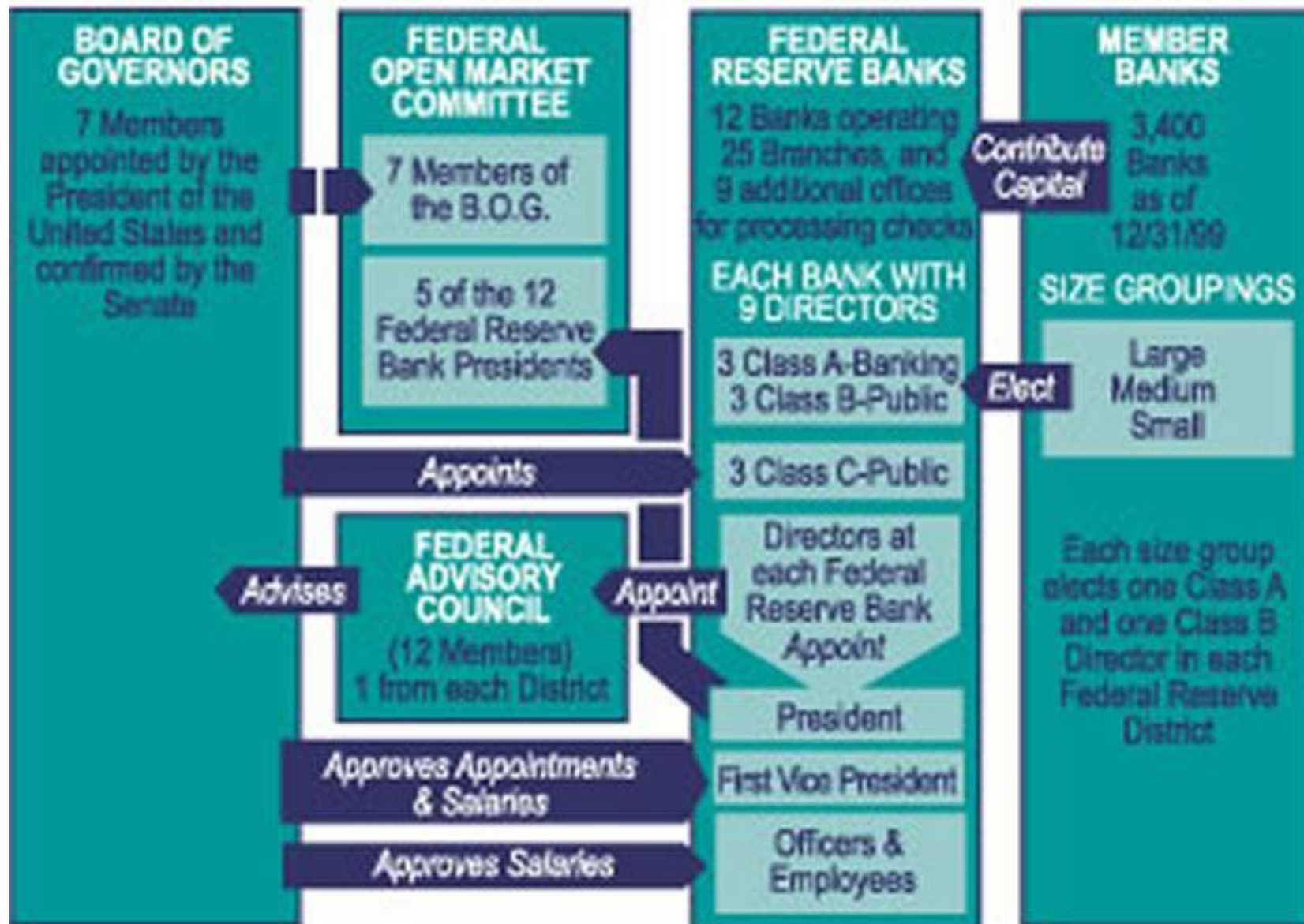


Good News for *Some* Banks

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ORGANIZATION OF THE FEDERAL RESERVE SYSTEM



Source: Board of Governors of the Federal Reserve System. 2

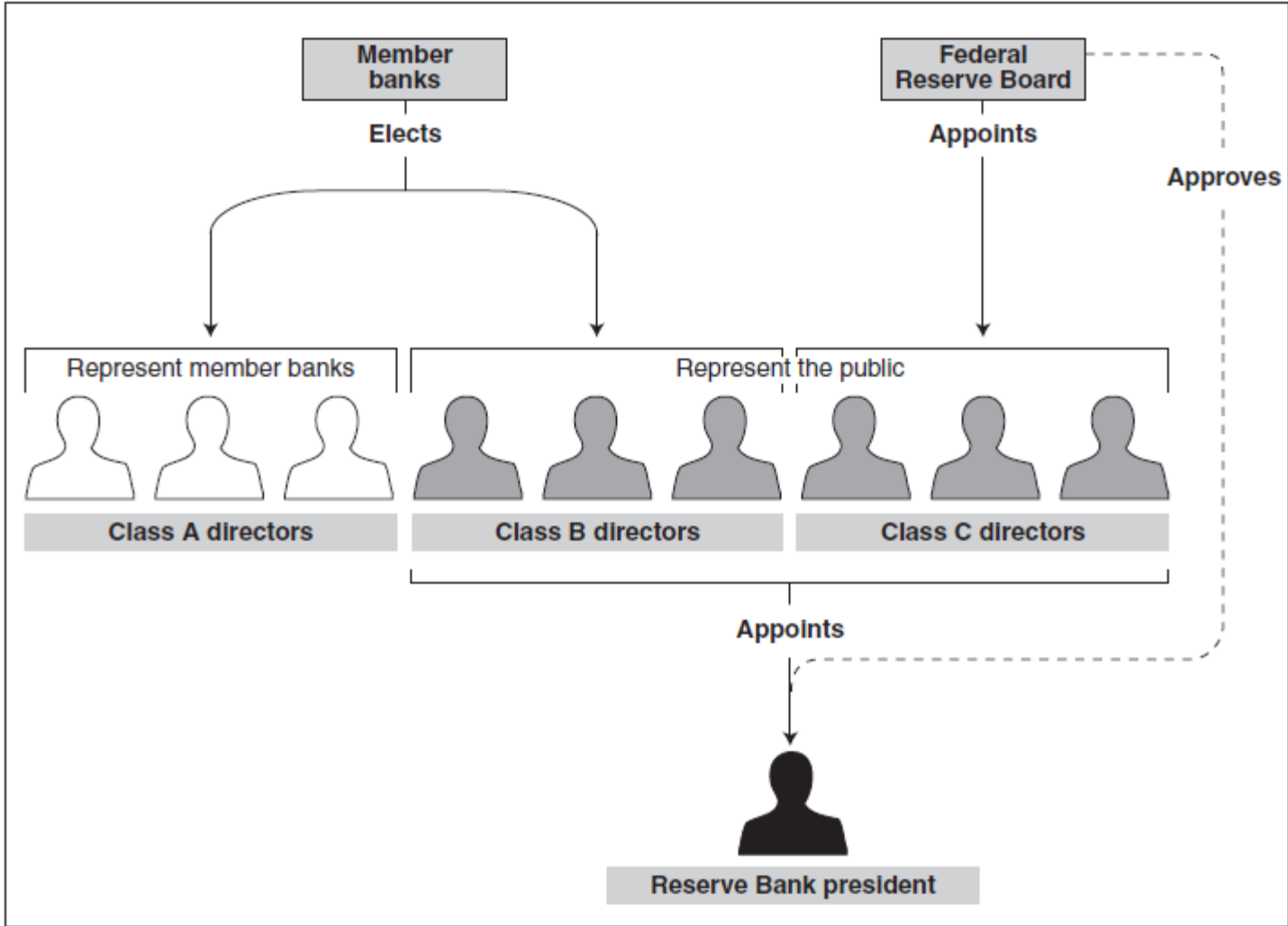
Motivation

- For another project, collected data on bank directors
 - They sometimes sit on Federal Reserve Bank (FRB) boards
- Do banks obtain private benefits?
 - Potential for conflicts of interest since they do not resign from their employers while serving as Fed directors
 - Supervisory leniency? Information?
- Composition of Fed boards debated sporadically at least since 1930s, but still little literature on this topic

Basic Facts about Reserve Bank Boards

- 12 Reserve Banks are separately incorporated not-for-profits
 - Supervised by board of directors
- Board structure determined by Federal Reserve Act
 - 9 directors at each FRB
 - 3 class C directors appointed by Board of Governors
 - 6 directors nominated and elected by member banks in district
 - 3 class B directors represent the public
 - 3 class A directors represent the member banks
- Directors serve staggered terms of 3 years each
 - Generally at most two terms
- For purposes of election, banks grouped by capital into 3 groups: small, medium and large
 - Each group elects one class A and one class B on a rotating basis
 - Each member bank can nominate a candidate and has 1 vote
 - Only 1 subsidiary of a bank holding company can vote

Figure 2: Election and Appointment of Reserve Bank President and Directors



Source: GAO presentation of Federal Reserve Board information.

Analysis

- Case study of board meetings of the New York Fed (Information? Supervisory leniency?)
- Who is elected a director? (Is directorship valuable?)
 - Cannot identify universe of potential employers for nonbanks, but can for banks
- Event study around election for all publicly-traded employers (Valuable? Information?)
- Insider trading by individuals on and off Reserve Bank boards (Information?)
- Enforcement actions (Supervisory leniency?)

Identification strategy

- Benchmark Class As against Class Bs and Cs
- Individual fixed effects in insider trading results
- Instrument for “postfedboard” in EA analysis

Some Selected Results

- Class A directors show up more to board meetings with more reporting officers
- The average stock price reaction to the appointment to the board of a FRB is positive
 - This effect is entirely driven by Class A directors
- The market reaction to insider trades while *on* Fed boards is higher...for banks
- There seems to be a shift in enforcement action type for banks with Fed directorships

Data

- Election data 319 elections (A+B directors) for directors on board between 1990-2009
- “Population” data sets on banks and BHCs 1987-2009
- Enforcement action data 1989-2009
- Minutes of meetings of NY Fed 2007-June 2013
- American Banking Association 1982-2016 (with gaps of 3 years) Wayback Machine of website
- Fortune Most Admired Lists web archives and back issues of magazine 1982-2016 (missing one year)

Table 1: Meetings of the NY Fed

<i>Panel A: Number of meetings and total meeting time</i>						
Variable	2007	2008	2009	2010	2011	2012
Number meetings	41	40	39	41	41	41
Total meeting time (minutes)	1466	1409	1960	1551	1798	1583
<i>Panel B: Average yearly meeting time and attendance per director</i>						
Variable	Obs	Mean	Std. Dev.	Min	Max	
Total time at meetings	55	1603.091	243.188	704	1960	
Board time at meetings	55	1402.382	179.535	670	1604	
Non-Board time at meetings	55	200.709	84.013	34	356	
Attendance	55	0.676	0.210	0.103	1	

<i>Panel C: Meeting characteristics</i>					
Variable	Obs	Mean	Std. Dev.	Min	Max
<i>Type of meeting</i>					
Board	263	0.658	0.475	0	1
Committee	263	0.175	0.381	0	1
Executive Session	263	0.167	0.374	0	1
Telephonic	263	0.551	0.498	0	1
<i>Number of different participants</i>					
Number of people	263	14.152	6.226	6	33
Number of directors	263	5.996	1.557	2	9
Number of Non-Directors	263	8.285	5.642	1	25
Number of A Directors	263	1.913	0.858	0	3
Number of B Directors	263	1.521	0.948	0	3
Number of C Directors	263	2.490	0.629	1	3

Table 4: Director attendance at meetings of NY Fed

VARIABLES	Attend Meeting						
	I	II	III	IV	V	VI	VII
Class A	0.10*** (3.12)						
Class C	0.27*** (11.33)	0.27*** (12.48)					
Finance		0.11*** (3.78)					
Number Reporting Officers			0.02*** (3.23)	0.02** (2.40)	0.02** (2.49)	0.02 (1.65)	0.01* (1.77)
Number of Votes			0.02** (2.33)	0.00 (0.04)	0.00 (0.23)	0.04* (1.69)	0.02** (2.12)
Crisis Years			0.05 (1.12)	0.30*** (4.43)	0.30*** (5.04)	-0.05 (-0.55)	-0.11* (-1.80)
FOMC month			0.04 (1.55)	0.03 (0.70)	0.03 (0.94)	0.06 (1.34)	0.03 (0.88)
NY President at Meeting			0.07*** (2.66)	0.10** (2.49)	0.10*** (2.84)	0.08* (1.84)	0.03 (0.98)
Blacked Out			0.02*** (3.26)	0.03*** (2.71)	0.03*** (3.18)	0.02* (1.69)	0.02* (1.80)
Constant	0.61*** (19.15)	0.58*** (17.89)	0.49*** (11.73)	0.24*** (4.26)	0.30*** (5.29)	0.46*** (5.16)	0.76*** (11.78)
Type of director	All	All	All	A	Finance	B	C
Observations	2,361	2,361	2,361	804	1,032	768	804
Adjusted R-squared	0.067	0.070	0.029	0.094	0.111	0.100	0.031

Evidence suggests...

- Meetings provide information
- Class A directors are more interested in this information

Table 3: Director elections

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
Panel A: Class A elections-Representatives of the banking industry elected by member banks					
Sole election	154	0.13	0.34	0	1
Fill unexpired term	154	0.05	0.22	0	1
Number of other nominees	149	0.45	0.76	0	3
Number of banks nominating elected director	154	9.34	8.08	1	42
Ties to nominating bank	154	0.85	0.36	0	1
Panel B: Class B elections-Representatives of the public elected by member banks					
Sole election	159	0.11	0.31	0	1
Fill unexpired term	159	0.16	0.37	0	1
Number of other nominees	150	0.09	0.33	0	2
Number of banks nominating elected director	159	7.01	6.64	1	46
Panel C: Summary statistics for groups of banks electing directors					
<i>Group 1: Large banks</i>					
Number of banks in group	108	34.19	23.80	7	126
Number of banks voting	108	32.07	23.02	6	126
Lower bound of capital and surplus	121	1.43E+08	2.93E+08	4000000	1.00E+09
<i>Group 2: Medium size banks</i>					
Number of banks in group	105	113.86	67.09	17	299
Number of banks voting	105	108.94	65.24	14	299
Lower bound of capital and surplus	117	6.66E+06	7.86E+06	1500000	3.00E+07
Upper bound of capital and surplus	117	1.30E+08	2.84E+08	4000000	1.00E+09
<i>Group 3: Small banks</i>					
Number of banks in group	106	183.63	97.41	38	520
Number of banks voting	106	177.46	97.33	38	509
Upper bound of capital and surplus	115	7.31E+06	8.49E+06	1500000	3.00E+07

Director elections

- Although A are contested, why so few nominees?
- Bopp (1937): feature of Fed director elections since the inception of the Federal Reserve System
 - Local banking associations control the nomination process. This discourages outsiders from standing for election
 - Bopp (1937, p. 530) as “...it is in these extra-legal procedures that the real control of the A and B directors lies.”

→ Examine this using ABA data

Table 6: Number of nominees

VARIABLES	Number of Other Nominees: Class A and B director positions						Number of Other Nominees: Class A director positions			
	I	II	III	IV	V	VI	VII	VIII	IX	X
Class A	0.344*** [4.13]	0.359*** [4.17]	0.342*** [3.78]	0.340*** [3.67]	0.318*** [3.45]	0.340*** [3.45]				
ABA in Past							-0.460** [-2.55]	-0.494** [-2.63]	-0.358 [-1.70]	-0.162 [-0.91]
Fortune's Top Industry (Past)		-0.216** [-2.98]	-0.187** [-2.68]	-0.172** [-3.16]	-0.125* [-1.92]	0.039 [0.46]	-1.005*** [-4.72]	-0.752** [-3.07]	-0.759** [-3.12]	-0.476** [-2.34]
First term			0.218* [2.11]	0.236** [2.24]	0.210* [1.99]	0.276** [2.58]		0.338* [1.98]	0.321 [1.79]	0.612*** [3.40]
Fill unexpired term			-0.006 [-0.05]	0.005 [0.04]	0.015 [0.13]	0.012 [0.08]		-0.036 [-0.09]	0.004 [0.01]	-0.040 [-0.16]
Group electing				0.128** [2.76]		0.136** [3.04]		0.145* [1.92]	0.158* [2.05]	0.199** [2.72]
Nominating committee			-0.288** [-3.00]	-0.305** [-3.12]	-0.239** [-2.68]				-0.372** [-2.55]	
Number of banks in group					0.001 [1.43]					
Constant	0.123 [0.94]	0.118 [0.87]	0.011 [0.09]	-0.253** [-2.57]	-0.127 [-0.93]	0.142 [0.85]	0.500 [1.78]	-0.011 [-0.06]	0.024 [0.13]	0.622*** [3.27]
Fixed effects	Year	Year	Year	Year	Year	Year/District	Year	Year	Year	Year/District
Observations	307	302	302	302	279	302	153	153	153	153
Adjusted R-squared	0.072	0.082	0.125	0.151	0.131	0.310	0.031	0.077	0.097	0.399

Table 7: Which banks get elected

VARIABLES	Bank employee elected to FRB board				BHC employee elected to FRB board				
	I	II	III	IV	V	VI	VII	VIII	IX
Ln(Assets)	0.279*** [3.73]		0.255*** [3.41]	0.264*** [3.14]	3.282*** [5.92]				3.244*** [5.64]
ABA in Past		0.006** [2.23]	0.006** [2.09]	0.006** [2.06]		0.021** [1.99]		0.012 [1.09]	0.007 [0.60]
Fortune's Top Industry (Past)							0.034*** [3.08]	0.031** [2.52]	0.023* [1.74]
Loans/Assets				-0.892* [-1.95]					0.669 [0.34]
ROA				-0.378 [-0.62]					6.159 [0.56]
Fraction nonperforming loans				-0.841 [-0.40]					-22.472** [-2.20]
Number of acquisitions				0.095 [0.43]					-0.732*** [-3.16]
Salary per employee				0.055 [1.59]					-0.009 [-0.48]
Federal Reserve member	0.002*** [6.10]	0.002*** [6.45]	0.002*** [6.12]	0.002*** [6.11]					
National bank	-0.590 [-1.60]	-0.579* [-1.65]	-0.592 [-1.61]	-0.593 [-1.60]					
No parent	-0.324*** [-2.88]	-0.475*** [-4.60]	-0.322*** [-2.86]	-0.357*** [-3.04]					
Constant	-0.002** [-2.27]	0.002*** [3.38]	-0.002** [-2.06]	-0.001 [-0.93]	-0.041*** [-5.30]	0.002 [1.57]	0.002 [1.52]	0.002 [1.54]	-0.042*** [-5.08]
Observations	212,781	231,458	212,781	210,567	30,252	49,284	49,284	49,284	25,065
R-squared	0.002	0.002	0.002	0.002	0.011	0.003	0.005	0.006	0.014
Adjusted R-squared	0.002	0.002	0.002	0.002	0.010	0.003	0.005	0.005	0.013

Evidence suggests...

- Class A directorships more valuable than B
- Reputation (bank size and ABA leadership) predicts election

Event study around nomination and election for publicly-traded employers

- Of 808 elections+appointments, 269 involve publicly-traded employers
- When does market learn the information?
 - 116 nomination dates (76 class A and 40 class B)
 - 237 election dates (104 class A, 58 class B, 75 class C)
- For banks: if parent is public use parent company information

Features of event study

- Stock price data for all publicly traded firms is from CRSP
- Market model and a constant mean return model with a 255 day estimation period ending 46 days prior to the announcement date
- Most district-level elections: one class A and one class B director are elected on the same day: this may violate independence of abnormal returns
 - Look at elections involving one director
 - Also look at elections with only one director from publicly-traded employer
- Also do robustness checks without events with confounding news

Table 8: Event study

		<i>Value-Weighted Market Model</i>				<i>Constant Mean Return Model</i>			
Days	N	Mean CAR	Pos: Neg	BMP Z	Patell Z	Mean CAR	Pos: Nega	BMP Z	Patell Z
Panel A: All Directors' Employers									
<i>Event date=Nomination Date for Class A and B Directors</i>									
(-1,0)	116	0.25%	54:62	1.413*	-0.131	0.19%	52:64	0.92	-0.215
(-1,+1)	116	0.48%	63:53*	1.709**	1.543*	0.21%	54:62	0.775	0.158
<i>Event date=Election/Appointment Date for Class A, B and C Directors</i>									
(-1,0)	253	0.10%	121:132	0.06	-0.076	0.22%	126:127	0.719	0.907
(-1,+1)	253	0.40%	132:121*	1.508*	1.308*	0.60%	132:121**	2.192**	1.663**
<i>Event date=Sole Election/Appointment Date for Class A, B and C Directors</i>									
(-1,0)	34	0.81%	14:20	1.441*	-0.872	0.90%	19:15	1.631*	0.832
(-1,+1)	34	0.98%	16:18	1.647**	-0.186	1.17%	17:17	1.767**	0.145
Panel B: Class A Directors' Employers (Banks or BHCs) Only									
<i>Event date=Nomination Date Class A Directors (Banks or BHCs) Only</i>									
(-1,0)	76	0.28%	33:43	1.28	-0.591	0.29%	32:44	1.049	-0.501
(-1,+1)	76	0.46%	39:37	1.239	0.789	0.61%	35:41	1.331*	0.19
<i>Event date= Election Date Class A Directors (Banks or BHCs) Only</i>									
(-1,0)	107	0.68%	57:50	1.336*	1.185	0.59%	53:54	0.914	0.864
(-1,+1)	107	0.96%	64:43***	2.001**	2.540***	0.94%	60:47*	1.743**	2.224**
<i>Event date= Sole Election Date Class A Directors (Banks or BHCs) Only</i>									
(-1,0)	14	2.54%	8:06	1.971**	0.631	2.81%	9:05	1.959**	1.086
(-1,+1)	14	2.86%	8:06	1.681**	0.631	3.38%	8:06	1.811**	0.551

Table 9: Cross-sectional analysis

VARIABLES	CAR (-1,1): Class A Directors						CAR (-1,1): Class B Directors			CAR (-1,1): Class C Directors		
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
NY	0.005 [1.32]	0.020** [3.04]	0.022*** [3.24]	0.022*** [3.41]	0.022*** [3.46]	0.025*** [3.79]	0.008 [1.59]	-0.003 [-0.28]	0.010 [0.86]	-0.016*** [-6.86]	0.003 [0.24]	0.018 [1.06]
Financial crisis	0.026* [1.86]	0.075*** [3.25]	0.080*** [4.41]	0.027 [1.32]	0.001 [0.05]	-0.004 [-0.16]	-0.020*** [-3.25]	-0.019* [-2.19]	-0.033 [-0.93]	-0.012 [-1.13]	-0.002 [-0.25]	0.015 [0.32]
President's tenure		0.001 [1.73]	0.001 [1.42]	0.002* [2.01]	0.002* [1.99]	0.002 [1.50]		-0.001 [-0.65]	0.003 [0.90]		-0.002 [-1.13]	-0.002 [-1.08]
Monetary Policy Uncertainty			0.141 [1.36]		-0.138 [-0.93]	-0.126 [-0.92]		0.085 [1.22]	0.081 [0.63]		-0.018 [-0.22]	0.041 [0.44]
Financial Regulation Uncertainty				0.116** [2.74]	0.166*** [3.52]	0.163*** [3.29]		-0.048 [-0.58]	-0.029 [-0.23]		-0.039 [-0.53]	-0.046 [-0.22]
Fortune's Top Industry (Past)						-0.036 [-1.16]		0.010 [1.31]	-0.011 [-0.53]		-0.007 [-1.00]	-0.004 [-0.42]
ABA in Past						0.008 [1.42]						
Ln(Assets)		-0.006** [-2.49]	-0.006** [-2.64]	-0.006** [-2.66]	-0.006** [-2.70]	-0.006* [-2.11]		0.003 [1.10]	0.002 [0.42]		-0.002 [-1.14]	-0.004 [-1.03]
ROA		0.705 [1.11]	0.418 [0.62]	0.720 [1.23]	1.006 [1.54]	0.953 [1.67]		-0.043 [-1.06]	-0.053* [-2.15]		0.028 [1.14]	0.043 [1.67]
Fraction nonperforming loans		0.579 [1.07]	0.555 [1.15]	0.466 [1.09]	0.441 [0.98]	0.396 [0.83]						
Number of acquisitions		0.001 [1.50]	0.001 [1.46]	0.002 [1.63]	0.002 [1.67]	0.001 [1.27]						
Constant	0.007 [1.69]	0.080* [1.93]	0.057 [1.63]	0.067 [1.66]	0.084** [2.85]	0.073** [2.37]	-0.006 [-1.11]	-0.032 [-1.66]	-0.021 [-0.46]	0.007** [2.95]	0.038 [1.60]	0.038 [0.79]
Fixed effects	None	Year	Year	Year	Year	Year	None	None	Year	None	None	Year
Observations	107	107	107	107	107	107	61	52	52	85	81	81
Adjusted R-squared	0.014	0.125	0.137	0.184	0.182	0.184	0.012	-0.049	-0.218	0.006	0.001	-0.202

Evidence suggests...

- Market believes banks gain from Fed directorships

Insider trading

- Look at trades of insiders and market reaction to trades of insiders who sit on board of the Fed-both on and off the board
- Same person, same company: does Fed directorship make a difference?

One notable example: Jamie Dimon

- Jan 10, 2009: Dimon attends board meeting
- Jan 15, 2009: Dimon is not at meeting
- Jan 16, 2009: Dimon buys 500,000 shares in JP Morgan (direct ownership)
- July 5, 2012: Dimon attended a board meeting
- July 19, 2012: Dimon misses the board meeting and executive session
- July 19 & 20, 2012: Dimon buys 360,000 (direct ownership)

Figure 2A: Years with Buys and Sells by Class of Director On Fed Board

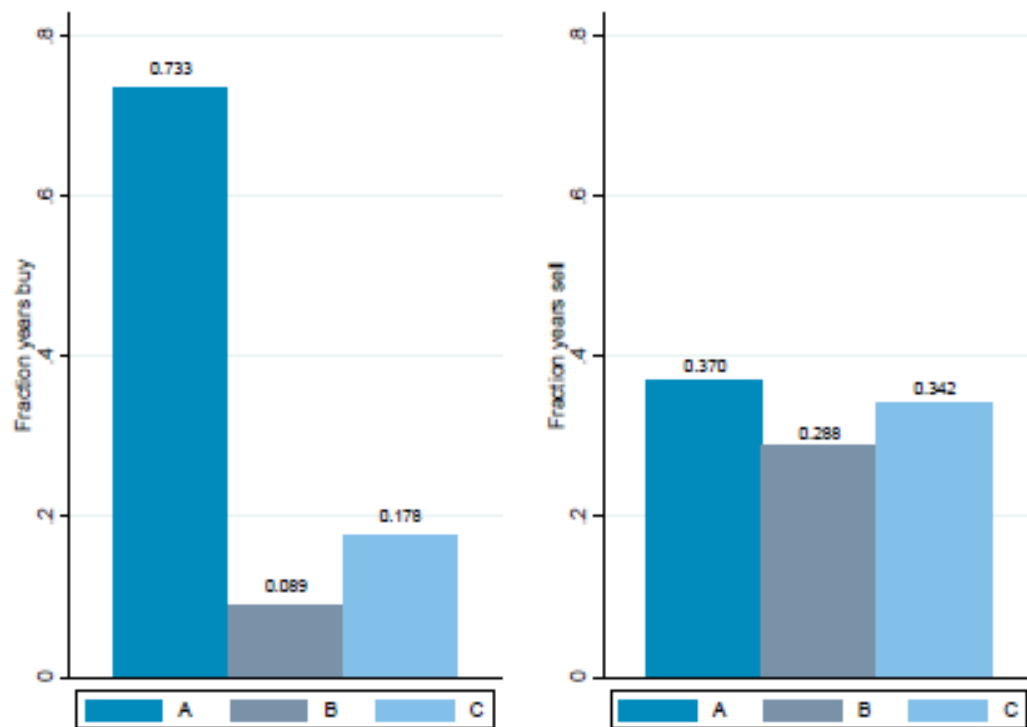


Figure 2B: Years with Buys and Sells for Directors On and Off Fed Boards

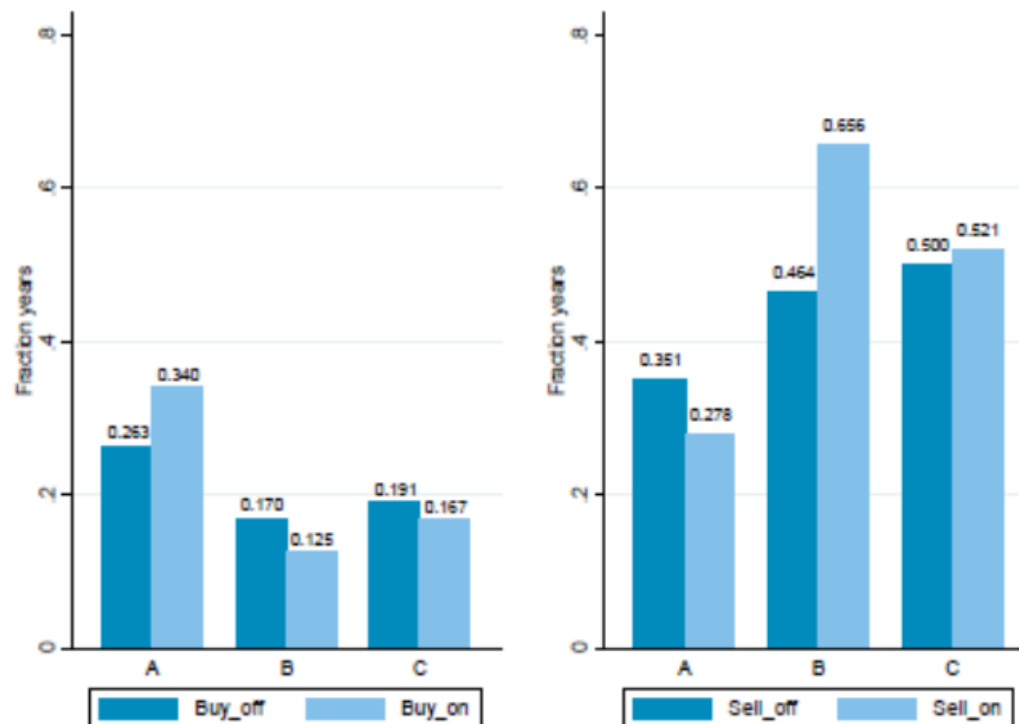
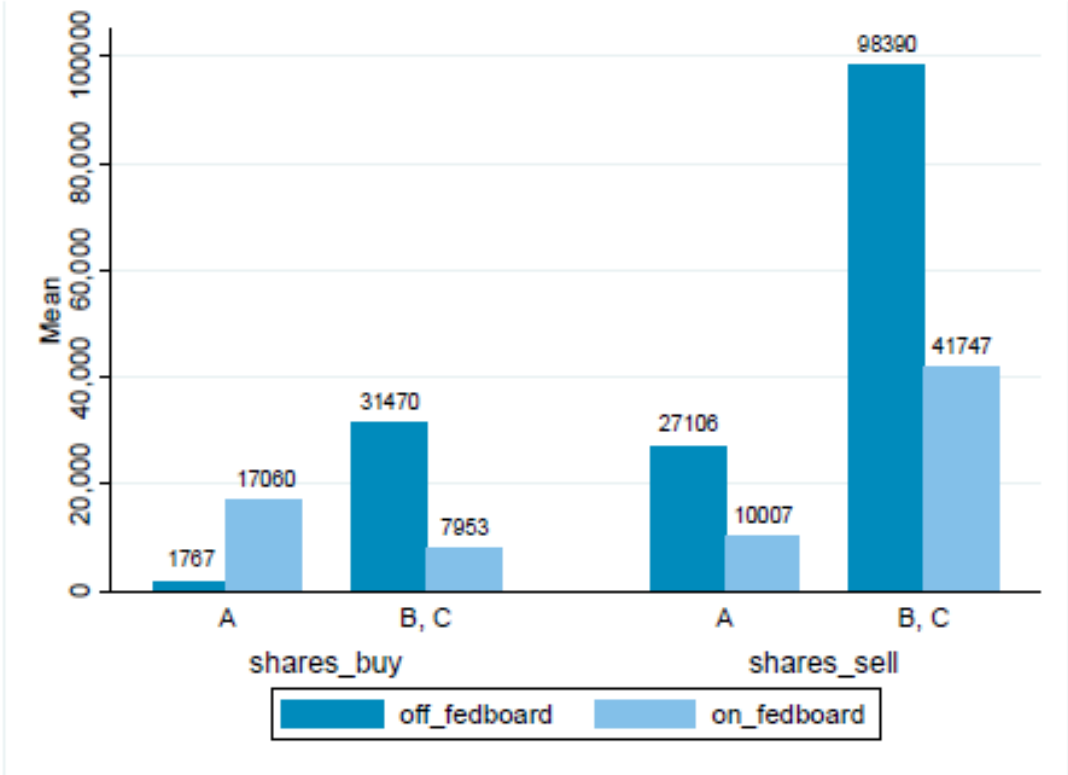


Figure A2.B. Trading Amounts by Fed Directors On and Off Federal Reserve Bank Boards



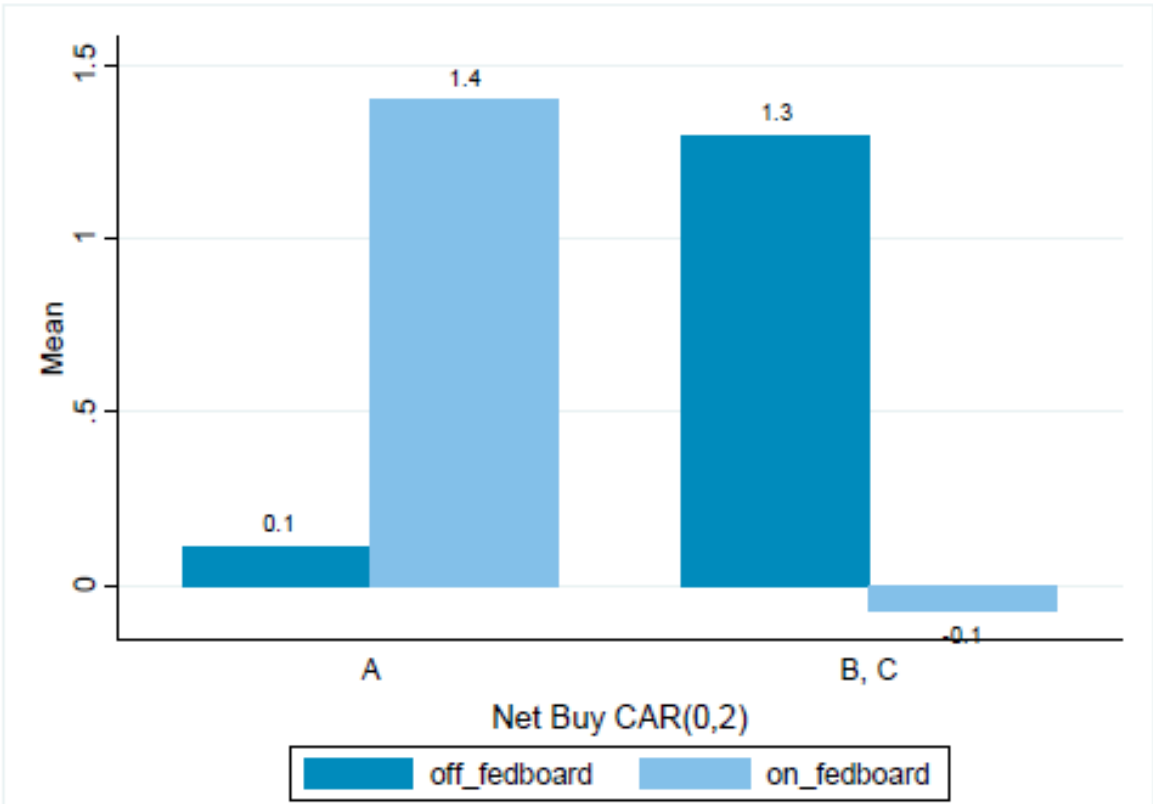


Table 10: Market reaction to insider trades

VARIABLES	CAR (0,2): Banks						CAR (0,2): Non-Banks					
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
OnFedBoard	0.612 (0.87)	1.685** (2.39)	1.321** (2.20)	1.992*** (2.92)	1.743** (2.86)	2.026** (2.70)	-2.691** (-2.48)	-1.318 (-1.17)	0.249 (0.26)	-0.922 (-0.89)	0.853 (0.43)	-0.745 (-0.89)
Ln(Size)	0.228*** (3.22)		0.868 (1.23)		0.150 (0.14)		0.192*** (5.31)		-8.147 (-1.38)		-14.719* (-2.02)	
Ln(Book to market)	0.353 (1.44)		0.772 (0.78)		0.215 (0.18)		0.230*** (3.76)		-9.398* (-1.89)		-10.615** (-2.38)	
Tradesize/Shrout	0.001* (1.68)		0.002 (0.16)		0.001 (0.09)		0.000 (1.10)		0.001 (1.08)		-0.019*** (-4.51)	
IVOL	5.797*** (2.58)		19.917** (2.82)		18.332** (2.58)		9.676*** (9.56)		-23.753 (-0.73)		-66.773* (-1.98)	
Ffreq_buy	-0.047*** (-2.64)		0.332 (1.09)		0.286 (0.89)		-0.012*** (-5.42)		0.295 (1.38)		0.920 (1.50)	
STRONG (BUY)	0.099*** (3.86)		0.045 (0.32)		0.030 (0.18)		0.259*** (7.21)		-0.445 (-0.61)		-2.047 (-1.49)	
Constant	2.340 (0.48)	-0.037 (-0.14)	-19.579 (-1.34)	-0.073 (-0.25)	-5.191 (-0.24)	0.012 (0.02)	-4.907*** (-5.04)	1.278*** (3.76)	175.045 (1.35)	0.963*** (3.98)	345.598* (2.02)	1.171*** (5.78)
Person Fixed Effects	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Sample	All, Top 5	Class A		Class A, Top 5		Class A, Post 2003	All, Top 5	Class B, C		Class B, C, Top 5		Class B, C, Post 2003
Observations	6,814	177	175	160	158	111	29,111	88	88	56	56	51
Adjusted R-squared	0.020	0.035	0.018	0.040	0.015	0.004	0.022	-0.131	-0.126	-0.080	0.365	-0.110

Evidence suggests...

- Market believes information Class A directors conveys better news about their employers

Enforcement actions

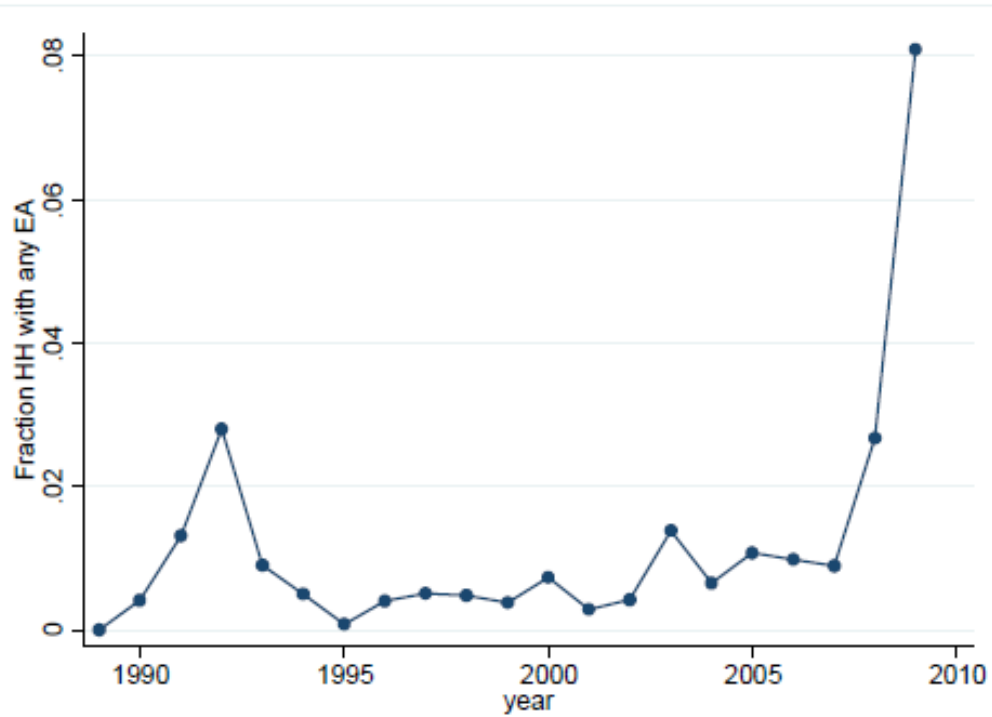
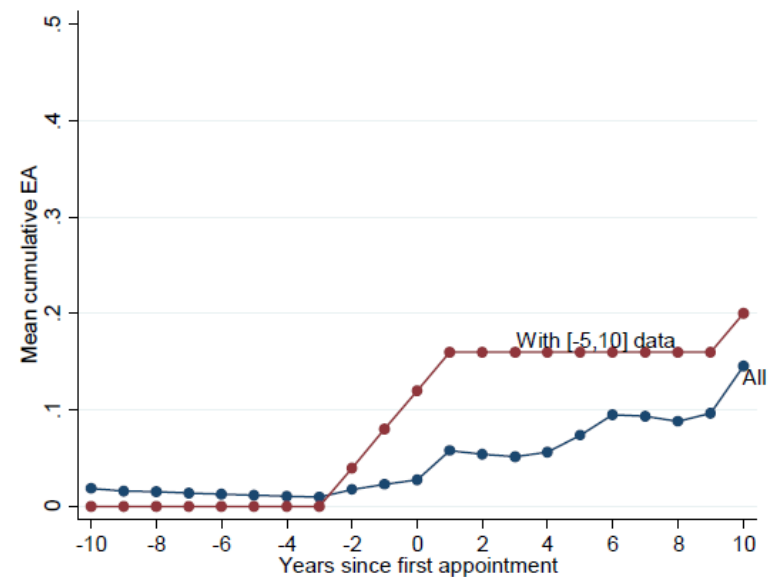
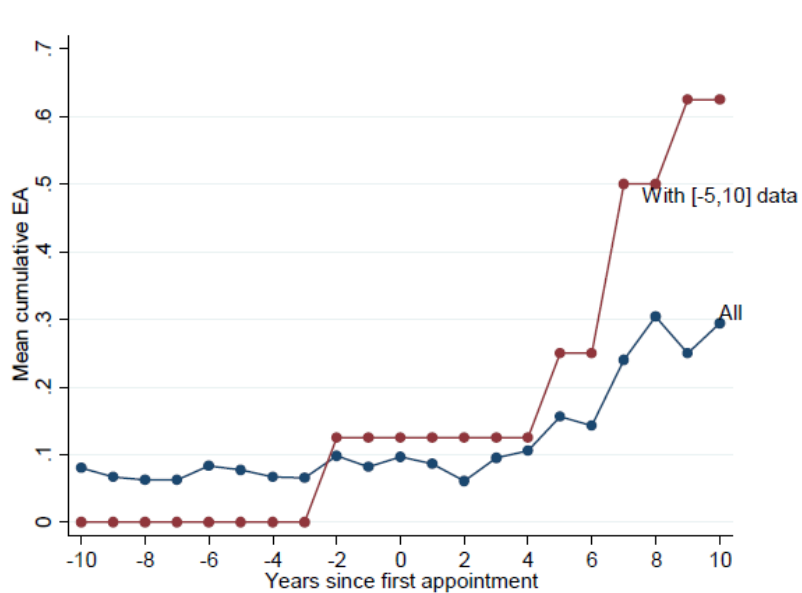


Table 12: EAs

VARIABLES	Banks						BHCs					
	Severe EA		Less Severe EA		Named Individual		Severe EA		Less Severe EA		Named Individual	
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
OnFedBoard	-0.004*** [-2.88]	-0.032* [-1.73]	0.003 [0.88]	0.039 [0.88]	-0.001* [-1.91]	-0.013 [-1.28]	0.000 [0.04]	-0.051 [-0.74]	-0.001 [-0.27]	-0.008 [-0.28]	-0.008* [-1.81]	-0.055** [-2.44]
Ln(Assets)	0.005*** [5.73]	0.032*** [3.78]	0.002*** [2.75]	0.008 [1.21]	0.002** [2.46]	0.007 [1.05]	2.054 [0.88]	25.141 [1.52]	0.977 [0.86]	7.491 [0.74]	1.945 [1.46]	14.430 [1.33]
ROA*100	-3.072*** [-5.72]	-22.130*** [-3.19]	-0.211 [-1.62]	-1.286 [-0.82]	-0.199 [-1.10]	0.917 [0.41]	-9.897*** [-2.71]	-32.631** [-2.46]	-0.048 [-0.17]	-0.216 [-0.13]	-0.589 [-1.42]	-1.181 [-0.66]
Fraction NPL*100	2.099*** [5.54]	21.101*** [7.26]	0.050 [0.64]	-0.275 [-0.21]	0.114 [1.03]	-1.101 [-0.61]	8.456*** [5.25]	19.069*** [3.99]	0.055 [0.21]	0.179 [0.15]	-0.006 [-0.02]	-2.520 [-1.59]
No Parent	0.704 [0.59]	5.391 [0.44]	0.830 [1.10]	12.954 [1.36]	1.355* [1.89]	21.317** [2.18]						
Constant	-0.058*** [-5.93]	-0.412*** [-4.37]	-0.017*** [-2.69]	-0.092 [-1.25]	-0.017** [-2.47]	-0.091 [-1.16]	-0.015 [-0.44]	0.002 [0.01]	-0.013 [-0.84]	-0.099 [-0.70]	-0.023 [-1.27]	-0.138 [-0.88]
Sample Observations	73,075	Ever EA 4,415	73,075	Ever EA 4,415	73,075	Ever EA 4,415	29,066	Ever EA 1,835	29,066	Ever EA 1,835	29,066	Ever EA 1,835
Adjusted R-squared	0.016	0.158	0.001	0.012	0.003	0.030	0.0727	0.311	-7.23e-05	-0.003	0.003	0.021
Number of firms	6,896	312	6,896	312	6,896	312	3,667	170	3,667	170	3,667	170

Cumulative EA for banks who sat on fed boards at some point



- 10 BHC firms with data in entire window

Identification strategy

- For banks: use number of BHCs in district as an instrument for *postfedboard*
- For BHCs: use number of Fed member banks in district as instrument for *postfedboard*
- Intuition: number of institutions is a proxy for contestability, but number of *BHCs* should not affect *EAs banks* receive and vice versa

Table 13: EAs postfedboard

VARIABLES	Banks					BHCs				
	PostFedBoard	EA	Severe EA	Less Severe EA	Named Individual	PostFedBoard	EA	Severe EA	Less Severe EA	Named Individual
	I	II	III	IV	V	VI	VII	VIII	IX	X
PostFedBoard		0.265*	0.052	0.222**	0.111		0.223	0.244	0.003	0.041
		[1.87]	[0.51]	[2.43]	[1.56]		[1.24]	[1.36]	[0.07]	[0.65]
Ln(Assets)	0.002	0.006***	0.005***	0.001	0.001*	9.175*	0.502	-0.448	0.933	1.450
	[1.08]	[4.93]	[5.26]	[1.55]	[1.90]	[1.76]	[0.15]	[-0.14]	[1.03]	[1.18]
ROA	-0.559**	-3.098***	-3.042***	-0.087	-0.136	-0.812	-9.680***	-9.701***	-0.047	-0.562
	[-2.44]	[-5.59]	[-5.64]	[-0.61]	[-0.74]	[-1.22]	[-2.69]	[-2.69]	[-0.16]	[-1.40]
Fraction NPL	-0.422**	2.180***	2.118***	0.138	0.158	-0.163	8.701***	8.550***	0.057	0.011
	[-2.00]	[5.70]	[5.71]	[1.44]	[1.37]	[-0.37]	[5.34]	[5.28]	[0.22]	[0.04]
No Parent	8.841**	-0.637	0.271	-1.140	0.384					
	[2.57]	[-0.29]	[0.17]	[-0.86]	[0.38]					
Instrument: Banks: Number of BHCs in District/100 BHCs: Number of Member Banks in District	0.001***					0.011**				
	[3.60]					[2.33]				
Kleibergen-Paap rk Wald F statistic	12.963					5.424				
Regression	First Stage	IV	IV	IV	IV	First Stage	IV	IV	IV	IV
Observations	72,612	72,612	72,612	72,612	72,612	28,794	28,794	28,794	28,794	28,794
Number of Firms	6,433	6,433	6,433	6,433	6,433	3,397	3,397	3,397	3,397	3,397

Evidence suggests...

- Fed directorships may be associated with an increase in risk-taking accompanied by some supervisory leniency

Conclusion

- Federal Reserve Act requires that boards administer affairs of bank “fairly and impartially and without discrimination in favor of or against any member bank or banks”
- It appears as if banks with Class A directorships obtain some private benefits from their positions
- Whether this is socially optimal is a bigger question