039	0.033	0.039	0.033	0.123	0.111	0.123	0.111
R^2	0.533	0.539	0.527	0.541	0.221	0.238	0.232	0.254
Observations	546	426	546	426	581	461	581	461

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Table OA.9: Bank-level outcomes and supervisors' background (bank fixed effects)

This table reports estimates from regression for selected bank-level outcomes on measures of the background of executives serving on the board of the banking NSA, including bank fixed effects. The dependent variables are Tier 1 capital ratio (columns 1-4) and asset growth (columns 5-8). *Share of supervisors with experience in finance* measures the fraction of executives that previously held positions in the finance sector at NSA in which the bank is located. *Share of supervisors with management experience in finance* measures the fraction of executives that previously held managerial positions in the finance sector at NSA where the bank is located. *At least one executive with financial supervision experience* is an indicator variable equal to 1 if in the executive team of the bank there is one or more individual with prior experience in financial supervision, and 0 otherwise. Each specification includes year and bank fixed effects, and the following control variables: the logarithm of total assets, the deposits-to-assets ratio, the loans-to-assets ratio, and the the costs-to-income ratio. All explanatory variables are lagged by one year. The sample in odd (even) columns includes banks from for all countries in the baseline (excludes banks from Sweden and UK). Robust standard errors (in parentheses) are clustered by bank and year. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.1 for variable definitions.

	Tier 1 cap. ratio				Asset growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Share of supervisors with experience in finance	0.010	0.014			-0.031	-0.030		
	(0.012)	(0.011)			(0.033)	(0.037)		
Share of supervisors with management experience in finance			-0.052*	-0.004			0.035	0.056
			(0.025)	(0.015)			(0.062)	(0.085)
At least one executive with financial supervision experience	0.004	0.009	-0.000	0.007	0.019	0.018	0.024*	0.025
	(0.004)	(0.005)	(0.005)	(0.005)	(0.012)	(0.013)	(0.012)	(0.014)
Bank control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample countries	All	No SE, UK	All	No SE, UK	All	No SE, UK	All	No SE, UK
Mean(y)	0.114	0.109	0.114	0.109	0.032	0.030	0.032	0.030
SD(y)	0.038	0.032	0.038	0.032	0.121	0.109	0.121	0.109
R^2	0.731	0.794	0.742	0.791	0.398	0.456	0.397	0.456
Observations	541	421	541	421	572	452	572	452