

The Reverse Revolving Door in the Supervision of European Banks*

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Abstract

We assemble data about executives on the boards of national supervisory authorities (NSA) in European banking, which reveal that 40% have an employment history in the financial industry. Appointment patterns to NSA boards differ substantially across countries. Generally, the appointment of former finance professionals as prudential supervisors is inconsequential for banks' valuations, capitalization, and asset growth. The exception are positive, but short-lived valuation effects for those banks whose alumni are appointed as executives of directly responsible NSA boards. Circumstantial evidence suggests that a “proximity bias” is a more likely driver of this effect instead of superior financial expertise or intrinsic skills of the designated NSA executives.

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1 Introduction

Research on banking supervision has primarily focused on the revolving door from regulators to supervised banks (see, e.g., [Bond and Glode, 2014](#); [Agarwal, Lucca, Seru, and Trebbi, 2014](#); [Lucca, Seru, and Trebbi, 2014](#); [Shive and Forster, 2016](#)). Much less is known about the opposite flow of former finance professionals to national supervisory authorities (NSA). We study this “reverse revolving door” in European banking supervision.

The implications of reverse revolving doors are ambiguous. Former bankers may contribute industry expertise and institutional knowledge to prudential supervision. At the same time, prior relationships with supervised institutions could shape investor expectations about supervisory proximity or preferential treatment. Whereas our evidence cannot cleanly distinguish these channels, we shed light on the existence and on possible implications of reverse revolving doors in European Banking, especially when appointments involve prior employment links to supervised banks.

We are neither the first to use the expression “reverse revolving door” (see, e.g., [Luechinger and Moser, 2024](#)) nor to study former corporate sector executives who join the ranks of policy makers ([Luechinger and Moser, 2014](#); [Egerod and McCrain, 2023](#)). However, the European setting is particularly relevant because NSA continue to play a central role in prudential supervision despite increasing supranational coordination within the Banking Union ([Koetter and Nguyen, 2025](#)). Therefore, we hand-collect curriculum vitae (CV) data on 185 executive directors serving on the boards of 13 NSA in the ten largest EU economies between 2002 and 2019. These data allow us to document the prevalence of reverse revolving doors appointments and to study if market responses are consistent with a “proximity bias” or a “competence” view.

Our findings can be summarized in three parts. First, reverse revolving doors are a salient feature of European banking supervision. Almost 40% of NSA executives previously worked in the financial industry and around one quarter held management positions

in finance. Appointment patterns nevertheless differ substantially across countries, giving rise to different “career cultures”. Second, event-study evidence suggests that the average appointment of former finance professionals to NSA boards is largely unrelated to bank valuations. The main exception concerns 19 connected appointments involving executives with direct CV links, defined as prior employment at a supervised bank (or one of its predecessor entities). These appointments are associated with positive but short-lived stock-market reactions for such connected banks. We interpret these valuation effects cautiously as being more consistent with investor expectations of supervisory proximity than with superior competence alone, while acknowledging that the event-study design cannot fully separate these mechanisms. Third, we find little evidence that the finance background of NSA executives is systematically associated with supervised banks’ capitalization or asset growth over longer time horizons. These estimates are statistically imprecise and should therefore be interpreted cautiously.

Overall, our evidence suggests that reverse revolving doors are common in European banking supervision, but their valuation implications appear limited outside the comparatively small set of connected appointments. Our paper relates to the literature on revolving doors between regulators and regulated firms in general and the scarce specific evidence pertaining to U.S. banking in particular (Lucca et al., 2014; Shive and Forster, 2016).¹ Closer to our setting, Adams (2017), Black and Dlugosz (2018), and Lim, Hagendorff, and Armitage (2019) study connected directors within the US Federal Reserve System. We complement this literature by documenting reverse revolving doors in European banking supervision and by examining how financial markets react to these appointments.²

¹Revolving doors are pervasive in many regulated sectors, involving credit rating agencies (Cornaggia, Cornaggia, and Xia, 2016; Kempf, 2020), government debt management units (Silano, 2025), lobbyist firms (Blanes i Vidal, Draca, and Fons-Rosen, 2012), or non-financial firms in the EU (Luechinger and Moser, 2020) and the US alike (Emery and Faccio, 2025).

²Alquézar-Yus and Amer-Mestre (2022) study the reverse revolving door and legislative voting at the EU Parliament. Others investigate the value of personal relationships with the public administration for

2 The reverse revolving door and supervised banks

To inform the empirical analysis, we discuss institutional features relevant for reverse revolving door appointments in European banking supervision (see, e.g., [Cihak, Demirgüç-Kunt, Peria, and Mohseni-Cheraghloo, 2013](#)).

Appointments are mostly made by the head of the government or the minister of finance, but can also involve other legislative bodies (e.g. the parliament in Belgium, Ireland, and Spain). In some instances (e.g., in Austria, Germany, Ireland, and the UK), appointment processes involve advice, recommendation, or consent by external experts to reduce the influence of a single political party. Formalized appointment procedures, lengthy board terms, restrictions on re-appointments, and limitations on dismissal powers are designed to shield supervisors from political interference, although [Ioannidou, Kokas, Lambert, and Michaelides \(2023\)](#) caution that appointments of central bank governors are increasingly shaped by political considerations. Terms generally range between five and seven years. Many countries also impose post-employment restrictions, such as cooling-off periods, to limit conflicts of interest once supervisors leave office.³ By contrast, restrictions on appointments from the banking sector into supervision remain limited.

Against this backdrop, stock-market expectations at the time of the appointment announcement may reflect both perceptions about proximity to supervised entities and expectations regarding supervisory competence. Prior professional ties could shape expectations about preferential treatment or privileged information flows. Conversely, former bankers may contribute industry expertise that improves the design and enforcement of prudential regulation.

The valuation implications of supervisory expertise are ambiguous *ex ante*. More financial firms ([Acemoglu, Johnson, Kermani, Kwak, and Mitton, 2016](#); [Lambert, 2019](#)).

³[Frisell, Roszbach, and Spagnolo \(2009\)](#) review central bank governance, which in most countries hold banking supervisory powers. [Kalmenovitz, Vij, and Xiao \(2025\)](#) study legal provisions to prevent supervision-to-industry moves that apply to US regulatory agencies, including financial supervisors.

competent supervision may either benefit incumbent banks through greater stability and predictability or reduce rents by strengthening oversight and competition. Related, 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 competence 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.

Overall, the *net* effect of reverse revolving door appointments on supervised banks is therefore theoretically ambiguous and likely to vary with executives' backgrounds and institutional settings. Thus, the overall stock-market response to appointments remains an empirical question, but it is important to interpret our evidence cautiously. The event-study results capture investor expectations around appointments rather than realized supervisory actions and cannot fully disentangle proximity from competence channels.

3 Data

Appointment information: 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, which are listed in Panel A of Table A.1. Typically, one NSA supervises the banking sector except in Austria, Germany, and the UK, where two institutions share this responsibility.⁴ We construct a comprehensive dataset on all full-time executive directors serving on the management board of sampled NSA by manually collecting their career paths from CVs.

⁴The 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, 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.

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 have a management-level background in the same appointing supervisory institution. We identify 21 appointments in which the executive director has a direct CV link to one of the listed banks in the sample. More specifically, we define a direct CV link as one in which the individual held a position at the connected bank, or at one of its predecessor entities, at any point based on the job spells available to us.

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.

This procedure identifies the announcement dates of 146 out of 153 appointments. When NSA appoint multiple executives simultaneously, we classify career paths when at least one appointee meets a criterion, such as past employment in banking. We exclude these noisily measured multiple appointments in robustness tests. Due to multiple appointments, the number of distinct NSA-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 with

a broader coverage from the BoardEx database for the same period and countries to compare traits of appointees in financial supervision (or banking) relative to all sectors 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, with available starting dates. We use information on non-executive spells to measure job experience prior to an appointment, but exclude spells in clubs, medical institutions, charities, sport clubs, and armed forces. Note that BoardEx typically collects information on executive directors, including prior employment histories, at *listed* companies and their subsidiaries. Stints at supervisory institutions, non-listed companies, or in academia therefore usually appear “indirectly”.⁵ The approach to identify positions at executive level based on reported job titles entails a trade-off between the benefit of a larger sample and the cost of potential misclassifications of (non-)executive positions. Therefore, the main analysis hinges on the manually collected data.

Bank and return data: To construct the bank sample, we start from the list of entities supervised by the Single Supervisory Mechanism (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 Bankscope and Bankfocus, and stock market data in BPS. The final sample comprises 42 supervised banks (see Panel B of Table A.1). Country-level macroeconomic data are obtained from Datastream. Stock returns and ratios computed from accounting data are trimmed at the 0.5% and 99.5% level to mitigate the impact of outliers. Table 1 describes bank-level and aggregate data. Variables are defined in Appendix Table A.2.

⁵We observe at least one job spell in BoardEx for ten of the 13 banking NSA in Panel A of Table A.1, missing out the Nationale Bank van België the Central Bank of Ireland, and Sveriges Riksbank. In addition, BoardEx identifies spells at various NSA of financial markets and EU supervisory authorities.

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 directors 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.

4.1 Reverse revolving door patterns in European banking

Consider first career trajectories and managerial experience prior to appointments. The executive sample from BoardEx that corresponds to the event study below is summarized in Table 2. We compare executive directors at NSA (columns 1-3) to those at supervised banks (columns 4-6) upon appointment and test the significance of these differences (columns 7-8). Most executives at NSA have prior experience in the public sector (91.5%), specifically in financial supervision (69.3%).⁶ 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, substantially less than the 8.7 spells of bank executives. These differences are typically statistically significant. Fewer previous spells of regulators are in line with Lucca et al. (2014), who show similar evidence for the US. They conclude that regulators have an inherently lower job mobility, a notion corroborated by the fact

⁶We define financial supervision broadly to include the NSA in Panel A of Table A.1, financial markets authorities, central banks, as well as supranational institutions, such as ECB, IMF, and BIS.

that only 43.1% of sampled executive directors held previous management positions below the board-level in the same institution. An average of 4.4 previous positions in the public sector also suggests that internal progression is the typical career path in regulation.

These descriptive statistics provide a first indication of reverse revolving doors. Across all NSA, 38.6% of executives have a background in the finance industry, which is likely an upper bound as it also captures early-career employment in the finance industry. 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 differences in management experiences across NSA. 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 graph. 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 include executives with prior banking-sector experience, indicating that reverse revolving doors are a salient feature of EU banking supervision. This pattern exhibits substantial cross-country and temporal heterogeneity. In Spain and Sweden, former bank managers account for roughly half of all executives with prior management experience. Austria, Belgium, Germany, the Netherlands, and the UK have consistently appointed bankers or non-bank financial executives since 2002. These shares are stable over time, except in a few countries, e.g. the Netherlands.

Second, the positive domain of each panel shows that several countries primarily ap-

point NSA executives from within their own organizations (light blue) or from other financial supervisory authorities (dark blue). Internal promotion is common in Austria, Belgium, France, Germany, Spain, Italy, and the Netherlands. It is particularly pronounced at Banca d'Italia. All but one executive had prior internal management experience before appointment. Regarding demographics, executive NSA directors are on average older (53.6 vs. 52.6 years) and more likely to be female (20.9% vs. 6.4%) than in banking, see Figure A.1. Most institutions display rising female board representation (see also Hospido, Laeven, and Lamo, 2019).

Third, the negative domain of each panel shows that some national supervisors recruit executives from a broad range of private-sector backgrounds. This diversity is most pronounced in the UK and is also evident in Germany, Spain before 2014, and the Netherlands before 2012, where executive shares are evenly distributed across private industries.

Table 2 shows across supervisors and banks that a background in economics or related subjects (66.4%) or in law (30.7%) prevails among NSA executives. The highest degree is a Ph.D. for 35.3% of the individuals in supervision, as opposed to 10.0% of bankers.⁷ Noting that academic and finance backgrounds are not mutually exclusive, finance experience comes predominantly from banking.

Finally, we look at these professionals' career trajectories following their term as NSA executives. We focus on the 41 executives with prior experience in the finance sector that were appointed during the sample period, but no longer serving on an NSA executive board as of 2019. We classify a professional as moving to a certain sector (e.g., banking) if the first full-time job after serving as a NSA executive is in that sector. Figure 2 visualizes the distribution of post-NSA career outcomes. Half of them (23) returned to a position in

⁷In the vein of Figure 1, Figure OA.1 in the Online Appendix visualizes cross-country differences in terms of education and academic background for each country and year. Countries that predominantly recruit executives from public administration show the lowest prevalence of academic, and especially highly specialized faculty, backgrounds. In contrast, such profiles are more common on NSA boards in small, open economies, notably Austria, Belgium, and the Netherlands. Figure OA.2 further illustrates that most executives have an educational background in economics, except in France and Germany.

the private industry, invariably in finance: six in banking, five in insurance, and the rest in other branches of the financial sector. Only one executive went back to the same bank. Six of them continued with a different position within financial supervision, while three of them entered public administration. The rest of the executives returned to academia (5), retired (3) or passed away (1). All in all, these data confirm a substantial flow of highly qualified professionals between financial supervision and the financial industry.

4.2 *Determinants of appointments in supervision vs. banking*

Non-parametric evidence: 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 financial supervision authorities—a broader category than NSA from the baseline analysis—during the sample period. Reappointments are relatively rare and executives’ terms in supervision average consequently around five years. Nine out of ten appointees have no prior executive-level experience in supervision.⁸ But many have executive experience in other sectors, ranging from a minimum of around 30% in 2007 to a maximum of roughly 100% in 2013, 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

⁸BoardEx 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).

authorities, central banks, as well as EU and international institutions. Around 11% of them previously held executive-level positions in supervision, 3% in banking, and 4% in other areas of public administration before. 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.⁹ Overall, when not co-opting internal candidates, supervisory authorities seem to draw from a diverse pool of experienced professionals. Panel D documents that banks attract seasoned appointees primarily from nonfinancial firms, banks, and other financial firms, but rarely from the remaining categories. As such, bank executives appear to be recruited from a less diverse pool compared to supervisory authorities’ boards.

Parametric evidence: Appointments are the result of a two-sided matching process between candidates 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. We employ cross-sectional regressions of this form:

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

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., $k = \{\text{Financial supervision; Banking}\}$. The

⁹Based on BoardEx’s detailed industry classification, we define eight broad groups: financial supervision, nonfinancials, banking, insurance, other finance, public administration (excluding financial supervision), and academia. Where BoardEx lacks sector information, we manually identify employers and assign an industry, or classify the spell as “unknown” if classification is not possible.

vector $\mathbf{X}_j$ comprises executive traits at the time of appointment (age, gender, size of the personal network, several proxies for professional experience). We specify fixed effects for the executive’s level of education γ_e , nationality (γ_n), and the appointment year (γ_t) and double cluster standard errors by executive nationality and year of appointment.¹⁰

Table 3 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. When specifying appointments to banks, financial supervisor appointments represent non-events and vice versa, except in columns 4 and 8. 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. These 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](#)). This result, together with Panel C of Figure 3, which documents a substantial presence of finance experts in supervision, does not negate the existence of reverse revolving doors. It suggests that finance expertise among executives is in as high demand in financial supervision as it is in other industries. In column 4, we confine the sample to appointees with prior executive experience in banking to investigate cross-

¹⁰ The short sample period 2002–2019 violates the rule of thumb of having at least 30–50 clusters to ensure consistency. Therefore, we apply the [Cameron, Gelbach, and Miller \(2011\)](#) adjustment and ensure that clustering standard errors only by executive nationality does not alter inference qualitatively.

industry moves. This requirement reduces the sample drastically, which implies generally statistically insignificant effects. For this sample of experienced bankers, older executives are statistically more likely to join supervisory authorities.

In columns 5 to 8 of Table 3, we repeat the analysis for appointments by banks. New bank executives are older, with larger networks and more diverse industry backgrounds, but have previously held fewer positions compared to 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 diversity in industry background, the effects are insignificant as statistical power is even lower compared to appointments of experienced executives to supervisory authorities.

Online Appendix A examines whether monetary incentives help explain reverse revolving doors, using ECB executive compensation and BoardEx bank executive pay data. Although banker compensation is higher on average, it is also substantially more volatile, whereas supervisor pay is sizable, stable, and in some country-years comparable to or above average banker compensation (Figure OA.3). However, as shown in Table OA.1, higher supervisor-to-banker relative pay does not predict more moves into supervision. Instead, it is associated with fewer cross-sector appointments in both directions, suggesting that the pay ratio may capture lower willingness to hire sector outsiders during turbulent periods rather than executives' responses to relative remuneration alone.¹¹

¹¹Related, Lucca et al. (2014) argue that returns to skill in regulation vary over the business cycle and Bond and Glode (2014) theorize that banks are a less attractive occupation opportunity during recessions due to lower fixed-to-variable compensation shares. Only few observable quality traits of hired executives are statistically different during recessions. To conserve on space, we therefore provide a more

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 the reverse revolving door between banking and supervision documented above, this hiring pattern is not exclusive to the supervisory sector. In fact, it appears that banker directors are demanded across industries. What remains to be tested is whether and how the reverse revolving door for bankers into supervision is valued by bank investors and impacts bank policies.

5 Event study around executive appointments by NSA

We assess next if and how bank shareholders value the appointment of finance experts to the executive boards of NSA. To that end, we mobilize an event-study setting to gauge stock-market expectations at the time of the appointment announcement.

5.1 Empirical specification and assumptions

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 panel regressions of the form:

$$r_{it} = \alpha + \sum_{\tau=-k}^k \overline{\text{AR}}[\tau] \cdot \mathbb{1}_{\{\text{Appointment at } t=t^* \text{ in } c, \tau\}} + \eta_i + \eta_t + \epsilon_{it}, \quad (2)$$

where r_{it} is the stock market return of bank i on trading day t , as measured in calendar time. Throughout the analysis, we employ daily arithmetic returns, expressed in percentage non-annualized terms. The indicator variable $\mathbb{1}_{\{\text{Appointment at } t=t^* \text{ in } c, \tau\}}$ is equal to 1 on

extensive analysis of possible heterogeneity over the cycle in the Online Appendix.

day τ from trading day $t = t^*$ at which a NSA of host country c where the bank is based appoints an executive, and 0 otherwise. k defines the width of the event window over which we estimate abnormal returns (AR). 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 bank fixed effects (η_i) to account for time-invariant, unobservable differences across banks, and with day fixed effects (η_t) to gauge market-wide fluctuations. We compute standard errors following [Driscoll and Kraay \(1998\)](#), with bandwidth given by $bw = \text{floor} \left[4 \times (T/100)^{2/9} \right]$, where T is the length of the sample period. Thereby, we account for cross-sectional and serial correlation in errors.¹²

The parameters of interest are indicated by $\overline{\text{AR}}[\tau]$, where $\tau = [-k, k]$. Each parameter estimate $\overline{\text{AR}}[\tau]$ measures the average AR across all banks for day τ around the executive appointment. We compute the average cumulative AR (CAR) between, for example, day τ_1 and day τ_2 as $\overline{\text{CAR}}[\tau_1, \tau_2] = \sum_{\tau=\tau_1}^{\tau_2} \overline{\text{AR}}[\tau]$. AR are defined relative to all periods outside of event windows between 2002 and 2019, which constitute the estimation window. It is worth noting that the event-study results capture stock-market expectations at the time of the appointment announcement, not actual future supervisory actions.

An important assumption of this specification is that we associate executive appointment events at a NSA with valuation effects for the banks that it supervises. For example, executive appointments at the Bank of Italy bear mostly valuation implications for Italian banks. This assumption is in line with the home-country principle in banking supervision paired with a single banking license in the European Single Market, which entails that the supervisor of the jurisdiction where a bank is chartered is charged with supervision ([Koetter and Nguyen, 2025](#)). Two issues may raise concerns about this assumption.

First, since November 2014 significant banks are supervised by the SSM and no longer

¹²We estimate specification (2) using IVREGHDFE ([Baum, Schaffer, and Stillman, 2010](#); [Correia, 2018](#)).

by NSA alone. We test in the Online Appendix whether the introduction of the SSM alters headline effects. Second, some sampled banks are internationally active such that executive appointments at NSA in jurisdictions other than the host country may have possible ramifications 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 4 shows coefficient estimates for different types of appointments specified in equation (2). Throughout, we show average AR in Panel A and average CAR in Panel B. Column 1 pertains to all 123 appointment events. The average event-day AR of -0.118% is statistically insignificant at conventional levels as are cumulative abnormal returns that yield insignificant point estimates of $\overline{\text{CAR}}[0, 1]$, $\overline{\text{CAR}}[-1, 1]$, and $\overline{\text{CAR}}[0, 5]$ at -0.076% , -0.204% , and -0.255% , respectively. We also do not find evidence of anticipation effects, with all pre-event average AR as well as $\overline{\text{CAR}}[-5, -1]$ being statistically insignificant. For the sake of brevity, event study tables report only $\overline{\text{AR}}[-1]$, $\overline{\text{AR}}[0]$, and $\overline{\text{AR}}[1]$.

Since pooling all appointment events may conflate the effects of executives' bias and competence, 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), whereas column 3 depicts abnormal returns for appointments of executives with a finance background (52 events). Average AR and CAR are in either case not significantly different from zero at conventional levels.¹³

The results so far point to a limited impact of executives' industry background on bank valuations, possibly because the proximity bias and competence channels offset each other. We focus on the former channel in column 4 by restricting the analysis to 19 appointments of executives who held a position in at least one of the supervised banks in the sample. 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. 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%. The magnitude of this reaction is moderate: for instance, $\overline{\text{AR}}[0]$ amounts to 22.31% ($= 0.489/2.192$) of the standard deviation of daily returns over the regression sample. These results are robust to a variety of scrutiny tests, which are available and motivated in more detail in Online Appendix C.¹⁴

As discussed in Section 5.1, our empirical design rests on the assumption that cross-country spillovers of NSA supervision activity are absent. To assess the soundness of this assumption, we exploit the introduction of SSM in November 2014, after which significant banks have been no longer subject to NSA supervision. Therefore, we test if national valuation effects change once supervision is transferred from the national to the

¹³We consider (managerial) experience in industries other than finance in Online Appendix B. Only a background in public administration other than financial supervision appears to elicit a significant market reaction, albeit negative (see Tables OA.2 and OA.3).

¹⁴These include a specification in event rather than calendar time (Table OA.4), one-way clustered standard errors by country-month (Table OA.5), alternative outlier adjustments of returns (Table OA.6), event windows (Table OA.7), fixed effects schemes (Table OA.8), controls for country-level sovereign spread (Table OA.9), and the exclusion of banks from Sweden and the UK (Table OA.10). Stock market responses may also yield offsetting effects over the business cycle or due to confounding news events. We scrutinize both alternative narratives extensively in Online Appendices D and E (Tables OA.11–OA.15).

supranational level for all but those banks located in Sweden and the UK. These results are provided in in Tables [OA.16](#) and [OA.17](#) and discussed in Online Appendix [F](#). In a nutshell, they corroborate the baseline findings in support of a “proximity bias” instead of “competence” differences. 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, these scrutiny checks therefore render our approach to focus on within-jurisdiction valuation effects a reasonable baseline scenario.

To gauge the economic significance of our findings, we also study the (lack of) persistence of these valuation effects. Based on the analysis in Table [4](#), Figure [4](#) shows the estimated AR (Panel A) and CAR (Panel B) over the event window. Reassuringly for the validity of the event-study setting, AR are statistically indistinguishable from zero before the event. For the whole sample of appointments, AR are also close to zero after the event. Relatively narrow confidence bands suggest rather lackluster investor reactions to the designation of the average NSA executive. This result maps into CAR that hover around zero after the announcement day. The picture changes if we look at banks with a direct CV link with appointees. The AR are largest and statistically significant on the event day and the following one. Accordingly, CAR are positive and statistically significant on day 0 and 1, before declining to zero afterwards. This reaction may indicate a proximity 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 \(2018\)](#). Put differently, European stock markets value the rare occasions when executives with a direct CV link to supervised banks are appointed to the NSA positively, but these responses appear to be short-lived and economically modest.

Overall, the pervasive presence of former finance professionals in NSA executive boards associates mostly with indiscernible effects on supervised banks’ stock valuations. Return responses are only significantly positive for those banks whose former executives join NSA

boards. We interpret this evidence pertaining to directly linked appointees as support of a (weak) bias effect, i.e., a more benevolent treatment of supervised subjects by former bankers on the boards of NSA. This “proximity” narrative is further supported by disparate valuation effects between former employers and competing banks, which is hard to reconcile with the alternative narrative of “competence differences” among appointees.

Regarding this latter point, Table A.3 shows in columns 1-3 the stock market reaction to the 19 NSA appointments with a direct CV link, distinguishing between linked banks and those competing with them within the same host country. Former employers of the appointees exhibit significantly positive AR and CAR in the days immediately after the announcements. Importantly, competing banks experience adverse valuation effects, with significantly negative $\overline{AR}[-1]$, $\overline{AR}[1]$, and $\overline{CAR}[-1, 1]$. Potentially, competing banks may suffer more from regulatory cronyism favoring the directly linked bank rather than gain from the superior financial expertise of these executives. Moving to appointments by banks rather than NSA in columns 4-6, stock market reactions are overall weak. If anything, appointing banks exhibit significantly more negative stock market reactions in the days surrounding the appointment than competing ones.

5.3 *Turnover in executive boards*

Stock market reactions to appointments to NSA boards may also reflect different types of turnover events, of which we differentiate three. First, appointments that add more recent industry experience to NSA boards. Second, those that entail net changes of skills when contrasting the professional background of a designated new executive against that of the leaving individual. Third, we distinguish planned from unplanned turnovers.

In Table 5, we consider 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 five years prior to the appointment as recent. In all four samples, abnormal

returns are significantly more positive to appointments of individuals with recent industry experience at the 10%-level on the appointment day, i.e. $\Delta\overline{AR}[0]$. Cumulative abnormal returns are also significantly positive up to five days after the appointment, $\Delta\overline{CAR}[0, 5]$, in all four samples. The largest and most pervasive effects obtain for the sample of appointees with recent experience in banking when excluding multiple appointments in column 4. Hence, markets appear to react particularly more positively to recent banking rather than general management-level experience.

Online Appendix G provides additional evidence on the mechanisms behind banks' valuation responses to NSA executive appointments. Table OA.18 compares incoming executives with the executives they replace, studying whether market reactions depend on the net change in board skills: changes in finance experience have little effect, whereas gaining or losing an executive with a CV link to the bank is associated with positive or negative valuation effects, respectively. Table OA.19 provides some evidence that diversity-enhancing appointments are valued positively only when they add finance experience that complements the incumbent board. Finally, Table OA.20 suggests that post-office cooling-off restrictions do not significantly affect market reactions, whereas pre-public office restrictions are associated with more negative valuation effects, consistent with such rules mitigating concerns about supervisory bias.

6 Bank-level outcomes and the background of supervisors

The event studies above capture short-term investor reactions to individual executive appointments. We next examine if changes in the composition of NSA boards correlate with supervised banks' balance-sheet outcomes over a longer horizon. Fewer degrees of freedom and an indirect relationship between bank-level outcomes and executive appointments inevitably imply statistically weaker evidence in this setting. Therefore, we interpret the

analysis below as descriptive and complementary to the event-study evidence.

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

The unit of observation is bank i in year t and y_{it} is either the Tier 1 capital ratio or asset growth. All explanatory variables are lagged by one year. The variable z_{ct-1} measures the share of NSA executives with prior finance experience in country c , either based on any finance experience or prior management experience in finance. X_{it-1} includes standard bank-level controls, namely the cost-to-income ratio, the logarithm of total assets, the loans-to-assets ratio, the deposits-to-assets ratio, and an indicator equal to one if at least one executive at the bank or one of its subsidiaries previously served as a supervisor. Bank fixed effects (η_i) absorb time-invariant heterogeneity across banks and countries, while year fixed effects (η_t) capture common macroeconomic conditions. Standard errors are double-clustered by bank and year.

Table 6 reports the estimates for equation (3). Columns 1–4 use the Tier 1 capital ratio as dependent variable, while columns 5–8 consider asset growth. Odd (even) columns include (exclude) Swedish and UK banks. Overall, the estimated relationships are economically modest and statistically imprecise. We do not find robust associations between the finance background of NSA executives and supervised banks’ capitalization or asset growth. The only exception is a weakly significant negative association between Tier 1 capital ratios and the share of supervisors with prior management experience in finance. Given the limited sample size and modest within-country variation in NSA board composition, these estimates should be interpreted cautiously. Online Appendix H shows that these results are qualitatively similar when excluding bank controls (Table OA.21) or bank fixed effects (Table OA.22).¹⁵ Moreover, dynamic estimates in Figure OA.4 show

¹⁵ We cannot specify country-by-year fixed effects, which would control more tightly for confounding country traits that vary over the cycle, due to perfect collinearity with the main explanatory variables.

that the relationship between NSA executives' prior finance experience and bank outcomes varies over time but is generally weak and not consistently estimated across years, with only limited positive Tier 1 capital responses around the Global Financial Crisis and the 2012 ECOFIN decision to establish the SSM.

Overall, while executives with a finance background constitute a substantial fraction of NSA boards, we do not uncover robust evidence that their presence is systematically associated with supervised banks' capitalization or growth policies. The generally imprecise estimates caution to draw strong conclusions about realized supervisory consequences.

7 Conclusion

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

We assemble a comprehensive dataset on the careers of executive directors of banking NSA from selected EU countries. A main insight from these novel data is that former finance professionals are very present on the boards of national banking supervisors in the EU. Around four out of ten executives have prior experience in the finance industry, and one out of four at managerial level. To test if this pervasive reverse revolving door phenomenon affects banks' valuations, we conduct 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. Many responses cannot be estimated sufficiently precisely at conventional levels of significance. The exception

are (weakly) significant, positive, and transitory stock market reactions if the designated NSA executive held a position at financial institutions in the past that are supervised by that NSA. We interpret this result as evidence of possible “proximity” bias in supervision. Further tests confirm that a relevant force driving such a 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.

Long-run analyses of two bank outcomes that are of concern for supervisors, capitalization and asset growth, confirm statistically weak relationships with the fraction of NSA executives having a finance background. The insignificance of NSA executives’ finance background for supervised banks’ policies regarding regulatory capital ratios and asset growth is consistent with a number of non-mutually exclusive explanations: difficulties in measuring NSA executives’ connections with supervised banks, lack of statistical power because of limited sample size, competence and bias effects offsetting each other, NSA internal governance mechanisms preventing biased supervisory actions, and the like.

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Figure 1: Management experience in the boards of 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 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).

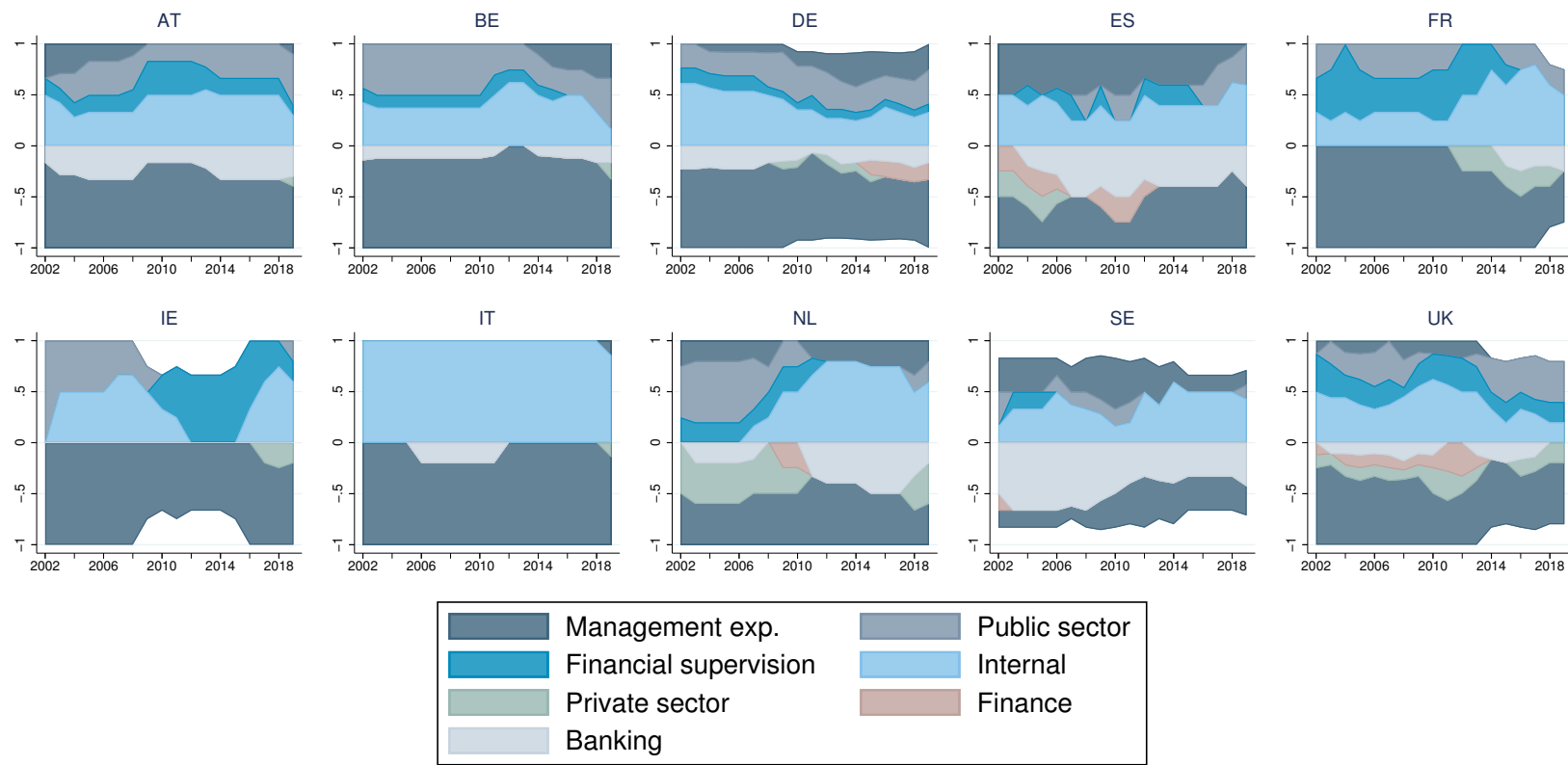


Figure 2: Post-NSA careers

This figure visualizes the empirical distribution of career outcomes for NSA executives with a finance background appointed over 2002-2019 following their term at the NSA. We classify a professional as moving to a certain sector (e.g., banking) if the first full-time job after serving as a NSA executive is in that sector. Each bar of the histogram corresponds to the count of professionals following the career path at hand.

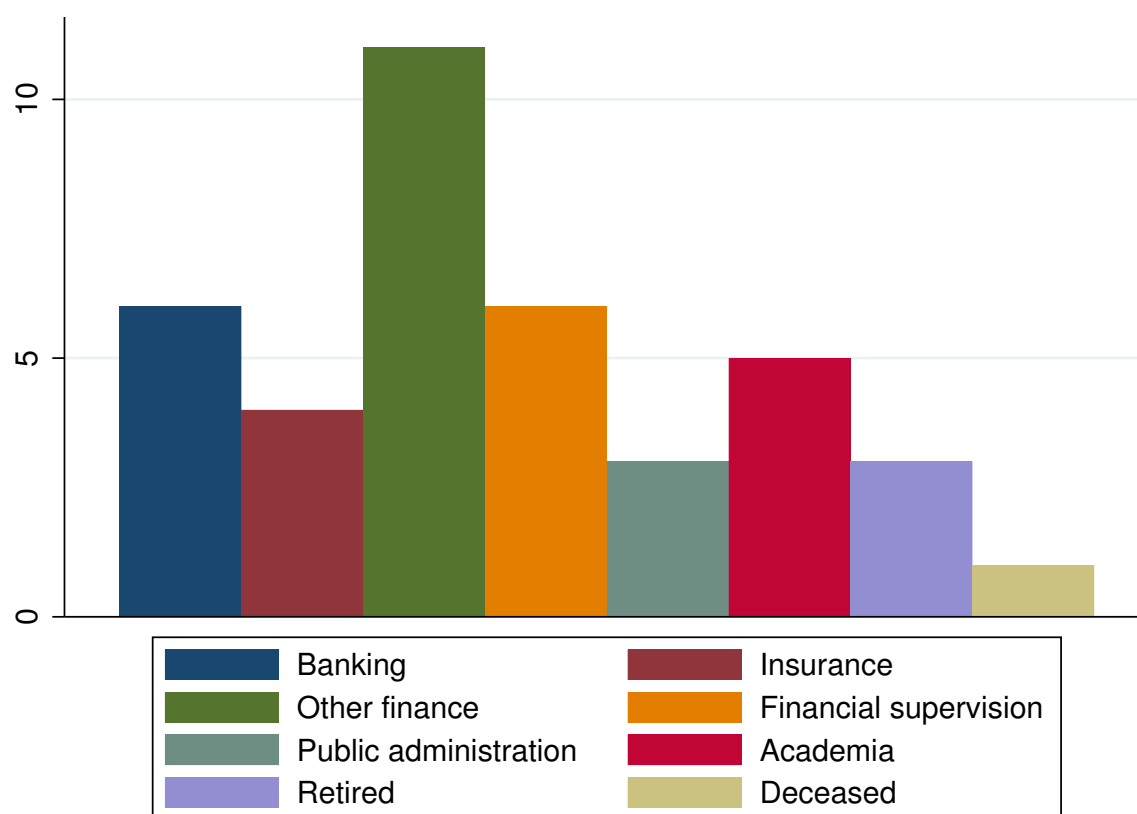


Figure 3: Executive appointments by financial supervisory authorities and banks

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).

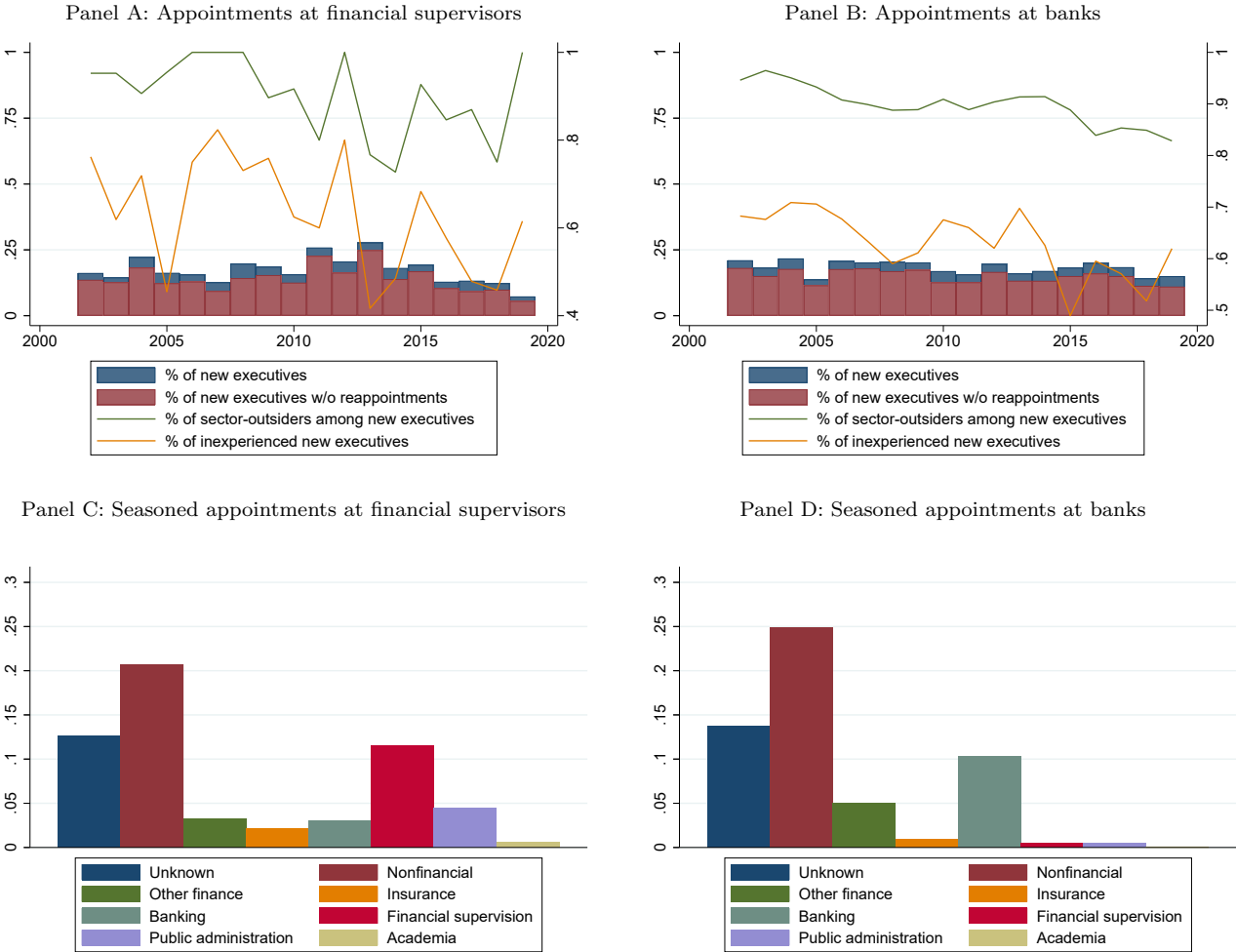


Figure 4: Bank stock reaction to executive appointments at NSA over the event window

This figure visualizes patterns in supervised banks' stock market reaction to national supervisors' executive appointments over the $[-5, 5]$ event window. Estimates both for the whole sample of appointments and for the sample of appointments linked to supervised banks are shown, based on columns 1 and 4 of Table 4, respectively. Panel A focuses on daily AR, Panel B on CAR from day 0 around the appointment day up to day τ . Reported AR and CAR are based on the estimates shown in Table 4. The vertical bars in the left graph and the shaded areas in the right graph denote 90% confidence intervals, based on Driscoll-Kraay standard errors.

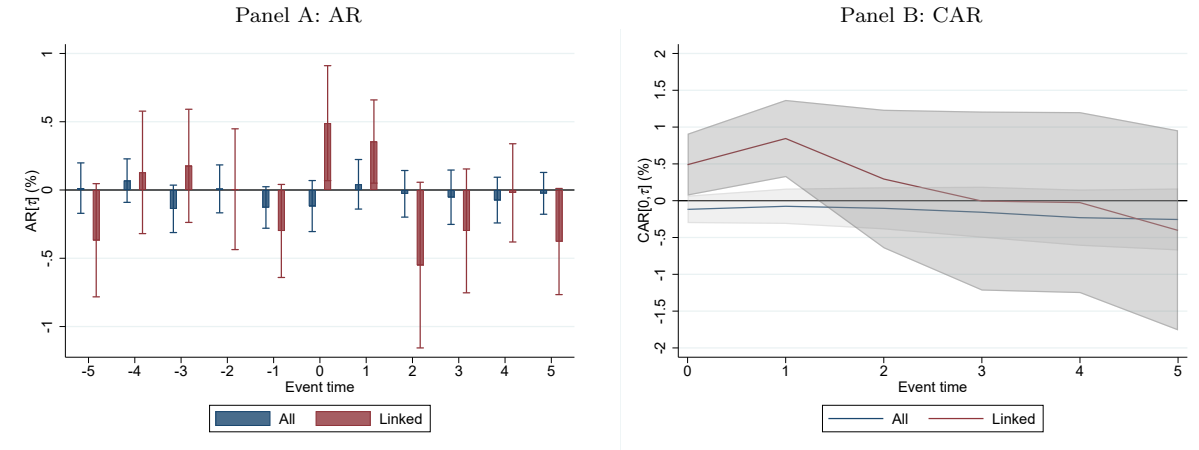


Table 1: Characteristics of banks

This table reports summary statistics for a sample of listed banks from selected EU countries between 2002 and 2019. Refer to Appendix Table A.2 for variable definitions.

	Obs. (1)	Mean (2)	SD (3)	P25 (4)	Median (5)	P75 (6)
<i>Bank-level market information</i>						
Stock return (%)	165,029	0.007	2.191	-1.047	0.000	1.031
<i>Bank-level accounting information</i>						
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	0.187	0.390	0.000	0.000	0.000
<i>Country-level market information</i>						
Sovereign credit spread (bps)	45,005	1.468	1.185	0.639	1.297	2.085
<i>Aggregate market information</i>						
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 or supervised banks 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 NSA or bank. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

	NSA			Banks			Mean-comparison test	
	Obs. (1)	Mean (2)	SD (3)	Obs. (4)	Mean (5)	SD (6)	Diff. (7)	t-stat (8)
<i>Public sector experience</i>								
Prior pos. in the public sector	153	0.915	0.280	418	0.163	0.370	0.752	22.893***
No. prior pos. in the public sector	153	4.405	3.130	418	0.366	1.135	4.039	22.655***
Prior pos. in financial supervision	153	0.693	0.463	418	0.045	0.209	0.647	22.952***
No. prior pos. in financial supervision	153	2.229	2.472	418	0.055	0.293	2.174	17.668***
<i>Private sector experience</i>								
Prior pos. in the private sector	153	0.510	0.502	418	0.967	0.180	-0.457	-16.024***
No. prior pos. in the private sector	153	1.503	2.134	418	8.684	5.819	-7.181	-14.894***
Prior pos. in the finance industry	153	0.386	0.488	418	0.962	0.192	-0.576	-20.239***
No. prior pos. in the finance industry	153	1.033	1.599	418	7.423	5.412	-6.391	-14.371***
<i>Management experience</i>								
Prior manag. pos.	153	0.954	0.210	418	0.909	0.288	0.045	1.775*
Prior manag. pos. in finance industry	153	0.242	0.430	418	0.833	0.374	-0.591	-16.050***
Prior manag. pos. in the public sector	153	0.810	0.393	418	0.017	0.128	0.794	36.349***
Prior manag. pos. in financial supervision	153	0.562	0.498	418	0.005	0.069	0.557	22.343***
Prior manag. pos. in the same institution	153	0.431	0.497	418	0.490	0.501	-0.059	-1.251
<i>Demographics</i>								
Age at appointment	141	53.631	6.917	365	52.693	8.587	0.938	1.160
Female	153	0.209	0.408	373	0.064	0.246	0.145	4.996***
<i>Education</i>								
Holds a Ph.D.	153	0.353	0.479	418	0.110	0.313	0.243	7.039***
Economics	140	0.664	0.474	.	.	.		
Law	140	0.307	0.463	.	.	.		

Table 3: 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 is 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 (columns 3 and 7); (iv) appointments with prior executive experience in banking (column 4); (v) appointments with prior executive experience in financial supervision (column 5); (vi) appointments with prior executive experience in public administration (column 6); (vii) appointments with prior executive experience in banking (column 7); (viii) appointments with prior executive experience in insurance (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 double-clustered by executive nationality and year of appointment. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

Dependent variable (y)	Appointment at financial supervisor				Appointment at bank			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Age	0.020*** (0.005)	0.017** (0.007)	0.015** (0.006)	0.101*** (0.035)	0.100* (0.052)	0.113* (0.058)	0.037 (0.030)	1.000 (0.764)
Female	0.591*** (0.086)	0.412*** (0.140)	0.402** (0.174)	0.482 (1.418)	-0.218 (0.275)	-0.081 (0.245)	-0.426 (0.351)	-3.798 (5.366)
ln (Network size)	0.185*** (0.028)	0.136*** (0.040)	0.123*** (0.018)	0.338 (0.325)	0.953*** (0.247)	0.855*** (0.223)	0.455*** (0.076)	0.619 (4.202)
No. positions	-0.084** (0.030)	-0.020 (0.027)	-0.140** (0.049)	-0.205 (0.174)	-0.329*** (0.083)	-0.234** (0.086)	-0.318*** (0.066)	-1.060 (2.396)
No. prior sectors	0.790*** (0.157)	0.540*** (0.171)	0.807*** (0.166)	0.585 (0.543)	2.103*** (0.722)	0.263 (0.402)	2.951*** (0.730)	6.944* (3.337)
Exec. exp. in fin. supervision			50.167*** (3.353)				-0.913 (2.258)	
Exec. exp. in public administration			1.907** (0.771)				-4.330*** (1.174)	
Exec. exp. in banking			0.109 (0.407)				35.529*** (3.239)	
Exec. exp. in insurance			0.582 (1.006)				-3.127* (1.547)	
Exec. exp. in other finance			-0.124 (0.372)				-2.206** (0.803)	
Exec. exp. in nonfin. sector			-0.212 (0.341)				-4.861*** (1.362)	
Exec. exp. in academia			-2.114*** (0.648)				-6.994** (2.659)	
Exec. exp. in unknown sector			-0.262*** (0.065)				-2.916** (1.192)	
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 period	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019
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

Table 4: Bank stock reaction to executive appointments at NSA

This table reports the results from an event study on daily bank stock returns around announcements of NSA executive appointments. The estimates are based on the specification in equation (2). Panel A reports estimates of average $\overline{AR}[\tau]$ for selected days τ : the day before the event [-1], the event day [0] and the day after the event [1] (each of them corresponds to the coefficient estimate for the appointment indicators). Panel B reports estimates of average $\overline{CAR}[\tau_1, \tau_2]$, i.e., the sum of AR between day τ_1 and day τ_2 around the appointment date. Further details on the regression specification are provided below (fixed effects scheme, sample of appointments in terms of professional background, number of appointment events, number of banks affected by them, etc.). Driscoll-Kraay standard errors are reported in parentheses. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

Dependent variable (y)	Stock return (%)			
	(1)	(2)	(3)	(4)
Panel A: AR				
$\overline{AR}[-1]$	-0.128 (0.092)	-0.185 (0.131)	-0.055 (0.117)	-0.300 (0.207)
$\overline{AR}[0]$	-0.118 (0.114)	-0.200 (0.158)	-0.010 (0.159)	0.489* (0.256)
$\overline{AR}[1]$	0.042 (0.110)	0.030 (0.160)	0.053 (0.138)	0.355* (0.185)
Panel B: CAR				
$\overline{CAR}[-5, -1]$	-0.175 (0.254)	-0.134 (0.391)	-0.241 (0.289)	-0.356 (0.508)
$\overline{CAR}[-1, 1]$	-0.204 (0.175)	-0.355 (0.244)	-0.012 (0.244)	0.544* (0.330)
$\overline{CAR}[0, 1]$	-0.076 (0.146)	-0.170 (0.200)	0.043 (0.218)	0.845*** (0.319)
$\overline{CAR}[0, 5]$	-0.255 (0.256)	-0.407 (0.386)	-0.075 (0.342)	-0.403 (0.827)
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
Sample period	2002-2019	2002-2019	2002-2019	2002-2019
Sample of appointments	All	No finance exp.	Finance exp.	Linked
No. 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 5: Bank stock reaction to executive appointments at NSA and recent industry experience

This table reports the results from an event study on daily bank stock returns around announcements of NSA executive appointments with finance or banking experience, distinguishing between those with recent industry experience and the others. The estimates are based on the specification in equation (2) modified to account for differential responses to NSA executive appointments depending on the how recent the industry experience of the executive is. An appointment is classified as recent if the appointee's held an industry position in the previous five years. Panel A reports estimates of average $\overline{\Delta AR}[\tau]$ when the executive's industry experience is recent for selected days τ : the day before the event [-1], the event day [0] and the day after the event [1]. Panel B reports estimates of average $\overline{\Delta CAR}[\tau_1, \tau_2]$, i.e., the sum of ΔAR between day τ_1 and day τ_2 around the appointment date. Both sets of estimates are computed relative to appointments of executives with non-recent industry experience. Further details on the regression specification are provided below (fixed effects scheme, sample of appointments in terms of professional background, number of appointment events, number of banks affected by them, inclusion of multiple-appointment events etc.). Driscoll-Kraay standard errors are reported in parentheses. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

Dependent variable (y)	Stock return (%)			
	(1)	(2)	(3)	(4)
Panel A: AR				
$\overline{\Delta AR}[-1]$ - Recent experience	0.010 (0.264)	-0.000 (0.284)	0.146 (0.260)	0.120 (0.288)
$\overline{\Delta AR}[0]$ - —"—	0.603* (0.335)	0.616* (0.350)	0.672* (0.386)	0.709* (0.406)
$\overline{\Delta AR}[1]$ - —"—	-0.271 (0.285)	-0.199 (0.309)	0.049 (0.271)	0.172 (0.275)
Panel B: CAR				
$\overline{\Delta CAR}[-5, -1]$ - Recent experience	0.039 (0.651)	0.306 (0.725)	0.118 (0.742)	0.309 (0.830)
$\overline{\Delta CAR}[-1, 1]$ - —"—	0.342 (0.487)	0.417 (0.511)	0.867 (0.539)	1.001* (0.574)
$\overline{\Delta CAR}[0, 1]$ - —"—	0.332 (0.436)	0.417 (0.464)	0.720 (0.478)	0.881* (0.498)
$\overline{\Delta CAR}[0, 5]$ - —"—	1.368* (0.731)	1.342* (0.789)	1.364* (0.789)	1.490* (0.859)
Bank FE	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes
Sample period	2002-2019	2002-2019	2002-2019	2002-2019
Multiple appointments	Included	Excluded	Included	Excluded
Sample of appointments	Finance exp.	Finance exp.	Banking exp.	Banking exp.
No. 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 6: Bank-level outcomes and NSA executives' 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 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 bank and 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 double-clustered by bank and year. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

Dependent variable (y)	Tier 1 cap. ratio				Asset growth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Share of supervisors with experience in finance	0.010 (0.012)	0.014 (0.011)			-0.031 (0.033)	-0.030 (0.037)		
Share of supervisors with management experience in finance			-0.052* (0.025)	-0.004 (0.015)			0.035 (0.062)	0.056 (0.085)
At least one executive with financial supervision experience	0.004 (0.004)	0.009 (0.005)	-0.000 (0.005)	0.007 (0.005)	0.019 (0.012)	0.018 (0.013)	0.024* (0.012)	0.025 (0.014)
Bank control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample period	2002-2018	2002-2018	2002-2018	2002-2018	2002-2018	2002-2018	2002-2018	2002-2018
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

Appendix

Figure A.1: Demographic characteristics in executive boards of 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).

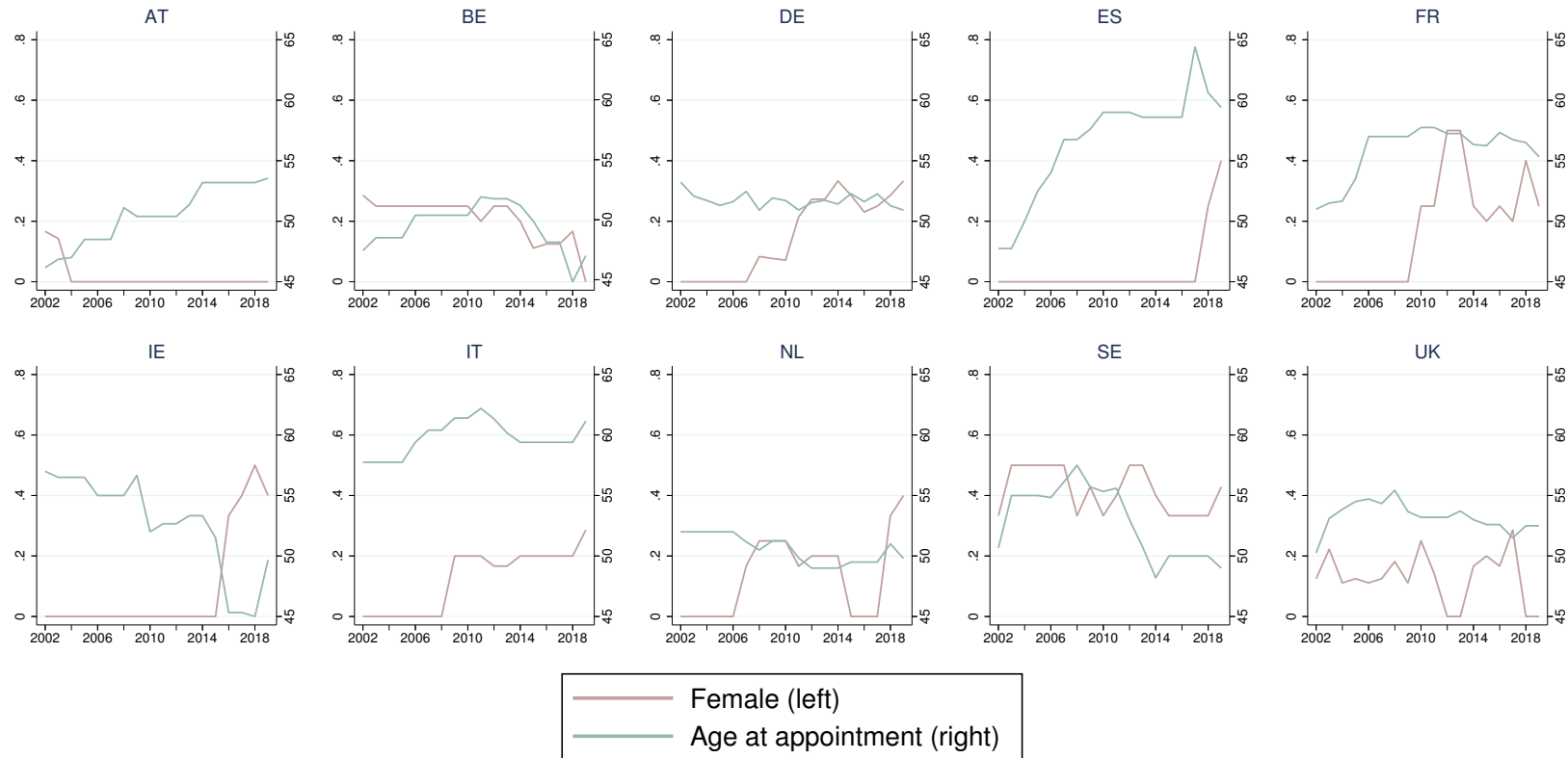


Table A.1: List of NSA and banks

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: NSA

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.2: Definition of main variables

Variable	Databases	Definition
Stock return	BPS	Daily stock return, expressed in percentage non-annualized terms.
Appointment	Manually collected, BPS	Indicator equal to 1 on the day of an announcement of an appointment of a new executive director at a NSA 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. Note that for linked appointments, the indicator equals one only for banks to which the individual has a direct CV link, defined as having held a position at the bank, or at one of its predecessor entities, at any point based on the job spells available to us.
Share of supervisors with (management) experience in finance	Manually collected	Fraction of executives on the board of the bank's NSA that have prior (management) 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.3: Bank stock reaction to NSA and banks' executive appointments

This table reports the results from an event study on daily bank stock returns around announcements of banking NSA or supervised banks' executive appointments. The estimates are based on the specification in equation (2). Specifications in columns 1-3 focus on appointments of executive directors 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 4. 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 5 restricts the analysis to appointing banks. Column 6 studies the stock market reaction of banks competing in a given jurisdiction with the bank making the appointment. Panel A reports estimates of average $\overline{AR}[\tau]$ for selected days τ : the day before the event [-1], the event day [0] and the day after the event [1] (each of them corresponds to the coefficient estimate for the appointment indicators). Panel B reports estimates of average $\overline{CAR}[\tau_1, \tau_2]$, i.e., the sum of AR between day τ_1 and day τ_2 around the appointment date. Further details on the regression specification are provided below (fixed effects scheme, sample of appointments in terms of professional background, number of appointment events, number of banks affected by them, etc.). Driscoll-Kraay standard errors are reported in parentheses. Significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Refer to Appendix Table A.2 for variable definitions.

Dependent variable (y)	Stock return (%)					
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: AR						
$\overline{AR}[-1]$	-0.320*** (0.121)	-0.300 (0.207)	-0.308* (0.159)	-0.181 (0.115)	-0.297* (0.168)	-0.136 (0.136)
$\overline{AR}[0]$	0.195 (0.217)	0.489* (0.256)	0.072 (0.245)	0.014 (0.101)	-0.026 (0.199)	0.029 (0.119)
$\overline{AR}[1]$	-0.254 (0.174)	0.355* (0.185)	-0.468** (0.233)	-0.141 (0.102)	-0.362* (0.189)	-0.061 (0.101)
Panel B: CAR						
$\overline{CAR}[-5, -1]$	-0.518 (0.413)	-0.356 (0.508)	-0.547 (0.498)	-0.127 (0.235)	-0.448 (0.422)	-0.016 (0.243)
$\overline{CAR}[-1, 1]$	-0.379 (0.331)	0.544* (0.330)	-0.704* (0.411)	-0.308 (0.198)	-0.685** (0.348)	-0.168 (0.225)
$\overline{CAR}[0, 1]$	-0.059 (0.312)	0.845*** (0.319)	-0.396 (0.377)	-0.126 (0.146)	-0.388 (0.272)	-0.032 (0.167)
$\overline{CAR}[0, 5]$	0.199 (0.543)	-0.403 (0.827)	0.416 (0.618)	-0.403 (0.256)	-0.661* (0.393)	-0.305 (0.294)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Day FE	Yes	Yes	Yes	Yes	Yes	Yes
Sample period	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019	2002-2019
Sample of appointments	Linked	Linked	Linked	All	All	All
Appointing entities	NSA	NSA	NSA	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