Good News for Some Banks

Finance Working Paper N° 502/2017
April 2017

Renée B. Adams
University of New South Wales, ABFER, FIRN and ECGI

ECGI Working Paper Series in Finance

Good News for Some Banks

Working Paper N° 502/2017
April 2017

Renee B. Adams

I am grateful to Michael Roberts (the editor), an associate editor and two anonymous referees for helpful comments. I thank Alon Brav and Jose Liberti for their encouragement and comments. I also thank Franklin Allen, Doug Foster, Scott Frame, Iftekhar Hasan, Phong Ngo, Michael Lemmon, Hamid Mehran, Loretta Mester, Thomas Mosk, Marco Pagano, Richard Rosen, Tano Santos, Frank Song, Denis Sosyura, Razvan Vlahu, Luigi Zingales and participants at the 2012 FMA Europe conference, the 2011 AFBC conference, the Mizzou Governance conference, 2009 HKUST Finance Symposium, the 2007 AEA meetings and the 2006 Riksbank Conference on "The Governance of Central Banks" for helpful comments. I also thank seminar participants at Aalto University, ANU, the ECB, Goethe University, LaTrobe University, LSE, Monash University, Ozyegin University, the Riksbank, UNSW and UTS for helpful comments. I thank Pascal Adams, Sedat Esen, Emdad Islam, Lin Kai, Chris Metli, Lin Mi, Nick Lundholm, Binh Nguyen, Lubna Rahman, Keay Shen See, Emily Stroud and Jing Xu for excellent research assistance. I thank David Park at the Boston Fed, Cheryl Davis and Robin Ratliff at the Cleveland Fed, Susan Chenoweth at the Chicago Fed, Thomas Hoenig, Diane Raley, and Lowell C. Jones at the Kansas City Fed and James Gillard and Loretta Mester at the Philadelphia Fed for assistance in locating additional information concerning elections of directors. I am particularly grateful to Daniel Cox at the Chicago Fed for providing me with bank merger data and answering numerous data questions. I am also grateful to Benjamin Mandel at the New York Fed for providing me with Tier 1 capital data information for BHCs prior to 1996.

Abstract

Bankers are directors of Federal Reserve Banks. I document that a) banker directors of the New York Fed attend more meetings about the financial sector; b) elections for Reserve Bank directorships are more contested for bankers, but less so for large banks and American Banking Association directors; c) the market reaction to bankers' elections to Reserve Bank boards is 1%; d) the market reaction to insider purchases is 1.3% higher when banker directors are on a Reserve Bank board; e) Fed enforcement actions appear more moderate for banker directors. Reserve Bank directorships appear to be good news for some banks.

Keywords: Federal Reserve, Director, Banks, Conflicts of Interest, Political Connection, Reputation, Insider Trading, Enforcement Actions, Regulatory Capture

JEL Classifications: E58, G28, G30

Renée B. Adams*
Professor of Finance
University of New South Wales, Department of Banking and Finance
Room 341, UNSW Business School building - Ref E12
Sydney, NSW 2052, Australia
phone: +61(2)93854280
e-mail: renee.adams@unsw.edu.au

*Corresponding Author

Good News for Some Banks[1]

Renée B. Adams[2]
University of New South Wales, ABFER, FIRN and ECGI

This version: February 25, 2017

Bankers are directors of Federal Reserve Banks. I document that a) banker directors of the New York Fed attend more meetings about the financial sector; b) elections for Reserve Bank directorships are more contested for bankers, but less so for large banks and American Banking Association directors; d) the market reaction to bankers' elections to Reserve Bank boards is 1%; e) the market reaction to insider purchases is 1.3% higher when banker directors are on a Reserve Bank board; f) Fed enforcement actions appear more moderate for banker directors. Reserve Bank directorships appear to be good news for some banks.

Keywords: Federal Reserve; Director; Banks; Conflicts of Interest; Political Connection; Reputation; Insider Trading; Enforcement Actions; Regulatory Capture
JEL Classifications: E58; G28; G30

[1] I am grateful to Michael Roberts (the editor), an associate editor and two anonymous referees for helpful comments. I thank Alon Brav and Jose Liberti for their encouragement and comments. I also thank Franklin Allen, Doug Foster, Scott Frame, Iftekhar Hasan, Phong Ngo, Michael Lemmon, Hamid Mehran, Loretta Mester, Thomas Mosk, Marco Pagano, Richard Rosen, Tano Santos, Frank Song, Denis Sosyura, Razvan Vlahu, Luigi Zingales and participants at the 2012 FMA Europe conference, the 2011 AFBC conference, the Mizzou Governance conference, 2009 HKUST Finance Symposium, the 2007 AEA meetings and the 2006 Riksbank Conference on "The Governance of Central Banks" for helpful comments. I also thank seminar participants at Aalto University, ANU, the ECB, Goethe University, LaTrobe University, LSE, Monash University, Ozyegin University, the Riksbank, UNSW and UTS for helpful comments. I thank Pascal Adams, Sedat Esen, Emdad Islam, Lin Kai, Chris Metli, Lin Mi, Nick Lundholm, Binh Nguyen, Lubna Rahman, Keay Shen See, Emily Stroud and Jing Xu for excellent research assistance. I thank David Park at the Boston Fed, Cheryl Davis and Robin Ratliff at the Cleveland Fed, Susan Chenoweth at the Chicago Fed, Thomas Hoenig, Diane Raley, and Lowell C. Jones at the Kansas City Fed and James Gillard and Loretta Mester at the Philadelphia Fed for assistance in locating additional information concerning elections of directors. I am particularly grateful to Daniel Cox at the Chicago Fed for providing me with bank merger data and answering numerous data questions. I am also grateful to Benjamin Mandel at the New York Fed for providing me with Tier 1 capital data information for BHCs prior to 1996. Previous versions of this paper circulated under the title "Bankers on Fed Boards: Is good news for the banks bad news for the Fed?" and "The representation of Private Interest on Federal Reserve Bank Boards: Who Benefits?"
[2] Banking and Finance, UNSW Business School, UNSW, Sydney, NSW 2052 Australia. Phone: +61 (2) 9385 4280. E-mail: renee.adams@unsw.edu.au.

I. Introduction

Since 1914, bankers have been sitting on the boards of Federal Reserve Banks. Whether this arrangement serves private or public interests is a question that has been publicly debated at least since the 1930s (Bopp, 1937) and probably much earlier. I contribute to this debate by providing the first systematic evidence that banks with Reserve Bank directorships appear to benefit from their positions.

The structure of Reserve Bank boards is determined by the Federal Reserve Act of 1913. Each of the twelve Reserve Banks has a board consisting of nine directors. The Board of Governors appoints three of the directors, the class C directors, to represent the public "with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor and consumers" (Federal Reserve Act, Section 4.12). Member banks in each district elect the remaining six directors. They elect three directors, the class B directors, to represent the public and three directors, the class A directors, to represent member banks.

In allowing for the explicit representation of private interests through Reserve Bank directorships, the Federal Reserve System is not unique among central banks, but it may be the most extreme (see, e.g. Adams, Roszbach and Spagnolo, 2010). Reserve Bank directors are supposed to act in the interest of the public "like members of the Board of Governors" (Board of Governors, 2001, p. 5). However, in contrast to members of the Board of Governors, directors of Reserve Banks are not full-time employees of the Federal Reserve System. They continue to work for their private sector employers while serving as directors.

In the case of banks, this potentially creates a "fox guarding the henhouse" situation, as Johnson (2012) describes it, since they have influence over the governance of the very institutions that supervise them. There are benefits to such an arrangement; for example, it allows the Reserve Banks to gain valuable information about the state of the financial sector. However, this situation could also potentially give rise to private benefits for banks.

One potential private benefit for banks is preferential treatment in supervision. Although Reserve Bank boards are generally not directly involved in any supervisory decisions, many questions arose during the financial crisis about the Fed's treatment of banks that were connected to it through Reserve Bank directorships, most notably Goldman Sachs. Kelly and Hilsenrath (2009) argue, for example, that the chairman of the board of the New York Fed, Stephen Friedman, was motivated to influence the 2008 bailout of Goldman since he was former chairman of Goldman Sachs and a Goldman Sachs director. Relatedly, Duchin

and Sosyura (2012) provide evidence that suggests that banks with political connections such as Fed directorships were more likely to receive TARP funding.

Another potential private benefit for banks could be privileged access to information. Several papers argue that the Fed has an informational advantage over the private sector (e.g. Romer and Romer, 2000 and Peek, Rosengren et al., 1999 and 2003) which is useful for forecasting variables that influence monetary policy. Cieslak, Morse and Vissing-Jorgenson (2016) provide evidence that suggests that the value of information about Fed policy making can be substantial. They causally tie cycles in the equity premium to policy news from the Fed that they argue is leaked informally from the Fed to the media and the financial sector. Since Class A directors have direct contact with Fed officials, it is plausible that these directorships represent one such "informal" information transmission channel. If so, the evidence in Cieslak, Morse and Vissing-Jorgenson suggests this information can be important for the banks the Class A directors work for.

To examine whether banks benefit from Class A directorships, I assemble a wide variety of different data sets on the employers of Reserve Bank directors and the directors themselves. Because member banks have to elect both bankers and non-bankers, the fixed board structure of the Fed provides a nice setting in which to identify differential benefits (or costs) of directorships for bankers and non-bankers. Whenever possible, I benchmark the banks against the non-banks.

I start my analysis with a case study of minutes of 263 meetings of the board of the Federal Reserve Bank of New York from 2007 to mid-2013. The minutes reveal information about what the board votes on and what the topics of discussion are. They allow me to paint a picture of what one Reserve Bank board does and what information set it has.

I then examine director elections to see how representative Fed directorships appear. I relate a firm's characteristics to the likelihood that one of its employees is elected to the board of a Fed. While I cannot determine the universe of potential candidates for Fed directorships for non-financial firms, with few exceptions class A directors are executives of banks. Thus, I can compare the characteristics of banks represented on Fed boards to the characteristics of other banks in the industry.

Next, I ask whether banks appear to benefit more than non-financial firms when their officers obtain Reserve Bank directorships. My analysis of elections highlights the fact that Reserve Bank directorships are not random. To reduce endogeneity concerns in examining valuation effects, my identification strategy focuses on an event study around election dates for the subset of directors' employers that are publicly-traded.

Finally, I examine potential channels for private benefits directly. I examine the market reaction to purchases individuals make in the employer they work for while sitting on the board of a Fed. I also examine the market reaction to purchases they make in that same employer when they are not on the board of the Fed. By using individual fixed effects, I can identify if the information content of the trade appears different for purchases by the same individual in the same company when that individual sits on the board of a Reserve Bank. As in the event study, I contrast the market reactions to purchases for banks to that for non-banks.

To examine whether banks appear to gain supervisory leniency from Reserve Board directorships, I examine formal enforcement actions the Federal Reserve issues as part of its supervisory process. I examine the likelihood banks receive formal enforcement actions from the Federal Reserve as a function of their board service. To address endogeneity in this context, I conduct an instrumental variable analysis. In constructing my instrument, I leverage the fact that director positions are contested.

My analysis of meeting minutes of the Federal Reserve Bank of New York reveals a picture of an engaged board. Between January 2007 and June, 2013, the board held 173 board meetings, 43 executive sessions of the board and 47 committee meetings. On average the board votes on 1 item per meeting. Thus, meetings are typically short, (on average 54 minutes per board meeting). Yet, despite their brevity, the meetings include many officers of the Fed (on average 8). On average, two officers provide reports on special topics at the meeting. Consistent with the idea that Class A directors obtain valuable information from these meetings, I find that Class A directors are more likely to attend meetings during the financial crisis (2007 and 2008) and when the number of officers providing reports is higher. They are particularly likely to attend meetings when reports contain information that might be relevant

for their institutions (reports on the financial sector, the economic outlook or U.S. Macro overviews).

Importantly, the attendance patterns are not the same for Class B and C directors. Since Class C directors chair meetings, it is to be expected that their attendance patterns exhibit less variation. Yet average attendance by Class C directors at full board meetings is still only 85%, as compared to 70% for Class A and 60% for Class B directors.

An analysis of director elections using data on elections from 1990 to 2009 reveals that large banks are more likely to be represented on Reserve Bank boards, but past performance is not always related to the likelihood of election. Consistent with Bopp (1937), elections for class A directorships are relatively more contested (31.54% of elections) than class B elections (8% of elections), particularly in small bank elections. This suggests that directorships are more valuable for banks. But this raises the question: why are more elections not contested? According to Bopp (1937) this has been a feature of Fed director elections since the inception of the Federal Reserve System. He argues that one reason is that local banking associations control the nomination process. This discourages outsiders from standing for election.

An examination of directorship candidates' biographies suggests this is a plausible explanation. In my data set on nominees for Class A directorships, 48% of nominee biographies mention a current or past leadership position in a banking association. Since getting precise data on local banking associations is difficult since there are so many of them, I attempt to formally tests Bopp's hypothesis using data I compiled on the leadership of the American Banking Association (ABA), the largest banking trade association in the country and an important lobbyer for the banking industry.

I find that 3% of Class A directors serve in ABA's leadership the year of their nomination and none of these elections are contested. While I believe this topic deserves more research, my evidence is consistent with Bopp's description of the director nomination process (1937, p. 530) as "it is in these extra-legal procedures that the real control of the A and B directors lies." Even when they are not formally contested, the fact that extra-legal procedures are put in place to secure Class A directorships suggests that these directorships are valuable.

Turning to the event study, I find that Federal Reserve Bank directorships add value, but primarily for banks. The abnormal market reaction to the election of a banker to a Fed board is 0.99%. For non-bankers, the average market reaction is -0.57%. In cross-sectional regressions, I find the market reaction for Class A directors is higher when they are elected to the board of the Federal Reserve Bank of New York and when the election takes place during the financial crisis. In contrast, the market reaction to class B directorships is negative during the crisis.

In a much later paper, Black and Dlugosz (2016) replicate my finding of a 1% market reaction for banks elected to Class A directorships. They include Baker, Bloom and Davis's (2016) Monetary Policy Uncertainty measures in their cross-sectional analysis of the market reaction. I follow their lead, but also include Baker, Bloom and Davis's Financial Regulation Uncertainty index. Both measures are positively related to the market reaction for Class A directors, although only the Financial Regulation Uncertainty index is significant. One reason may be that the financial crisis dummy absorbs the effect of Monetary Policy Uncertainty. Nevertheless, neither index is positively related to the market reaction to Class B elections or Class C appointments. This is suggestive that the market views information transmission to be an important benefit of Class A directorships.

My analysis of insider trading behavior supports an information advantage story. On average A directors buy more shares in their employers while they sit on the board of a Fed than B or C directors. One notable example of a Class A director buying shares while serving as a Fed director is Jamie Dimon, who during his tenure as director of the Federal Reserve Bank of New York bought more than 860,000 shares in JP Morgan. Dimon bought 500,000 (direct) shares in JP Morgan on January 16, 2009 and 360,000 (direct) shares on July 19 and 20, 2012.[3]

On average A directors also buy more shares on the board than they do off the board. Furthermore, the market reaction to insider purchases of A directors is significantly more positive when they sit on the board of a Fed. In contrast, there is no differential market

[3] The board of the New York Fed held an executive committee meeting and an executive session on Jan 15, 2009 but Dimon was not in attendance. He attended the board meeting on January 10, 2009. Dimon attended a board meeting on July 5, 2012 but missed the board meeting and executive session on July 19, 2012. I believe I am the first to document that Dimon bought so many shares while he was a director of the New York Fed.

reaction to purchases by B and C directors when they sit on the board of a Fed. Consistent with the event study results, I find that the market reaction is higher for A directors when they sit on the board of a Fed during the financial crisis and when there is greater Financial Regulation Uncertainty.

While the event study and insider trading evidence is supportive of informational benefits to Class A directors, the fact that the financial crisis dummy appears important even after controlling for Monetary Policy and Financial Regulation Uncertainty suggests there may be other benefits that accrue to Class A directors' employers during the crisis. Since the incidence of enforcement actions by the Fed rose dramatically during the financial crisis, one benefit could be supervisory leniency. My analysis of enforcement actions provides some suggestive evidence consistent with this idea.

I show that banks with Fed directorships are significantly less likely to receive a severe enforcement action, as defined by Danisewicz, McGowan, Onali and Schaeck (2016), while they hold the directorship. In IV regressions, I find that the incidence of enforcement actions for banks increases but primarily for less severe enforcement actions. One possible explanation for this pattern is that banks with Fed directorships take more risk because they anticipate supervisory leniency and they receive it in the form of less severe enforcement actions. Further research needs to be done to uncover the relationship between Fed directorships and risk-taking behavior.

My results are consistent with the idea that private interest representation on Federal Reserve Bank boards may lead to private informational benefits and, possibly, private supervisory benefits for banks. While I explore alternative hypotheses, no other hypothesis fits the pattern of all the results I present as well. For example, one could argue that the event study results can be explained by the fact that a Fed directorship serves as a better signal of quality for banks than non-banks. However, I show that reputation measures have little explanatory power for the event study results. Moreover, the reputation story does not explain the insider trading behavior of Class A directors and the market reactions to their trades.

The question whether Reserve Bank boards are dominated by special interests has been debated for a long time (see e.g. Bopp, 1937). Several studies examine the background of Reserve Bank directors. Miller (1961), Havrilesky, Yohe et al. (1973), U.S. House (1976)

and U.S. House (1990) all argue that big business and banking interests dominate Reserve Bank boards. Havrilesky, Yohe et al. (1973) find that Class A directors represent large member banks disproportionately during the period 1950-1970. The 1976 U.S. House study helped convince Congress to pass the Federal Reserve Reform Act of 1977, which, among other things, directed Reserve Banks to consider the interests of agriculture, labor and consumers on their boards. Nevertheless, U.S. House (1990) found that 48% of class B directors in 1990 were former bank officers, directors or employees and that women and minorities were underrepresented on Reserve Bank boards.

Havrilesky (1990) and Gildea (1992) provide evidence that suggests that Fed directors can and do influence monetary policy. Gildea (1992) shows that the FOMC votes of Fed presidents reflect local conditions in the district and attributes this at least in part to the fact that the class A and B directors of the Reserve Bank boards are local. These early studies conclude that the Federal Reserve Bank boards cannot possibly represent the public interest. My paper complements this literature by providing an in-depth analysis of director elections and the market reaction to elections, as well as an analysis of director behavior.

My paper also contributes to the literature on political and regulatory connections of businesses and literature on supervisory actions. This political connection literature examines connections established through electoral campaign contributions (e.g. Kroszner and Stratmann, 1998), former political positions of board members (Agrawal and Knoeber 2001; Goldman, Rocholl et al. 2009), previous and subsequent industry employment by regulators (Dal Bo 2006, Lucca, Serru and Trebbi 2014), friendships with politicians (Fisman 2001) and positions in government (Faccio 2006; Faccio, Masulis et al. 2006). My paper highlights another channel through which businesses may exert political or regulatory influence: direct links to central banks. It also complements recent work highlighting information advantages bank insiders may obtain through political connections (Jagolinzer, Larcker, Ormazabal and Taylor 2016).

The literature on supervisory actions examines lobbying and enforcement actions (Lambert 2015), governance and enforcement actions (Nguyen, Hagendorff and Eshraghi 2016), consequences of enforcement actions (Danisewicz, McGowan, Onali and Schaeck 2016; Deli, Delis, Hasan and Liu 2016 and Delis, Tsoumas and Staikouras 2015) and

regulatory leniency (Agarwal, Lucca, Seru and Trebbi 2014). My paper complements these papers by focusing on one particular factor that is potentially related to supervisory decisions: Fed directorships.

This study is particularly timely, not only because of the Fed's role in the financial crisis, but also because of increasing consolidation in the banking industry. As the banking industry becomes more concentrated, member banks are becoming more powerful in the director selection process. And, as the banking industry becomes more consolidated, the largest banks gain more influence. Thus, it is more important than ever to examine whether banks can exert their power to obtain private benefits from Fed directorships.

The results of this study may help inform the debate about potential reform to the governance of the Federal Reserve. Senator Dodd's reform bill of November 10, 2009 proposed to strip banks of their power to select Federal Reserve Bank directors. Although the Dodd-Frank Act of 2010 does not contain such a provision, it does restrict class A directors from having a say in the selection of Fed presidents. In May, 2013 Senators Sanders, Bozer and Begich introduced legislation to remove banking executives from Fed boards. Representative DeFazio introduced a companion measure in the House. However, many oppose changing the structure of the Fed's boards, as they argue that it would deny the Fed an important source of information about the economy and credit conditions (e.g. Ito, 2012). Thus, to date, the structure of Reserve Bank boards remains substantially the same as it was in 1914.

II. Federal Reserve Bank Boards-Structure and Responsibilities

Federal Reserve Bank boards consist of three classes of three directors each. Directors cannot be members of Congress and class B and C directors cannot be officers, directors or employees of a bank. In addition, class C directors are prohibited from holding shares in a bank and must have resided in the Reserve Bank district for at least two years prior to their appointment. The directors serve staggered terms of three years each and generally serve at most two terms. Each year the Board of Governors designates two of the class C directors chairman and vice chairman of the Reserve Bank board. The chairman acts as the liaison

between the Reserve Bank board and the Board of Governors. The terms of the chairman and vice chairman are renewable.

For the purposes of election, the member banks in the district are grouped by capital into three groups: small (group three), medium (group two) and large (group one). Each group elects one class A and one class B director on a rotating basis. Each member bank in the group is allowed to nominate a candidate for each position. Each member bank has exactly one vote in the election, except when it is a subsidiary of a bank holding company. In this case, only one member bank in the holding company is allowed to nominate and vote.

The responsibilities of the Reserve Bank directors range from supervising the Reserve Banks to making recommendations on monetary policy. Because a Reserve Bank directorship is considered a form of public service, directors are expected to avoid participation in partisan political activities. In the supervision of the Reserve Banks, directors have the same duties as directors of any banking association and are charged with administering the affairs of the Bank fairly and impartially and "without discrimination in favor of or against any member bank or banks" (Federal Reserve Act Section 4.8). They appoint the Reserve Bank President and Vice-President and determine their salaries (subject to the Board of Governor's approval) and appoint all officers of the Bank. They review the Reserve Bank's budget and are responsible for internal audits.

The directors play a role in monetary policy because they are responsible for setting the discount rate (subject to the Board of Governor's approval). They also advise Reserve Bank Presidents on regional business conditions prior to each FOMC meeting, as well as interact extensively with policy makers on a less formal basis (U.S. House, 1990).

III. Data

I compile an extensive amount of data from a variety of sources. I describe each of them in turn below but provide most summary statistics and more details in the Internet Appendix so as not to overwhelm the reader further.

Minutes from meetings of the New York Fed

In an effort to increase transparency following the financial crisis, the New York Fed started providing redacted minutes of its board meetings on its website. I downloaded minutes of all meetings of the board between January 2007 and June 2013. Minutes are available for all meetings of the board and its committees except those of the Audit and Risk Committee which the New York Fed deems too sensitive. The minutes list the names of participants, the length of the meeting, items voted on and reports made by officers and guests of the Fed. I identify items voted on by the keyword "vote". I identify reports by the symbol #, as reports are assigned numbers, as in this example from the January 17, 2008 board meeting: "Mr. Rutledge presented an "Update on Supervisory Initiatives—Response to Current Market Situation" (#)".

The minutes also detail what was discussed at the meetings; however, this information is often redacted. According to the New York Fed's website: "Redacted sections of the documents are limited to those that summarize the directors' views of the state of the economy and markets, which can include confidential commercially sensitive information. In addition, the names of certain personnel have been redacted due to privacy concerns, as well as information that if released could represent a security risk for the Bank." Since the amount of redaction is informative about the information content of the meeting, I code a subjective measure of the amount of redaction "Blackout" ranging from 0 (no redactions) to 5 (almost everything redacted).

Although I have information on actual participants at committee meetings, I do not have information on committee assignments. Thus, to analyze director attendance, I assign all directors to all committees meetings (and board meetings, of course) and code a dummy at the meeting-director-level that is equal to 1 if the director's name appears among the meeting participants and is 0 otherwise. Table 1 summarizes the number and length of meetings, average yearly meeting times and attendance and meeting characteristics. Appendix Tables A1, A2 and A3 provide tabulations of the items voted on at meetings, the reports provided at meetings and the positions of the officers attending meetings, respectively.

-Insert Table 1 about here-

American Banking Association Leadership

I obtain information on the leadership of the American Banking Association between 1996 and 2016 (with gaps) from snapshots of the ABA's website archived in the Wayback Machine.[4] Data prior to 1996 come from articles in the ABA banking journal in Businesssource Premier. The data contains the position the individual is elected to, the length of their term, the name of the individual, the individual's employer, the position title of the individual and the city and state of the employer. My final sample contains data on 511 individuals elected to ABA positions. The sample starts in 1982, but contains gaps for several years. I was unable to find any or limited information on leadership for the years 1984-1985, 1992 and 2012-2014. While available data in early years is sparse, it is unclear whether this is due to missing data or a smaller board size in those years.

To match the data to Fed directors, I obtain bank identifiers (idrssd) for each employer from the National Information Center and Call Report and Y9-C data from the Chicago Fed using the employer's names, city and states. I then convert the election data into a panel in which each individual appears in every year in the individual's term.

The data contains information on individuals elected to ABA board positions, committee or council positions, the treasurer position and president positions. Since over 75% of positions are board positions, I label them collectively as board positions for convenience.

Fortune's Most Admired Lists

To address concerns that my findings may be driven by reputation, I need data on reputation that span the time period of my sample. While some reputation measures exist for banks, few are available in a long time series or for banks, as opposed to BHCs, and most are specific to a task, e.g. underwriting or investment banking. Thus, I use appearance on Fortune's Most Admired Lists as a measure of reputation. A drawback of this measure is that it only exists for large companies, as Fortune chooses candidates to be on the list from e.g. the Fortune 1000. A benefit of this measure is that it also exists for non-banks.

Fortune's Most Admired lists are considered a predecessor of media reputation (Carroll 2016). They began in 1982 and are published every year. The lists are published in essentially two formats: a "Most Admired" list which typically contains only the top 1-50 (in

[4] I was unable to get the data directly from the ABA. I am extremely grateful to Thomas Mosk for suggesting the use of the Wayback Machine.

some years 20) most admired companies regardless of industry and a "Most Admired" plus "Top Industry" format which contains the top 10 most admired companies by industry in addition to the overall top 20-50 most admired companies. I obtain the lists through interlibrary loan of back issues of Fortune Magazine. I have complete data from 1982 until 2016 except for year 1993. I match the companies to permcos in CRSP by name and year.

Reserve Bank Directorships

My primary sample consists of data on elections of directors for the 12 Federal Reserve Banks from 1990 to 2009. I collect the names of all directors, their employers, the employers' locations, the directors' classes and the expiration dates for their terms from Federal Reserve Bulletins for the years 1990-2009. The total number of directorship (director-year) observations for this 20-year period is 2160 including 26 vacancies.

To characterize directors' employers, I match them by name, city and state to CRSP, COMPUSTAT, Call Reports data for banks and FR Y-9C data for BHCs. I verify uncertain matches using the internet and the director's name. I classify an employer as a bank if it appears in the Call reports and a BHC if it appears in the Y-9C data. For each bank and BHC I also collect information on its parent holding company (the high holder). I classify banks without a parent as standalone. I identify unique banks and BHCs using their idrssd. Monthly Monetary Policy (MPU) and Financial Regulation Uncertainty (FRU) measures are from Baker, Bloom and Davis (2016).

I merge the ABA data to this data using idrssd and I merge in the Fortune data using permco. I define ABA Board as a dummy variable equal to 1 if the bank or BHC has an executive on the board of the American Banking Association (ABA) in the year of the Fed directorship. ABA Director is a dummy variable equal to 1 if the Fed director is on the board of the ABA. ABA in Past is a dummy equal to 1 if the bank or BHC had an employee on the board of the ABA in any year prior to the current year. I define two reputation measures: Top Industry is a dummy which is equal to 1 for companies with an industry rank above 5 or a score above 6 on Fortune's Most Admired lists in a given year. Most Admired is a dummy equal to 1 for companies that rank between 1 and 50 on Fortune's "most admired" list in a given year. To take account of changes in the format of the reports, e.g. some years do not include top industry data, I construct smoothed Fortune reputation measures by assigning a

company Top Industry or Fortune's Most Admired status for all years between the first and last years the company appears on those lists. I also use a dummy Fortune Top Industry (Past) which is a dummy that is equal to 1 if the company was classified as Top Industry in any year prior to the current year.

In the 20-year period of my sample, only 539 unique individuals hold Fed directorships, ranging from 43 individuals in San Francisco to 54 in New York. Together these individuals fill 207 class A, 175 class B and 170 class C director positions. To provide some information on the types of individuals holding FRB directorships, I classify directors according to their titles. I classify directors as top managers if their title suggests they are the primary decision-maker in their companies, e.g. if their title suggests they are the CEO, chairman, owner or managing partner. High-level executives are presidents, vice-presidents, chief financial or chief operating officers, partners or co-chairs, etc.. I classify directors as academics if they are professors. Retired directors are directors whose titles contain the words "past", "former" or "retired". All other directors fall into the category of "other".

-Insert Table 2 about here-

Panel A of Table 2 shows summary statistics at the directorship level for director types and their tenure for the 3 different classes of directors. I show tenure only for those directors whose terms do not overlap with the beginning or end of the sample period. Panel A shows that the highest proportion of top managers occurs for class A directorships. The highest proportion of academics, retired and "other" directors occurs for class C directors. Class A directors have the shortest average tenure of all classes of directors (2.73 as opposed to 3.18 for class B and 3.44 for class C) consistent with A directorships being more contested.

Three percent of Class A directors are in the ABA leadership at the time of election. Seven percent of Class A employers had an ABA leadership position in the past (typically in the last 6 years). Seven percent of Class B and six percent of Class C directors appeared on Fortune's Top Industry lists prior to the time of election. Fewer Class A directors appear on the Top Industry lists prior to election (one percent).

Panel B of Table 2 shows summary statistics for the 325 unique individuals whose terms do not overlap with the beginning or end of the sample period. On average, individuals are elected (for class A and B) or appointed (for class C positions) more than once. Thirteen

percent of directors in districts with branches were branch directors in the year prior to their appointment to an FRB board. On average an individual will serve for 4.51 years and chair and vice-chair tenure is on average roughly 1.5 years.

Because some directors switched employers, a total of 595 employers, ranging from 42 in Dallas to 57 in Richmond had employees represented on FRB boards from 1990-2009. There are 216 unique banks and BHCs with employees on FRB boards during this period, of which 145 are banks and 71 are BHCs.

Between 1991 and 2008, companies are represented by an employee for 3.67 years on average. However, this average increases to 3.9 for BHCs if I consider representation of a subsidiary bank to count as representation for the parent BHC. The maximum number of years a BHC is represented is 13. This occurs for Northern Trust Corporation which was represented on the FRB of Chicago's board by 3 different executives with tenures from 1991-1996, 2001-2006 and 2009 until expiration of term in 2014. In only 8% of bank-years are banks standalone. Most banks with Reserve Bank directorships are national banks (63%) and members of the Federal Reserve (98%). Appendix Table A4 provides additional summary statistics on the employers.

Elections of Federal Reserve Bank Directors

Prior to each election, each Federal Reserve Bank communicates with the banks in its district by mailing them several circulars at different points in time. These may include some or all of a call for nominations, the recommendations of nominating committees, a nomination circular containing the names of nominees and a ballot and a circular announcing the results of the election. These were my primary sources for election information.

I obtained these circulars in several stages. In 2002, I contacted each of the Federal Reserve Banks and asked them to provide me with all circulars concerning elections between 1990 and 2001. Some Federal Reserve Banks provided me with such information, but in some cases I was unable to obtain sufficient material. To complete the data, I filed a Freedom of Information Act Request with the Board of Governors asking for additional election information from 1990-2001. Not all Reserve Banks responded to this FOIA request. In 2006, I contacted the heads of research departments at each of the Reserve Banks describing my project to obtain additional information. Some banks provided me with additional

information following this request. I updated the data until 2009 using circulars and press releases posted on Federal Reserve Bank websites. In 2014 I filed additional FOIA requests. I obtained some additional information, notably for Boston for which I had no data prior, but I received it too late to incorporate into this analysis.

A total of 522 class A and B directors were elected to FRB boards between 1989 and 2008 for terms between 1990 and 2009. For these elections, I have at least one type of circular for 280 elections (138 class A and 142 class B). In addition, I have circulars for elections of 16 class A and 17 class B directors that took place prior to the sample period for directors who were on an FRB board in 1990.

Because few Reserve Banks post circulars on their websites my coverage of elections post 2002 is less complete than prior to 2002 (84.98 % of the sample). However, there was an increase in information available in 2008 and 2009, so the observations from 2009 make up 4.15% (13 observations) of my election sample. One might argue that incomplete coverage of elections means my results suffer from selection biases. However, record retention and data storage policies appear to be the primary limitation to obtaining complete coverage, not strategic considerations. For example, the Boston Fed stores director election circulars offsite in a storage facility making them difficult to access. This suggests there is no reason to suspect a particular bias in my results. In addition, Dlugosz and Black (2016) confirm my event study results around Class A elections for bankers for a slightly longer time period and with more complete coverage for some districts (e.g. Boston), which suggests selection is not a major concern.

Banks elect class A and B directors on a rotating basis. Thus, banks in a group vote only once every three years for a director of each class. Each Federal Reserve district uses its own rotation and group classification scheme. In some districts a group will elect both a class A and a class B director in the same year. In others, the elections of the class A and B directors may be staggered, as in Dallas from 2000-2008. While any bank in a group is allowed to nominate a bank, except when they are affiliated with the same BHC, some districts rely on the recommendations of nominating committees for nominees. This occurred in 52 or 16.6% of elections.

Elections without nominating committees typically proceed as follows. First, the Reserve Bank sends a call for nominations to member banks. This call indicates the A and B directors whose terms are expiring (unless only one director is being elected), whether they are eligible and willing to stand for reelection or not, the division of banks into groups for the purpose of the elections, the group that is eligible to elect a director of a given class, the procedures for nominating candidates and the timeline for the election. Nominations are generally due back within a month from the date of the call for nominations. Several days after the nomination period closes the Reserve Bank sends an election circular to banks indicating the nominees for each director position, along with a brief bio on the candidates and information on who nominated the candidate. By law, ballots close 15 days after the date of the election circular. At this point the Reserve Bank sends a circular announcing election results to member banks. In general, Reserve Banks send the election material to all member banks even if they are not entitled to vote in the election.

From the circulars and calls for nominations I obtain information about the number of directors up for election, whether directors are filling an unexpired term of a previous director, the number of nominees for each position, the group electing the director (group one (large), two (medium) or three (small)), the size cutoffs for the groups and the number of banks nominating and voting on a candidate. For BHCs only one member bank is allowed to participate in the election, thus the number of voting banks may be different than the number of banks in a group. By law, officers or directors of member banks in a group can only be nominated by other banks in the same group, thus I also collect information about whether the class A directors are nominated by their employers or other banks.

-Insert Table 3 about here-

Panels A and B of Table 3 shows summary statistics for class A and B elections, respectively. Panel C shows summary statistics for the number of banks (voting and non-voting) in each group and the thresholds of capital and surplus used to divide banks into groups.

Population of Banks and BHCs

To examine which banks and BHCs get elected to Class A directorships, I construct one data set on the population of banks and one data set on the population of BHCs. I match

ABA and Fortune data sets to both and define the same ABA and Fortune indicators as in the election sample.

I construct my bank industry data set using year-end (December) Call Report data from 1987-2009. I restrict the sample to headquarter establishments and domestic banks with nonnegative assets, employees, salaries and capital ratios. I define the capital ratio to be the ratio of Tier 1 capital to assets. I also restrict the sample to banks whose return on assets (ROA) and return on equity (ROE) are between -1 and 1. Appendix Table A5 provides definitions of all variables I use in terms of Call Report item numbers and the approximation for capital ratios when Tier 1 capital is unavailable (1990-1995). I match the Call Report data to the Chicago Fed's Bank Merger Data by merging on survivor idrssd and year. I define the number of acquisitions to be the number of times a bank occurs as a surviving entity in the merger data in a given year. If a bank does not appear as a surviving entity in a given year, I define the number of acquisitions that year to be 0. I end with a sample of 231,937 bank-year observations, but the number of observations varies in my regressions due to incomplete data for some variables.

A total of 275 class A elections resulting in the election of a bank employee (181) or a BHC employee (94) took place during my sample period. I am able to match all but one bank to the bank industry data on bank idrssd and election year. Table A5 provides summary statistics for this sample.

I construct my BHC industry data set using year-end (December) FR Y-9C data from 1987-2009. I restrict the sample to domestic BHCs and to top tier BHCs. I also restrict the sample to BHCs with nonnegative assets, employees, salaries and Tier 1 capital ratios and with ROA and ROE between -1 and 1. I define the Tier 1 capital ratio to be the percentage of Tier 1 capital in risk-weighted assets. The definition is slightly different from my definition of capital ratios for banks because I obtain data on capital ratios for the period prior to 1997 from Benjamin Mandel at the New York Fed. During this period Tier 1 capital data is missing for BHCs. Furthermore the approximations of capital ratios for banks are not directly applicable to BHCs. Table A6 provides definitions of all variables I use in terms of FR Y-9C item numbers. I also match the FR Y-9C data to the Chicago Fed's BHC Merger Data by merging on survivor idrssd and year. I define the number of acquisitions to be the number of

times a BHC occurs as a surviving entity in the merger data in a given year. If a BHC does not appear as a surviving entity in a given year, I define the number of acquisitions that year to be 0. I end with a sample of 49,508 BHC-year observations, but the number of observations varies in my regressions due to incomplete data for some variables.

I am able to match only 81 of the 94 directorship BHCs to the BHC industry data on BHC idrssd and election year because of complications due to acquisitions. Table A6 provides summary statistics.

Insider Trading

Insider transaction and filing data is from Thomson Reuters Insider Filing Data Files (TFN) for the period January 1986 to December 2013. My sample construction closely follows Adams, Wu and Xu (2015) and is detailed further in Appendix Table A7.

I examine only open market purchase and sale transactions from "management" insiders (i.e., managers, directors and officers). When analyzing market reactions, a reporting date for an insider is a "net purchase" if the insider's net purchase on that date is positive; if net purchases are negative, the date is a "net sale". The data is merged to return data from CRSP and financials from COMPUSTAT. Abnormal returns are computed based on the market model in Eventus, with parameters estimated from event day -255 to event date -46 with the CRSP value-weighted return as the market return..

I identify banks using the 2015 version of the CRSP-FRB Link file provided by the New York Fed. Top 5 insiders are CEOs, CFOs, Chairmen of the Board, COOs or Presidents. Firm size by the market capitalization at the end of December of year t-1. Book-to-market is fiscal year-end book equity in year t-1 divided by the market value of equity at the end of December of year t-1. Monthly idiosyncratic volatility in percent (IVOL) is the variance of residuals from a regression of daily returns on a Fama-French-Carhart model in a rolling 6 month window prior to the estimation month. The filing frequency of insiders at the individual (ffreq) level is the number of filings, either buys or sales, in a year per insider. The strength of the trading signal on a reporting date (STRONG (Buy)) is the number of unique people who reported purchases on a reporting date or in the transaction month.

To increase the sample of insiders with Reserve Bank directorships, I extend my sample of directors to the period between 1982 and 2013. I match directors to the insider

trading data by name and company. I describe the samples I use to examine directors' trading behavior and the market reaction to their trades in more detail in Section VIII and in Appendix Table A7, which provides summary statistics.

Enforcement Actions

I hand-collect enforcement action (EA) data from 1989-2009 from the website of the Federal Reserve. I identify bank idrssd ids using the institution name, city and state. I match the EA data to my population data sets on banks and BHCs from 1989 to 2009 and drop all banks that are not members of the Federal Reserve from the bank sample. EA is a dummy variable which is 1 if an institution received an enforcement action in a given year. I follow Danisewicz, McGowan, Onali, Schaeck, (2016) in classifying EAs as Severe or Less Severe. Severe EA is a dummy variable equal to 1 if the institution received a Written Agreement, Prompt Corrective Action or Cease and Desist in a given year. Less Severe EA is a dummy equal to 1 if an institution received a Prohibition from Banking or Civil Monetary Penalty. Named Individual is a dummy equal to 1 if the EA names an individual. Appendix Table A8 provides summary statistics for the EA data.

IV. Attendance of Directors at Board Meetings: A case study of the Federal Reserve Bank of New York

Both the information advantage and the supervisory leniency hypotheses suggest that Class A directors might have different attendance behavior when it comes to board meetings than Class B or C directors. I examine their behavior using the meeting minute data from the Federal Reserve Bank of New York in Tables 4 and 5. In Column I of Table 4, I regress the attendance dummy on director and meeting characteristics in the panel of director-meeting observations. All regressions include year dummies and standard errors are clustered at the meeting date level.

-Insert Table 4 about here-

In column I include only Class A and C director dummies and exclude B directors. Not surprisingly, since C directors chair meetings, C directors attend more than B directors. But A directors also attend more. When I aggregate A directors with B and C directors who

work for financial firms into a "Finance" category in column II, I find that finance directors generally attend more than non-finance B directors.[5]

In column III, I include proxies for information content of the meeting. I include the Number of Reporting Officers, a dummy if it is an FOMC month, a dummy if the NY Fed president is at the meeting and Blackout. I also include a crisis dummy and the Number of Votes. These could be related to information, but may also proxy for the importance of the tasks the board needs to get done, which may be related to their attendance, or their desire to influence decision-making. Of course the same may be said of the other variables, e.g. NY President at meeting. Thus, I try to proxy for information content more precisely in Table 5.

Both the Number of Reporting Officers and the Number of Votes is significantly related to director attendance, as is NY President at meeting and Blackout. In columns IV-VII I rerun the regression for each type of director, A, Finance, B and C. The results suggest that the information proxies are more relevant for A (and Finance) directors than for B and C directors. The statistical significance on Number of Reporting Officers disappears for B directors, for example. The crisis dummy is statically significant and positive only for A and Finance directors. Perhaps counter intuitively, FOMC month is never significant. An examination of the data reveals that this is because the NY Fed met so many times during the year that almost all FOMC months have meetings.

-Insert Table 5 about here-

To examine attendance and information content more closely, I replace the number of reporting officers with ten dummies for reports of different types in Table 5. These reports each occurred more than 10 times in the meeting minute data and together comprise 71% of report types. For each director type, I first replace the Number of Reporting Officers with a dummy if a Financial Sector report was presented at the meeting. I then add the remaining report types.

The results suggest that A and Finance directors are significantly more likely to show up at meetings if the meeting contains a report about the financial sector. These reports do not affect the behavior of B directors. They affect the behavior of C directors, but only because C

[5] The non-Class A finance directors are B directors Mr. Huchins and Mr. Fuld who work for Silver Lake and Lehman Brothers, respectively, and C directors Mr. Friedman and Mr. Speyer, who work for Stone Point Capital and Tishman Speyer, respectively.

directors include finance directors. If I exclude the finance directors from the C directors, the coefficient on Financial Sector becomes insignificant and the magnitude decreases.

Adding dummies for other reports changes the coefficient on Financial Sector because Financial Sector reports are typically provided in conjunction with other reports. The correlation between Financial Sector and Economic Outlook is 0.76, for example. The reports that are significantly positively related to the attendance of A directors in the group of reports are Economic Outlook, U.S. Macro Overview and Officer Activity and Compensation. Only the latter report type is significantly positively related to the attendance of B directors. Officer Activity and Compensation is also positively related to the attendance of C directors, as is Global Outlook. But Economic Outlook and U.S. Macro Overview are negatively related to their attendance.

While the meeting data is limited to the board of the New York Fed, it provides some support for the idea that the information content of meetings may be important for A directors. Since the crisis dummy survives the inclusion of report types for A directors, but is insignificant and even turns negative for B and C directors, the data could also be consistent with the hypothesis that A directors try to use their positions to obtain supervisory leniency. I examine these hypotheses in more detail in the next sections.

V. Director Elections

If Fed directorships add value to employers because they enhance the reputation of the firm or provide valuable networks, one might expect director elections for all classes of directors to be hotly contested. The number of nominees is constrained only by the number of banks allowed to participate in an election. Perhaps surprisingly, but consistent with Bopp (1937), I find that elections are not often contested. Of 299 director positions with data on the number of nominees, 80.27% are uncontested. However, A positions are more often contested than B positions. A positions are contested in 47 out of 149 cases. B positions are contested in only 12 out of 150 cases.

These numbers are similar to those in Bopp (1937) who finds that in 240 elections from 1925 to 1934, 73.33% of elections are uncontested with 75 (62.5%) of class A elections

uncontested and 101 (84.17%) of class B elections uncontested. Bopp argues that the reason so few elections are contested is because banks with power are effectively able to control the nomination process. He specifically points to the role of banking associations in coordinating their support for specific nominees. The fact that there are no other nominees in elections for Class A candidates who hold an ABA board membership is consistent with his hypothesis. I examine factors related to the number of candidates in more detail in Table 6.

-Insert Table 6 about here-

I examine the relationship between the number of other nominees for a director position and dummy variables indicating the class of the director position, ABA in Past and Fortune's Top Industry (Past), indicators for a director's first term, the existence of a nominating committee, the filling of an unexpired term, and the group electing and the number of banks in the group. I regress the number of other nominees (the number of nominees-1) on these variables and year fixed effects and correct standard errors for heteroskedasticity and clustering at the district level. In column VI and X, I include district fixed effects. Columns I-VI are for A and B directors. Columns VII-X are for A directors.

Consistent with expectations, the number of other nominees is lower for Fortune's Top Industry (Past) candidates. It is higher for first term elections and lower when a nominating committee exists. It is also higher for group 3 (small banks) for both A and B elections and A elections alone. Regardless of specification, the coefficient on the Class A dummy is positive and statistically significant at the 1% level in columns I-VI. This is consistent with the idea that Reserve Bank directorships may be more valuable to banks than to other types of companies.

Because my sample period coincides with a period of intense M&A activity in banking, it is possible that the distribution of banks across groups is a result of consolidation. For example, if large banks undertake more M&A activity of similar size banks, the number of large banks will be smaller than the number of small banks if size cutoffs are not revised frequently. In Appendix Table A8, I regress the number of banks in the group on a year dummy and the group electing. I also regress upper and lower size cutoffs on the group electing. The coefficient on the group electing is positive and significant which suggests that unequal group size is not driven primarily by a reduction in group sizes over time due to

consolidation. If anything, the reduction in group size is largest for the smallest banks over time. The result also suggest that all size cutoffs have increased over time. An increase in the upper bound for group 2 and 3 banks makes it harder for them to be classified as group 1 or 2 banks as they grow in size. Thus, it is not clear that banks can easily switch categories. However, because the number of banks is decreasing in each group over time, the chance each bank has to obtain a Reserve Bank directorship appears to be growing.

VI. Which Bankers Get Elected to the Board of a Federal Reserve Bank?

Previous studies of Federal Reserve Bank boards (e.g. Havrilesky, Yohe and Schirm, 1973) used simple comparisons of means to argue that large banks are disproportionately represented. I examine which factors are related to the likelihood of election in more detail here. To examine the characteristics of banks whose officers are elected to the board of a Reserve Bank, I use my "population" data sets. My analysis is complicated by the fact that the industry consists of banks and BHCs and it is not clear what the appropriate comparison group is for a subsidiary of a BHC with a Reserve Bank directorship. For simplicity, I split the analysis. I compare banks with Reserve Bank directorships to other banks, regardless of whether they are subsidiaries of BHCs or not and I compare BHCs with employees of the parent holding company on the board of a Reserve Bank to other BHCs.

Table 7 shows OLS regressions of a dummy which is one if a firm's employee is elected to the board of a Reserve Bank in a given year on firm size, ABA in Past, and various controls. I exclude firm-years for which firms are on the board already. All balance sheet items are measured at the end of the prior fiscal year. All regressions include year and district fixed effects. I correct all standard errors for heteroskedasticity and group correlation at the bank level.

Columns I-IV are for banks; columns V-IX are for BHCs. No banks ever appear on the Fortune list, so I only include the Fortune's Top Industry (Past) variable in the BHC regressions.

Both ABA in Past and Ln(Assets) are positively related to the likelihood of election for banks. When both are included in the same regression, the magnitude of the effect of firm size decreases. This suggests part of the reason firm size may be relevant is because it is

correlated with influence over the nomination process. For banks, the only other variables that appear correlated with the likelihood of election are Federal Reserve membership status and subsidiary status.

ABA in Past, Fortune's Top Industry (Past) and Firm size are also individually correlated with the likelihood of election for BHCs. However, the effect of ABA becomes insignificant in the joint regression while the effect of Fortune reputation remains significant. This is consistent with the idea that ABA is a more important measure of influence for banks than BHCs. In my sample of ABA elections between 1986 and 2009, 73% of positions were held by banks. Presumably BHCs have less need to be formally involved in ABA activities than banks do.

Across banks and BHCs, firm size seems to be the most important financial characteristic related to election. The results suggest that part of the reason size matters is because it is correlated with reputation and/or influence. Of course, proxies for influence and reputation may be endogeneous in these regressions. Obtaining a Fed directorship may be a signal of respect by a bank or a BHC's peers that may eventually be recognized in other ways, e.g. making the Fortune list. Similarly, a Fed director may be more likely to be elected to an ABA leadership positions because their institutional knowledge is valuable for the ABA.

Finding an instrument for Fortune's Top Industry and ABA is difficult. To gain some insight into the direction of causality between Fed directorships and these measures, I conduct an "event study". I construct the cumulative sum of Fortune's Top Industry and Fortune's Most Admired around the year of the first Fed directorship (= year 0) for BHCs with directorships and then examine the average cumulative sum. If the directorship is a shock to reputation, I expect to see a jump up in the average cumulative sum of these measures after year 0. Panel A of Figure 1A plots the cumulative sums of smoothed Fortune measures in a (-10, 10) year window for all BHCs and BHCs with [-5,10] data. Appendix Figure A1 shows the plot for the unsmoothed measures.

-Insert Figure 1 about here-

The cumulative sums in the figures start rising steadily much prior to year 0. They also look fairly smooth. The figure suggests that Fortune reputation precedes a Reserve Bank directorship rather than the other way around.

I conduct a similar analysis for ABA Board in Figure 1B. I restrict the sample to banks since they make up the vast majority of ABA positions. The average cumulative sums of ABA Board for banks with Fed directorships also start rising well before year 0. They stay flat around year 0, especially for banks with [-5,10] data, and then start rising again. While the Fed directorship may have led some banks to obtain ABA leadership positions, Fed directorships do not appear to be a "shock" to ABA positions.

While these analyses do not rule out endogeneity of reputation, they highlight that for many banks and BHCs reputation and influence appear to precede their directorships.

VII. Do Reserve Bank Directorships Add Value?

I examine whether Reserve Bank directorships add value to directors' employers. As the literature on board memberships suggests, a directorship may be beneficial to the individual but detrimental to the employer, because it diverts the individual's attention away from the employer. On the other hand, the link between organizations established by the board membership can be valuable to the employer because it may enhance its reputation, it may be a source of information, networks and resources. The literature on political connections and regulatory capture suggests that such links are particularly valuable when one party to the link is a governmental or regulatory body.

It is difficult to examine valuation effects of Class A directorships using standard panel data analyses since performance, potentially proxied by reputation, may be a factor contributing to the election to a Reserve Bank board. This means that the election to a Fed board will be endogenous in performance regressions. Moreover, non-bank Fed directors may work for firms for which performance data is not readily available, such as private companies, law firms, universities or non-profit organizations. Thus, I examine the performance impact of obtaining a Fed directorship for the subset of publicly-traded employers using an event study methodology around election dates for A and B directors and

appointment dates for C directors. In the case of subsidiaries of publicly-traded BHCs, I consider the stock price reaction for the parent BHC.

The Market's Reaction to Federal Reserve Bank directorships

The most important part of any event study is determining the date on which the market learns about the event. If there are no other nominees for a directorship, then it is natural to assume that the date the market learns that an officer of a firm has been elected a Federal Reserve director is the date of the nomination circular. However, this is not necessarily clear for several reasons. First, the date of the nomination circular is the mailing date, not the receipt date. Second, all official documents concerning director elections from the Federal Reserve Banks are sent only to banks in their district, i.e. they are not made publicly available. Thus, it is not clear exactly how quickly the market as a whole learns that an officer has been nominated. If the market is only semi-strong efficient, then it may be difficult to detect a stock price reaction on the nomination date. Since elections may also be contested, I also examine the stock price reaction around the election date when all uncertainty regarding the outcome of the election is resolved. An additional advantage of the election date is that it is announced in advance so there is no uncertainty regarding receipt dates.

In addition to my sample of circulars, I conduct a Factiva search to obtain press releases by FRBs and newspaper articles concerning director elections. I define the nomination date to be the date of the nomination circular listing the name of the elected director as a nominee. If this information was missing, I use the date of the call for nominations because it indicates whether directors are eligible for reelection. In districts with nomination committees I define the nomination date to be the date of the nominating committee circular.

I define the election date to be the date of the election indicated in the nomination circular. If I did not have the nomination circular, I define the election date to be the date of the circular announcing election results if available or the date of news releases from FRBs or newspaper articles announcing election results. Because I am also interested in seeing whether the market reacts to the appointment of class C directors, I augment the election

dates by the appointment dates for class C directors from press releases by the Board of Governors which I obtained from my 2002 FOIA request and the Board's website.

In my sample, the total number of election/appointments for directors working for publicly-traded companies is 275 of which 171 are for class A and B directors. Because of missing circulars, I end with a sample of 116 nomination dates (76 class A and 40 class B) and 237 election/appointment dates (104 class A, 58 class B and 75 class C). Since directors can be reelected, the number of stocks with nomination dates is 64 for class A and 27 for class B. The number of stocks with election dates is 86 for class A, 40 for class B and 53 for class C.

I obtain stock returns from CRSP and conduct the event study using Eventus. I use both a market model and a constant mean return model with a 255 day estimation period ending 46 days prior to the announcement date. Because of the nature of director elections there are several concerns that may arise. First, in most districts one class A and one class B director are elected on the same day. Although it is unclear whether the news that an additional director is elected or appointed will have a systematic effect on the stock price reaction, as a robustness check I also examine the stock price reaction in the sample of election dates on which only one director, i.e. only a class A or a class B director, was elected in a district (sole elections). For this sample, the assumption that abnormal returns are independently distributed seems reasonable. Another potential concern is that there may be correlation in abnormal returns across districts. However, I do not believe this is a problem because each Reserve Bank has its own election schedule. As a result, 94% of nomination dates and 91.04% of election dates in the event study sample are unique to a district. Two districts shared a common nomination date in 6 instances, but this was unsystematic, i.e. it was not always the same two districts. Similarly, two (three) districts shared a common election date 15 (2) times, but again this was unsystematic.

-Insert Table 8 about here-

Panel A of Table 6 shows the results of the event study for 3 different event dates, the nomination date, the election date and the election date for sole elections, and (-1,0) and (-1,1) event windows. The CARs are all positive in panel A and generally statistically significant, regardless of how I model normal returns.

Panels B and C shows the results for A and B directors, respectively. The results in Panel B are similar to those in Panel A. The stock price reaction is always positive. The election date CARs are generally statistically significant at greater than the 10% level. The CAR (-1,1) is 0.96% and statistically significant in a Patell Z-tests at the 1 % level. The sole election date CAR for A directors is 2.86%. Thus, Panel B suggests not only that Fed directorships add value to banks and BHCs, but also that the positive effects in Panel A are driven entirely by the banks and BHCs. Consistent with this idea, Panel C shows that the average market reaction to Class B election dates and sole election dates is negative and statistically significant at the 10% level using the market model. Further support for this interpretation comes from a very small sample of contested elections that I provide in Appendix Table A10. In these elections, the market appears to perceive the loss of a contested election as value-decreasing for A directors, but value-increasing for B directors.

Variation in the Stock Price Reaction

To gain some insight into potential channels that may explain the differential market reaction for A and B directors, I regress the (-1, 1) election date CARs on financial and district characteristics for each class of directors. I obtain financial characteristics for class B and C directorships from COMPUSTAT. If a BHC subsidiary holds a class A directorship, I use the financial characteristics of the parent.

There are at least three reasons why one might expect the stock price reaction to be different for banks than for non-banks. First, bankers may be the most qualified to evaluate other bankers. Thus, the signal that a banker has been elected by other bankers to represent the banking community may be a better reputational signal than the signal that a non-banker has been elected by bankers. Second, the directorship may be a source of valuable information to the banks that is less relevant for non-financial firms. Third, the directorship may be a source of influence over supervision that is less relevant for non-financial firms.

Because the banks and BHCs in the event study are listed and hence much larger than unlisted banks, it is not clear why the election to an FRB board should provide an economically significant reputational signal for them. Figure 1 also suggests that reputation and influence are more likely to precede directorships rather than the other way around.

Nevertheless, I examine the reputation argument further by including Fortune Top Industry (Past) and ABA in Past in my regressions.[6]

To examine if directors' employers may benefit from obtaining privileged information or potentially having an influence on policy, I examine how the stock price reaction varies when the director is elected to the board of the Federal Reserve Bank of New York and during the financial crisis. Since the Federal Reserve Bank of New York is the most important Reserve Bank, directors may obtain more information when they sit on its board. Since directors may also gain more information when the president of the Reserve Bank has a longer tenure, I control for president tenure between 1990 and 2009. I follow Dlugosz and Black's (2016) lead and include Monetary Policy Uncertainty in the regression. In addition, I include Financial Regulation Uncertainty. As additional controls I include firm size, ROA and the fraction of nonperforming loans and number of acquisitions in the year (for A directors). I correct all standard errors for clustering at the district level and include year dummies as indicated.

-Insert Table 9 about here-

Columns I-VI of Table 9 show regressions for class A directors; columns VII-IX (X-XII) show regressions for class B (C) directors. The coefficient on firm size is consistently negative and significant for A directors. The coefficient on the New York dummy is consistently positive and significant. The financial crisis dummy is positive and significant. However, when I add FRU to the regressions FRU is positive and significant and the financial crisis dummy becomes insignificant. This supports both the information advantage and the supervisory leniency hypotheses. Times of uncertainty over financial regulation may be times in which information is important as well as times in which the ability to influence policy or supervisory actions is important. The results are very different for B and C directors. If anything, the market reacts negatively to class B director elections during the crisis. It is plausible that Reserve Bank directorships divert too much of B directors' attention from their employers during this time without sufficient compensating advantages.

[6] In the Appendix Table A12 I also regress various performance measures on a PostFedBoard dummy which is 1 in all years after Fed Board service. Even though PostFedBoard is endogeneous in these regressions, one would expect to find some evidence of a positive correlation between PostFedBoard service and these outcomes if the election is a signal of good reputation, especially since the Fortune lists suggests that corporate reputation is persistent. The results do not seem consistent with a reputation story.

VIII. Information Advantages? Insider Trading by Reserve Bank Directors

The event study results to director elections are consistent with informational advantages accruing to A directors. To examine this potential channel more directly, I examine inside trading behavior by Reserve Bank directors. If directors receive information that is valuable for their employers I expect them to trade more in their employer's stock. I also expect their trades to be more informative. In particular, I expect the market reaction to insider purchases to be higher when directors buy their employers' shares while they are on the Reserve Bank board than when they buy them while they are not on the Reserve Bank board.

I provide some initial evidence on trading behavior by constructing a panel of 634 observations on individuals who served as Fed directors at any point between 1982 and 2013 and who also traded shares in the employer they worked for while they were Fed directors at any point between 1986 and 2013. Each individual enters (exits) the panel the first (last) year they appear in the insider trading data. I assign a "buy" year dummy a value of 1 for an individual if the individual bought shares in the company with the same permco as their employer while on the Fed board in that year. I assign a "sell" year dummy a value of 1 for an individual if the individual sold shares in this company in that year. "buy" ("sell") years are 0 in years with no buys (sells) in the employers and no trades. I classify years in which individuals serve as Fed directors as "on" years. I classify years in which individuals do not serve as Fed directors as "off" years.

-Insert Figure 2 about here-

Figure 2A shows the fraction of "buy" and "sell" years for individuals on Reserve Bank boards by class. While the allocation of "sell" years is pretty even across A, B and C, "buy" years are disproportionately concentrated among A directors. Since it is possible that this pattern is driven by differences in trading behavior between banks and non-banks (see Adams, Wu and Xu, 2015), I plot mean "buy" and "sell" years on and off the Reserve Bank board by class in Figure 2B. A directors are less likely to sell on the board, while B and C directors are more likely to sell. But B and C directors are less likely to buy while on the board, while A directors are more likely to buy.

In the Appendix I provide additional evidence on trading behavior by Fed directors using measures of trading that are conditional on trading. The sample consists of 419 individual, transaction year, permco observations. Ffreq_buy (ffreq_sell) is the number of "buy" ("sell") filings with the SEC the individual has in a given year. N_buy (n_sell) is the total number of buy (sell) trades the individual made in a given year. Shares_buy (shares_sell) is the total number of shares the individual bought (sold) in a given year.

I plot means for these variables for A B and C directors on and off Fed boards in Appendix Figure A2. Conditional on trading, A, B and C directors reduce their selling activity on Fed boards as measured by all three measures. B and C directors also reduce their buying activity relative to when they do not serve on the board. But A directors increase their buying activity. Off Fed boards A directors buy on average 1767 shares. On Fed boards A directors buy on average 17060 shares. This number drops to 3343 if I exclude the buys by Jamie Dimon I describe in the Introduction. While less dramatic of a difference, this still represents an 89% increase in the number of shares bought "on" relative to "off" the board.

To better identify a potential informational advantage for A directors, I examine cumulative abnormal returns from days 0 to +2 around reporting dates of net purchases (number shares bought>number shares sold) by A, B and C directors in their employers. I also examine sales, but, consistent with previous literature (e.g. Lakonishok and Lee 2001), I find sales are less informative than purchases. Thus I do not report the results.

There are many reasons why the information content of insider's share purchases may vary across individuals. Their positions may affect how much information they have (e.g. Ravina and Sapienza 2003). Since A directors are more likely to be top executives than B and C directors, their trades may generally be more informative. Information flows may also be different in different types of organizations. Adams, Wu and Xu (2015) show, for example, that purchases by bank insiders are generally less informative than those of non-bank insiders. Thus, my primary identification strategy uses person fixed effects. This allows me to compare the informativeness of purchases by the same person in the same company on and off the Reserve Bank board. I can further restrict the analysis to Top 5 insiders to control for potential changes in positions for the same insider. To address differing information flows across organization types, I analyze the market reactions for A and B, C directors separately.

I also examine the post 2003 period separately to control for changes in insider trading reporting regimes over time.

-Insert Figure 3 about here-

To motivate the analysis, Figure 3 shows the average CAR (0,2) for A and B, C directors on and off the board. The market reaction to A director purchases is substantially higher on (1.4%) the board than off the board (0.1%). In contrast, the market reaction for B, C directors becomes negative on the board. The pattern is similar for other event windows (see Appendix Table A7) and results are robust to excluding Jamie Dimon (the "on" CAR is 1%).

In Table 10, I regress the CAR (0,2) on OnFedBoard, a dummy that is 1 when the insider is on the board, and a variety of controls. Columns I-VI are for banks, columns VII-XII are for non-banks. I follow Adams, Wu and Xu (2015) in including firms size, book-to-market, the trade size, idiosyncratic volatility, the filing frequency and a measure of the strength of the signal (STRONG (BUY)) as controls. I do not include reporting date year fixed effects in the person fixed effects specifications as the distribution of trades is too spread out over time. I cluster standard errors at the reporting year level instead.

Columns I and VII provide cross-sectional comparisons of the informativeness of trades while directors are on Fed boards to those of all other insiders in the same industry group. I restrict the samples to Top 5 insiders only. In these specifications, I include year effects and cluster standard errors at the person level. The coefficient on OnFedBoard is positive and economically large (0.6%) in column I but not statistically significant. The coefficient in column VII is negative and statistically significant. This is consistent with the idea that A directorships are complementary to directors' jobs, while B and C directorships distract directors from their jobs.

In the remaining columns I restrict the sample to trades by individuals with Fed directorships only and include person fixed effects. In columns II and III the coefficient on OnFedBoard for A directors is positive, statistically significant and economically large. The results are robust to restricting the sample to trades while holding Top 5 positons only (columns IV and V) or restricting the sample to the post-2003 period (columns V and VI). They are also robust to excluding Jamie Dimon (the coefficients drop by roughly 0.3%) in

columns II and III. In contrast, none of the coefficients on OnFedBoard are statistically significant in columns VIII-XII.

As with the event study analysis in Table 9, I analyze factors related to the market reaction in Table 11. I include the interaction between OnFedBoard and a) a financial crisis dummy (column I), b) MPU (column II), c) FRU (column III), d) firm size (column IV) in the specifications in columns III and IX from Table 10. The top panel is for A directors, the bottom panel is for B, C directors. I do not report coefficients on controls for the sake of brevity. Results are also similar without controls.

For both A and B, C directors, the interaction between OnFedBoard and the financial crisis dummy is positive and significant. The interaction between OnFedBoard and MPU is only positive and significant for B, C directors. The interactions between OnFedBoard and FRU and firm size are positive and significant for A directors.

To see whether the financial crisis interaction for all types of directors is explained by MPU and FRU or firm size, I include those interactions along with the financial crisis interaction in the specifications in columns V-VII. The coefficient on the financial crisis interaction drops for B, C directors when I include the MPU interaction which suggests that part of the effect of the financial crisis is driven by MPU. For A directors, the financial crisis interaction becomes bigger after including MPU and FRU interactions but smaller when including the firm size interaction. Both FRU and financial crisis interactions are positive and statistically significant, which suggests that the informational benefits A directors appear to receive when they hold Fed directorships are particularly high in the financial crisis and during time of greater uncertainty about financial regulation.

The results in Table 11 are remarkably consistent with the results from the event study around director elections in Table 9. While other explanations for the results in this section may be possible, the consistent differences between the trading behavior of A, B and C directors and the market reactions to their trades suggests that A directors obtain informational advantages from their service as Reserve Bank directors. Since this informational advantage may also pertain to supervisory leniency, e.g. in the financial crisis, I examine potentially supervisory leniency using enforcement actions in the next section.

IX. Enforcement Actions for Banks with Reserve Bank Directorships

Figure 4 provides some support for the idea that the positive market reaction to Class A elections and insider purchases during the crisis could be tied to supervisory behavior. The figure shows the fraction of high holders (ultimate parents of banks and bank holding companies) that received an enforcement action from the Federal Reserve either directly or through a member bank or BHC subsidiary in each year from 1989-2009. The figure shows a clear spike up in enforcement actions in the time of the crisis.

-Insert Figure 4 about here-

I examine potential supervisory leniency in my sample of enforcement actions matched to the population samples of banks and BHCs. I first regress enforcement action dummies on OnFedBoard and controls. I then attempt to address the clear reverse causality problem such a regression has using instrumental variable regressions. As my prior analysis shows, OnFedBoard is not random, so it is endogeneous in any outcome regression.[7]

It is difficult to think of instruments that are related to OnFedBoard but exogenous to outcomes. For example, a plausible candidate for an instrument, ABA in Past, could potentially be related to outcomes if the selection to ABA leadership positions is also a function of firm characteristics. To address the identification challenge I exploit the fact that my prior analysis shows that Class A directorships are contested. The more contested they are, the less likely it will be that any individual institution obtains a Class A directorship at any given point in time. However, because the positions rotate more frequently when the elections are more contested, over time more banks may have a chance of holding a Class A directorship.

To be able to exploit this intuition in an IV setting, I shift my attention from OnFedBoard to PostFedBoard which is a dummy that is equal to 1 in all years after Class A directorships end. It is 0 in all prior years and 0 for banks without Class A directorships. Although I cannot identify OnFedBoard, the coefficient on PostFedBoard may provide insight into persistent effects Fed directorships may have on supervisory behavior over time.

[7] Black and Dlugosz (2016) also examine the regulatory leniency hypothesis by regressing Tier 1 capital, nonperforming loan ratios and other measures on Onboard and various fixed effects. However, they do not have an identification strategy.

I analyze banks and BHCs separately. My instrument for PostFedBoard in the bank sample is the number of BHCs in the district in a given year. My instrument in the BHC sample is the number of member banks in the district in a given year. The idea behind the instruments is that the number of institutions of any type should be correlated with the contestability of A directorships. But the number of BHCs in a district should not be correlated with the likelihood a *bank* receives an enforcement action after controlling for local conditions. Similarly the number of banks in a district should not be correlated with the likelihood a *BHC* receives an enforcement action.

-Insert Table 12 about here-

Table 12 shows firm fixed effect regressions of Severe EA, Less Severe EA and Named Individual on OnFedBoard, year effects and controls. To control for the fact that supervisors have information that is not observable to researchers I restrict the sample to firms that ever received an enforcement action in the second column for each dependent variable. Columns I-VI are for banks, remaining columns are for BHCs. Standard errors are clustered at the firm level.

The results suggest that banks are less likely to receive a severe EA while serving on the board of a Fed. Both banks and BHCs appear to be less likely to receive an EA that explicitly names an individual. To provide some suggestive evidence on the severity of the endogeneity problem in Table 12, I conduct a similar "event study" as in Figure 1. I construct the average cumulative sum of the enforcement action dummy for banking institutions with at least one Fed directorship in the sample period 1987-2009 around the year of the first Fed board directorship. Year 0 denotes the year the institution's executive is first elected to a Fed board in the period 1987-2009. I plot the average cumulative sums for BHCs and banks in Appendix Figures A3 A and A3 B, respectively. Visual inspection suggests that Fed directorships are more of shock to EAs than the other way around.

-Insert Table 13 about here-

Table 13 shows firm fixed effect IV regressions with the EA dummies as the dependent variables and PostFedBoard as the main explanatory variable. Column I shows the first stage for banks; column VI shows the first stage for BHCs. Consistent with intuition, the coefficient on the instrument in both first stages is positive and statistically significant. The

Kleibergen-Paap rk Wald statistic suggests the instrument is reasonably strong for banks but weaker for BHCs. Given the importance of size in Class A elections, BHC Class A elections may be less affected by competition for directorships from banks than bank elections are affected by competition from BHCs.

Consistent with Figure 8, the results in Table 13 suggest EAs increase after Fed board service for banks. This seems primarily driven by an increase in less severe EAs. There seems to be little effect of Fed board service on EAs for BHCs. This is consistent with the event study and insider trading results suggesting that smaller firms benefit more from Class A directorships. Although much more research is necessary to understand the relationship between Reserve Bank board service, the risk-taking behavior of banks and supervision, Table 12 and 13 are consistent with an increase in risk-taking by banks while on the board (since EAs increase afterwards) and a reduction in supervisory severity (since there seems to be a shift from more to less severe EAs). More generally, the results seem inconsistent with Fed Board service acting as a signal of reputational quality since EAs increase post Fed Board service for banks and do not decrease for BHCs.

X. Conclusion

Private interests are represented on Reserve Bank boards to help ensure that the Federal Reserve System represents various stakeholders in a fair manner. Perhaps a sufficient, although not necessary, condition to ensure the consideration of all stakeholders is that directors are drawn from different industries, backgrounds and ethnicities. Accordingly, the Federal Reserve System emphasizes the importance of diversity in director selection in various ways. For example, its rules concerning the division of directors into three classes help ensure that there is a balance of representation of different commercial and non-commercial sectors on the board. In addition, its guidelines on director selection emphasize director diversity. My results suggest that these guidelines may not be enough to prevent that some banks benefit more from the existence of Class A directorships than others.

References

Adams, R., K. Roszbach, et al. (2010). Governing the Governors: A Clinical Study of Central Banks. CEPR Working paper series.

Adams, Renée, Sean Wu and Qioaqiao Xu (2015) "What do bankers know?" https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2193986.

Agarwal, S. D. Lucca, Amit Seru and F. Trebbi (2014) "Inconsistent Regulators: Evidence from Banking," Quarterly Journal of Economics, 129(2): 889-938.

Agrawal, A. and C. R. Knoeber (2001). "Do Some Outside Directors Play a Political Role?" Journal of Law and Economics **44**(1): 179-198.

Baker, Scott R., Nicholas Bloom, Steven J. Davis; Measuring Economic Policy Uncertainty. Q J Econ 2016; 131 (4): 1593-1636. doi: 10.1093/qje/qjw024.

Bank Directories Online (2016), http://www.bankdirectoriesonline.com/index.php?app=cms&ns=bankshow&ref=aba. Link Accessed February 2, 2017.

Black, Lamont and Jennifer Dlugosz (2016) "Public Service or Private Benefits? Bankers in the governance of the Federal Reserve System" SSRN Working paper 2828340.

Bopp, K. R. (1937). "Reserve Bank Directors." Journal of Political Economy **45**(4): 517-531.

Carroll, Craig E. (2016) Ed. *The SAGE Encyclopedia of Corporate Reputation*, DOI: http://dx.doi.org/10.4135/9781483376493.n91

Cieslak, Anna, Adair Morse and Annette Vissing-Jorgenson (2016) "Stock Returns over the FOMC Cycle," Working paper, UC Berkeley.

Dal Bo, E. (2006). "Regulatory Capture: A Review." Oxford Review of Economic Policy **22**(2): 203-225.

Danisewicz, Piotr Jan; McGowan, Danny; Onali, Enrico; Schaeck, Klaus (2016) "The real effects of banking supervision : evidence from enforcement actions," Journal of Financial Intermediation, forthcoming, DOI: 10.1016/j.jfi.2016.10.003

Deli, Yota, Manthos, Delis, Iftekhar Hasan and Liuling Liu, (2016) "Enforcement of Banking Regulation: A story of success from the cost of lending," Working paper.

Delis, Manthos, Chris Tsoumas and Panagiotis K Staikouras (2015) "Formal enforcement actions and bank behavior," Management Science, forthcoming, http://dx.doi.org/10.1287/mnsc.2015.2343

Duchin, R. and D. Sosyura (2012). "The Politics of Government Investment." Journal of Financial Economics **106**: 24-48.

Faccio, M. (2006). "Politically Connected Firms." American Economic Review **96**: 369-386.

Faccio, M., R. W. Masulis, et al. (2006). "Political Connections and Corporate Bailouts." Journal of Finance **61**(6): 2597-2635.

Federal Reserve Bank of New York. 2016. *CRSP-FRB Link*.

Fisman, R. (2001). "Estimating the Value of Political Connections." American Economic Review **91**(4): 1095-1102.

Goldman, E., J. Rocholl, et al. (2009). "Do Politically Connected Boards Affect Firm Value?" Review of Financial Studies **22**(6): 2331-2360.

Havrilesky, T., W. P. Yohe, et al. (1973). "The Economic Affiliations of Directors of Federal Reserve District Banks." Social Science Quarterly **54**: 608-622.

Ignatowski, Magdalena, Charlotte Werger and Josef Korte (2015). "Between capture and discretion – The determinants of distressed bank treatment and expected government support," ECB Working paper No 1835.

Ito, A. (2012, August 16, 2012). "Kocherlakota Sees No Conflict With Bankers on Fed Boards." Retrieved September 13, 2012, from http://www.bloomberg.com/news/2012-08-16/kocherlakota-sees-no-conflict-with-bankers-on-fed-boards.html.

Jagolinzer, Alan D. and Larcker, David F. and Ormazabal, Gaizka and Taylor, Daniel J., Political Connections and the Informativeness of Insider Trades (September 1, 2016). Rock Center for Corporate Governance at Stanford University Working Paper No. 222. Available at SSRN: https://ssrn.com/abstract=2836053

Johnson, S. (2012). "Jamie Dimon must resign or be removed from the New York Federal Reserve Board of Directors." Retrieved September 16, 2013, from http://www.change.org/petitions/jamie-dimon-must-resign-or-be-removed-from-the-new-york-federal-reserve-board-of-directors.

Kelly, K. and J. Hilsenrath (2009, May 4). "New York Fed Chairman's Ties to Goldman Raise Questions ". Retrieved January 21, 2011, from http://online.wsj.com/article/SB124139546243981801.html.

Lakonishok, Josef, and Inmoo Lee, 2001, Are insider trades informative?, *Review of Financial Studies* 14, 79-11

Lambert, Thomas (2015) "Lobbying on Regulatory Enforcement Actions: Evidence from Banking," Available at SSRN: https://ssrn.com/abstract=2517235.

Lucca, D, Amit Seru and F. Trebbi (2014) "The Revolving Door and Worker Flows in Banking Regulation," The Journal of Monetary Economics, 65: 17-32.

Nguyen, D. D., Hagendorff, Jens and Eshraghi, A. 2016. Can bank boards prevent misconduct? *Review of Finance* 20 (1) , pp. 1-36. 10.1093/rof/rfv011

Ravina, Enrichetta, and Paola Sapienze, 2010, What do independent directors know? Evidence from their trading, Review of Financial Studies 23, 962-1003.

Seyhun, H. Nejat, 1998, Investment Intelligence from Insider Trading, MIT Press, Cambridge, MA.

System, B. o. G. o. t. F. R. (2001). The Roles and Responsibilities of Federal Reserve Bank Directors. Washington, Office of the Secretary, Board of Governors of the Federal Reserve System.

U.S. House. Staff Report for the Committee on Banking, Currency and Housing. Federal Reserve Directors: A Study of Corporate and Banking Influence. 94th Cong., 2d sess., 1976. Committee Print.

U.S. House. Staff Report for the Committee on Banking, Finance and Urban Affairs. A Racial, Gender, and Background Profile of the Directors of the Federal Reserve Banks and Branches. 101th Cong., 2d sess., 1990. Committee Print.

Figure 1: Reputation and Influence Measures for BHCs and Banks with Fed Directorships

Figure 1A shows the average cumulative sum of Fortune's Top Industry (Smoothed) or Fortune's Most Admired (Smoothed) between 1987 and 2009 around the year of the first Fed board directorship for BHCs with Fed directorships. Top Industry denotes BHCs with an industry rank above 5 or a score above 6 on Fortune's Most Admired lists in a given year. Most Admired denotes BHCs that ranked between 1 and 50 on Fortune's "most admired" list in a given year. The "most admired" list is not industry specific. Smoothed measured take account of potentially inconsistent reporting of Fortune Most Admired data by assigning a company Top Industry or Fortune's Most Admired status for all years between the first and last years the company appears on those lists. The data is restricted to BHCs with at least one Fed directorship in the sample period 1987-2009. Since companies only qualify to be ranked if they are on Fortune lists, the data is also restricted to BHCs that were ever on the Fortune most admired lists between 1983 and 2009. The final sample consists of 14 BHCs. Year 0 denotes the year the institution's executive is first elected to a Fed board in the period 1987-2009. The line labeled "With [-5,10] data" is for a sample of institutions with data in the years [-5,10] around the first Fed year. Citigroup is the only BHC with Most Admired status in a [-5,10] window around Year 0. Figure 1B shows the average cumulative sum of ABA between 1987 and 2009 around the year of the first Fed board directorship for banks with Fed directorships. ABA is a dummy variable equal to 1 if the bank or BHC has an executive on the board of the American Banking Association (ABA). The data is restricted to banks with at least one Fed directorship in the sample period 1987-2009. The final sample consists of 145 banks.

Figure 1A: Fortune Reputation Measures for BHCs with Fed Directorships

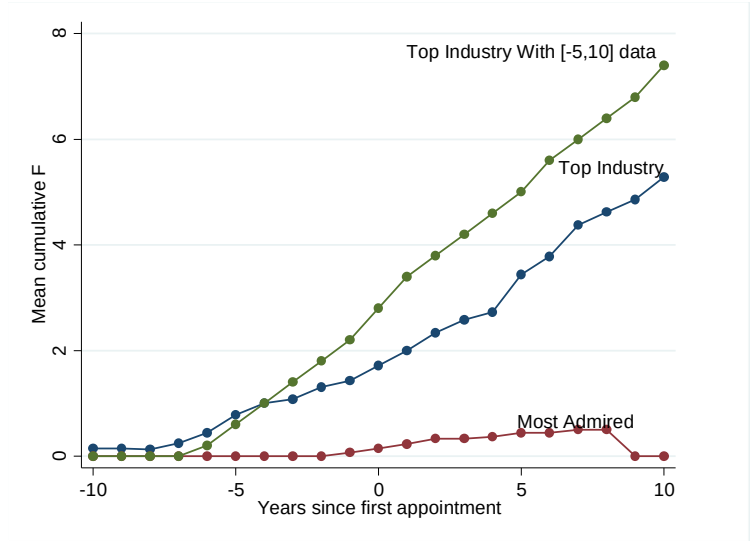


Figure 1B: American Banking Association Board Memberships for Banks with Fed Directorships

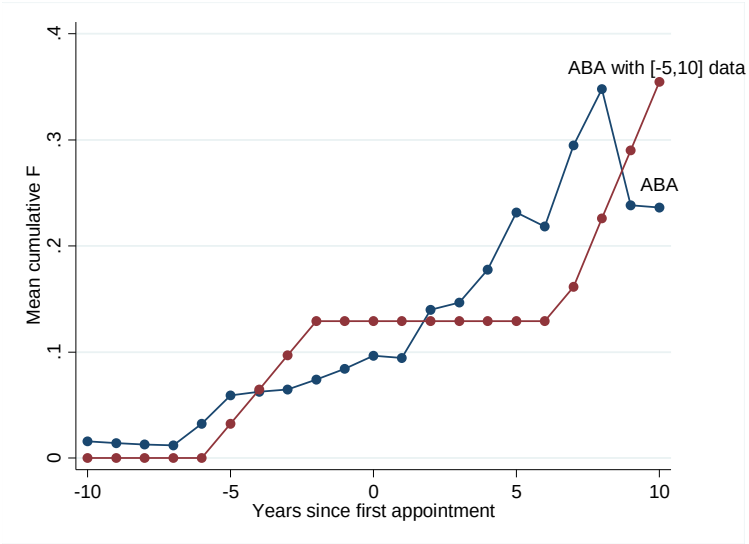


Figure 2: Distribution of Insider Trades by Directors on Federal Reserve Bank Boards across Class of Director

The sample in the left graph of Figure 2A is the set of 45 years Fed Directors buy shares in their employer while serving as directors of Federal Reserve Banks between 1986 and 2013. 22 unique Fed directors bought and 38 unique Fed directors sold shares while on the board of a Fed. The sample on the right is the set of 73 years Fed Directors sell shares in their employer while serving as directors of Federal Reserve Banks between 1986 and 2013. The figure shows the allocation of the buy and sell years across class of director. The sample of trades underlying the reporting-date level data in Tables 10 and 11 is used to identify years in which directors bought or sold shares in their employer while serving as Federal Reserve Bank directors. The sample Figure 2B consists of a panel of 634 observations for individuals who served as Fed Directors at any point between 1982 and 2013 and who also traded shares in the employer they worked for while they were Fed Directors at any point between 1986 and 2013. The sample of trades underlying the reporting-date level data in Tables 10 and 11 is used to identify trades by individuals. Each individual enters (exits) the panel the first (last) year they appear in the insider trading data. A "buy" year dummy is assigned a value of 1 for an individual if the individual bought shares in the company with the same permco as their employer while on the Fed board in that year. A "sell" year dummy is is assigned a value of 1 for an individual if the individual sold shares in this company in that year. "buy" ("sell") years are assigned a value of 0 in years with no buys (sells) in their employer and no trades. Years in which individuals served as Fed Directors are classified as "on" years. Years in which individuals did not serve as Fed Directors are classified as "off" years. Figure 2B shows the fraction of years the insider buys/sells on the board and the fraction of years the insider buys/sells off the board by class of director.

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

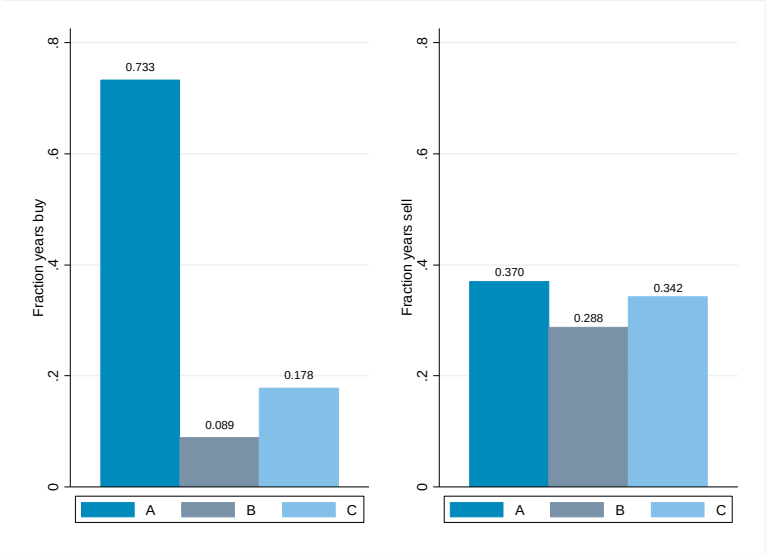


Figure 2B: Years with Buys and Sells for Directors On and Off Fed Boards

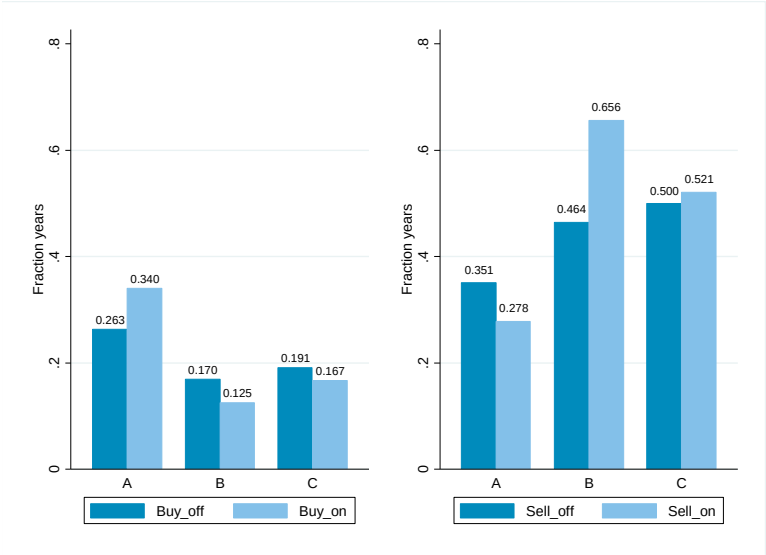


Figure 3: Market Reaction to Insider Trades by Fed Directors On and Off Federal Reserve Bank Boards

The sample for Figure 3 is the sample of market reactions in a window from days 0 to +2 around reporting dates of net buys (number shares bought>number shares sold) by insiders in Tables 10 and 11. The sample is restricted to individuals who served on a board of a Federal Reserve Bank at any point between 1982 and 2013. The sample is also restricted to trading behavior by those individuals in the company with the same permco as their employer while they were on the board of a Fed. Trades that took place in years in which individuals served as Fed Directors are classified as "on" trades. Trades that took place in years in which individuals did not serve as Fed Directors are classified as "off" trades. Figure 4 shows the mean CAR(0,2) for "on" and "off" trades by class of director.

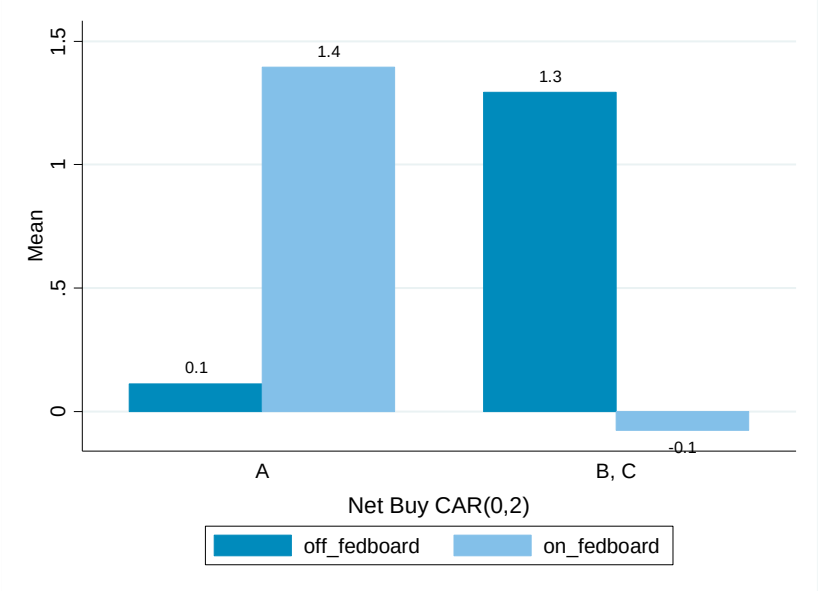


Figure 4: Enforcement Actions for Banking Institutions Aggregated to High Holder Level

The figure shows the fraction of high holders (ultimate parents of banks and bank holding companies) that received an enforcement action from the Federal Reserve either directly or through a bank or BHC subsidiary in each year from 1989-2009. The sample consists of 34,911observations on 7206 high holders.

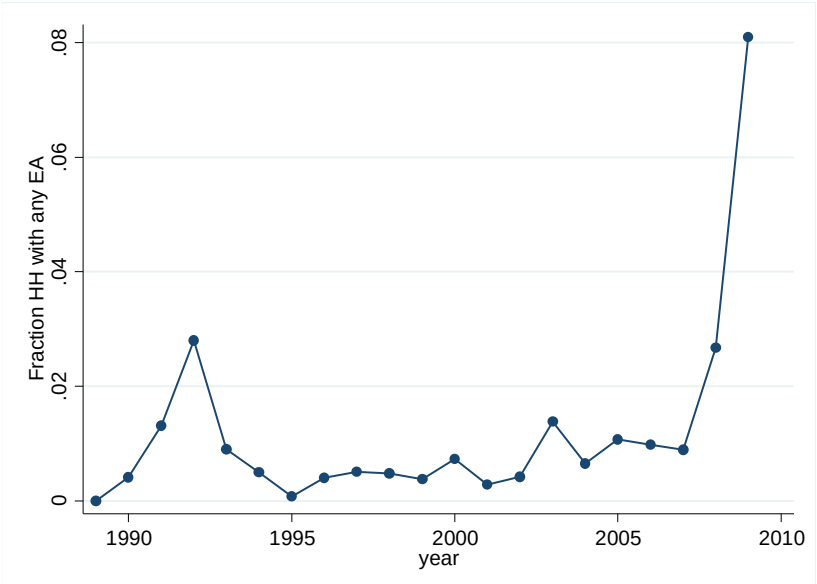


Table 1: Summary Statistics for Meetings of the Board of the New York Fed

The sample consists of data on participants, reports by participants and votes from minutes of 263 meetings of the board meeting minutes of the Federal Reserve Bank of New York between January 4, 2007 and June 20, 2013 involving 127 unique officers and guests of the Fed and 21 unique directors. The total number of participant-meeting observations is 3,722. To provide a better picture of meeting activity throughout the year, panel A excludes year 2013 for which only partial data was available at the time of analysis. Total meeting time is the total number of minutes the New York Fed board meets in a given year. Total time at meetings is the length of time each director spends at meetings in a year. Board time at meetings is the length of time directors spend at Board meetings. Non-Board time at meetings is the length of time directors spend at committee meetings or in Executive Session. Attendance is calculated by assigning each director to all meetings and coding a dummy variable equal to 1 if the director was listed as present at the meeting. Variables measuring the type of meeting are dummies that are equal to 1 if the meeting is of a given type and 0 otherwise. Variables describing the composition of participants are dummies unless they are labeled by (Fraction). Finance Director (Fraction) is the fraction of meeting participants who are A directors or B or C directors employed by non-bank financial firms. Non-Finance Director (Fraction) is the fraction of directors at the meeting who are not employed by financial firms. Reporting officers are officers of the New York Fed who provide a report at the meeting. Reports are identified by # symbols used in numbering reports. Number of votes is the number of items the directors voted on at the meeting. Votes are identified using the keyword "vote". Crisis is a dummy=1 if the meeting takes place in year 2007 or 2008. Blackout is a subjective variable characterizing how much meeting content is redacted in the minutes. Blackout varies from 0 (no redactions) to 5 (almost everything redacted). FOMC Month is a dummy equal to 1 if an FOMC meeting takes place in the month of the meeting. The types of reports are dummies that are equal to 1 if a report of a given type was given at a meeting. Only reports that occur in at least 10 meetings (71% of reports) are summarized.

Panel A: Number of meetings and total meeting time						
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
Panel B: Average yearly meeting time and attendance per director						
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

Panel C: Meeting characteristics					
Variable	Obs	Mean	Std. Dev.	Min	Max
Type of meeting					
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
Number of different participants					
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
Composition of participants					
Director (Fraction)	263	0.468	0.152	0.182	0.9
Chair at Meeting	263	0.837	0.371	0	1
Deputy Chair at Meeting	263	0.144	0.352	0	1
NY Fed President at Meeting	263	0.787	0.410	0	1
Branch director at Meeting	263	0.061	0.239	0	1
Finance Director (Fraction)	263	0.200	0.113	0	0.667
Non-Finance Director (Fraction)	263	0.267	0.103	0	0.75
Characteristics of meetings					
Number Reporting Officers	263	1.821	1.978	0	8
Number of Votes	263	1.388	1.106	0	9
Blackout	263	2.129	1.560	0	5
Crisis	263	0.308	0.463	0	1
FOMC Month	263	0.757	0.430	0	1
Type of reports					
Financial Sector	263	0.148	0.356	0	1
Economic Outlook	263	0.148	0.356	0	1
Global Outlook	263	0.190	0.393	0	1
U.S. Macro Overview	263	0.038	0.192	0	1
Rates	263	0.460	0.499	0	1
Officer Activity and Compensation	263	0.095	0.294	0	1
Performance Evaluation	263	0.049	0.217	0	1
Audit	263	0.103	0.304	0	1
Budget	263	0.049	0.217	0	1
Succession	263	0.053	0.225	0	1

Table 2: Summary Statistics for Federal Reserve Bank Directorships

The data consists of data on Federal Reserve Bank directors from 1990-2009 from Federal Reserve Bulletins. There were 25 vacancies during this period which resulted in 2135 directorships (director-year observations). Accounting for 14 directors who switched classes, the directors filled a total of 207 class A, 175 class B and 170 class C positions. Information about directors' titles is missing for 13 observations. Top manager is a dummy which is equal to 1 if the director's title suggests that the director is the primary decision-maker (e.g. CEO, chairman, owner or managing partner). High level manager is a dummy which is equal to 1 if the director holds a position such as "president", "vice president", "cfo", "partner" or "co-chair". Academic is a dummy which is equal to 1 if the director is a professor. Retired is a dummy which is equal to 1 if the director's title contains the words "retired", "past" or "former". Other is a dummy which is equal 1 if the director is not retired and not otherwise classified. ABA Board is a dummy variable equal to 1 if the bank or BHC has an executive on the board of the American Banking Association (ABA) in the year of the Fed directorship. ABA Director is a dummy variable equal to 1 if the Fed director is on the board of the ABA. I label ABA board positions, committee or council positions, the treasurer position and president positions collectively as being part of the ABA board for convenience since over 75% of ABA positions are board positions. ABA in Past is a dummy equal to 1 if the bank or BHC had an employee on the board of the ABA in any year prior to the current year. Top Industry denotes companies who had an industry rank above 5 or a score above 6 on Fortune's Most Admired lists in a given year. Most Admired denotes companies who ranked between 1 and 50 on Fortune's "most admired" list in a given year. Smoothed Fortune reputation measures take account of potentially inconsistent reporting of Fortune Most Admired data by assigning a company Top Industry or Fortune's Most Admired status for all years between the first and last years the company appears on those lists. Fortune measures labeled with (Past) are dummies that are equal to 1 if the company was classified as Top Industry in any year prior to the current year. Tenure data is calculated only for directors whose name first appears in or after 1991 and last appears in 2008, i.e. their terms do not overlap with the beginning or end of the sample period. For class C directors, Chair (Vice Chair) tenure indicates the number of years a director holds the position as chairman (vice chairman) of the board of the Federal Reserve Bank. In panel B, the data is restricted to the individual director level and to directors whose terms did not overlap with the beginning or end of the sample period. The number of times an individual is elected/appointed is the number of times an individual was elected for class A and B directors and is equal to the number of times a director was appointed for class C directors. Branch director indicates directors who were directors of a Federal Reserve Branch in the year immediately prior to their election to a Federal Reserve Bank board. Since there are no branches in Boston, Philadelphia or New York after 2009, this variable is missing for those districts/district-years.

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
Panel A: directorship-level					
Class A directorships-Representatives of the banking industry elected by member banks					
Top manager	715	0.84	0.37	0	1
High level manager	715	0.14	0.35	0	1
Academic	715	0.00	0.00	0	0
Retired	715	0.01	0.08	0	1
Other	715	0.01	0.10	0	1
ABA Board	709	0.04	0.19	0	1
ABA Director	709	0.03	0.17	0	1
ABA in Past	709	0.07	0.26	0	1
Fortune's Top Industry (Smoothed)	715	0.01	0.12	0	1
Fortune's Most Admired (Smoothed)	715	0.01	0.08	0	1
Fortune's Top Industry (Past)	715	0.02	0.13	0	1
Tenure (years)	525	2.73	1.54	1	7
Class B directorships-Representatives of the public elected by member banks					
Top manager	695	0.57	0.50	0	1
High level manager	695	0.30	0.46	0	1
Academic	695	0.02	0.15	0	1
Retired	695	0.06	0.24	0	1
Other	695	0.05	0.22	0	1
Fortune's Top Industry (Smoothed)	688	0.05	0.21	0	1
Fortune's Most Admired (Smoothed)	688	0.03	0.16	0	1
Fortune's Top Industry (Past)	688	0.07	0.25	0	1
Tenure (years)	466	3.18	1.75	1	8
Class C directorships-Representatives of the public appointed by the Board of Governors					
Top manager	712	0.51	0.50	0	1
High level manager	712	0.28	0.45	0	1
Academic	712	0.04	0.20	0	1
Retired	712	0.07	0.26	0	1
Other	712	0.09	0.29	0	1
Tenure (years)	474	3.44	1.80	1	8
Fortune's Top Industry (Smoothed)	707	0.05	0.21	0	1
Fortune's Most Admired (Smoothed)	707	0.02	0.13	0	1
Fortune's Top Industry (Past)	707	0.06	0.24	0	1
Chairman tenure (years)	154	1.90	0.94	1	5
Vice-Chair tenure (years)	154	1.69	0.83	1	5
Panel B: individual director-level for directors who served entire terms between 1991 and 2008					
Number of times elected/appointed	325	1.71	0.68	1	4
Branch director	264	0.13	0.34	0	1
Total tenure (years)	325	4.51	1.78	1	8
Total chair tenure	87	1.54	1.42	0	5
Total Vice-Chair tenure	87	1.56	1.15	0	5

Table 3: Summary Statistics for Class A and B Director Elections

The data consists of the subsample of available data on elections of class A and B directors on the board of a Federal Reserve Bank during 1990-2009. The sources of the data are circulars the FRB sent to banks in their district concerning director elections and consist of a combination of calls for nominations, the recommendations of nominating committees, a nomination circular containing the names of nominees and a ballot and circulars announcing the results of the elections. I obtained the circulars from Federal Reserve Banks directly, through a 2002 FOIA request and from the websites of Federal Reserve Banks. Due to the lack of information available on websites, my coverage of elections prior to 2002 (84.98% of sample of 313 elections) is better than after 2002. Panel A of Table 3 shows summary statistics for elections of class A directors and panel B shows summary statistics for elections of class B directors. Panel C shows summary statistics for the groups electing directors. Sole election is dummy variable which is equal to 1 if only one director is elected in the election. This is equal to 1 if only 1 director is nominated or multiple directors are nominated but only one type of director is elected or any election news source mentions only the name of one director. Fill unexpired term is dummy variable which is equal to 1 if the director was elected to fill an unexpired term of a previous director. The number of other nominees is the number of other nominees for the same position, so the total number of candidates is 1 plus the number of other nominees. Ties to nominating bank is a dummy variable equal to 1 if the director's own bank is listed among the banks nominating the director. Banks are divided into 3 groups-large (group 1), medium (group 2) and small (group 3) for the purposes of election. Number of banks in group is the number of banks in the group entitled to nominate and elect director. Number of banks voting is the number of banks entitled to vote in the election. Only one bank in a BHC is entitled to vote, which means the number of voting banks will generally be smaller than the number of banks in the group. I set Number of banks voting equal to Number of banks in the group when the circulars did not identify voting banks separately (in 197 of 319 cases). Banks must have capital and surplus greater than the lower bound of capital and surplus for groups 1 and 2. Banks must have capital and surplus smaller than the upper bound of capital and surplus for groups 2 and 3.

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
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	0.47	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	0.16	0.37	0	1
Fill unexpired term	159	0.11	0.31	0	1
Number of other nominees	153	0.12	0.40	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					
Group 1: Large banks					
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
Group 2: Medium size banks					
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
Group 3: Small banks					
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

Table 4: Director Attendance at Meetings of the Board of the New York Fed

The table shows OLS regressions of a dummy which is equal to 1 if a director of the New York Fed attended a meeting of the board (full board or committee) on a given date during 2007-2013 and 0 otherwise. The data is at the director-meeting level. For each year the data consists of the assignment of all directors on the board in that year to all meetings of the board in that year. Attendance is a dummy equal to 1 if the director was recorded as having participated in the meeting and 0 otherwise. All other variables are as in Table 1. Regressions in columns I-III are for all directors. The regressions in columns IV-VII are restricted to directors of different types. Finance directors are class A directors and class B and C directors employed by financial firms. All regressions include year fixed effects. Standard errors are clustered at the meeting date level. T-statistics are in parentheses. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

	Attend Meeting						
VARIABLES	I	II	III	IV	V	VI	VII
Class A	0.10***						
	(3.12)						
Class C	0.27***	0.27***					
	(11.33)	(12.48)					
Finance		0.11***					
		(3.78)					
Number Reporting Officers			0.02***	0.02**	0.02**	0.02	0.01*
			(3.23)	(2.40)	(2.49)	(1.65)	(1.77)
Number of Votes			0.02**	0.00	0.00	0.04*	0.02**
			(2.33)	(0.04)	(0.23)	(1.69)	(2.12)
Crisis Years			0.05	0.30***	0.30***	-0.05	-0.11*
			(1.12)	(4.43)	(5.04)	(-0.55)	(-1.80)
FOMC month			0.04	0.03	0.03	0.06	0.03
			(1.55)	(0.70)	(0.94)	(1.34)	(0.88)
NY President at Meeting			0.07***	0.10**	0.10***	0.08*	0.03
			(2.66)	(2.49)	(2.84)	(1.84)	(0.98)
Blacked Out			0.02***	0.03***	0.03***	0.02*	0.02*
			(3.26)	(2.71)	(3.18)	(1.69)	(1.80)
Constant	0.61***	0.58***	0.49***	0.24***	0.30***	0.46***	0.76***
	(19.15)	(17.89)	(11.73)	(4.26)	(5.29)	(5.16)	(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

Table 5: The Type of Meeting Report and Director Attendance at Meetings of the Board of the New York Fed

The table shows OLS regressions of a dummy which is equal to 1 if a director of the New York Fed attended a meeting of the board on a given date during 2007-2013 and 0 otherwise. The Number of Reporting Officers in Table II is replaced by dummies indicating the type of report that is discussed at the meeting. Report types are restricted to those that occurred in at least 10 meetings from 2007-2013.For each year the data consists of the assignment of all directors on the board in that year to all meetings of the board in that year. Attendance is a dummy equal to 1 if the director was recorded as having participated in the meeting and 0 otherwise. All other variables are as in Table 1. Regressions in columns I-III are for all directors. The regressions in columns IV-VII are restricted to directors of different types. Finance directors are class A directors and class B and C directors employed by financial firms. All regressions include year fixed effects. Standard errors are clustered at the meeting date level. T-statistics are in parentheses. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

	Attend Meeting									
VARIABLES	I	II	III	IV	V	VI	VII	VIII	IX	X
Financial Sector	0.07***	-0.04	0.10**	-0.06	0.09***	-0.05	0.06	-0.10	0.05*	0.05
	(2.77)	(-1.04)	(2.50)	(-0.87)	(2.84)	(-0.82)	(1.15)	(-1.29)	(1.76)	(1.14)
Economic Outlook		0.09*		0.31***		0.15*		0.11		-0.15**
		(1.70)		(3.32)		(1.76)		(0.95)		(-2.30)
Global Outlook		0.04		-0.11**		0.03		0.03		0.19***
		(1.11)		(-1.98)		(0.60)		(0.54)		(4.25)
U.S. Macro Overview		0.01		0.22**		0.12		-0.03		-0.16**
		(0.19)		(2.20)		(1.43)		(-0.27)		(-2.41)
Rates		0.02		0.03		0.01		0.03		0.00
		(0.88)		(0.92)		(0.28)		(0.61)		(0.05)
Officer Activity and Compensation		0.14***		0.15***		0.14***		0.18***		0.10***
		(4.26)		(2.87)		(3.11)		(2.66)		(2.66)
Performance Evaluation		-0.15***		-0.14**		-0.19***		-0.01		-0.29***
		(-3.96)		(-2.14)		(-2.72)		(-0.11)		(-5.27)
Audit		0.05		0.04		0.04		0.10		-0.00
		(1.27)		(0.56)		(0.69)		(1.37)		(-0.07)
Budget		-0.09*		-0.15**		-0.15**		0.02		-0.14*
		(-1.75)		(-2.44)		(-1.98)		(0.32)		(-1.87)
Succession		-0.03		0.02		0.04		-0.12		0.02
		(-0.72)		(0.23)		(0.67)		(-1.43)		(0.37)
Number of Votes	0.03***	0.02*	0.01	-0.01	0.01	-0.00	0.05**	0.03	0.02**	0.03***
	(3.03)	(1.89)	(0.39)	(-0.46)	(0.53)	(-0.10)	(2.10)	(1.25)	(2.37)	(2.80)
Crisis Years	0.04	0.02	0.30***	0.29***	0.30***	0.29***	-0.06	-0.11	-0.11*	-0.12**
	(1.12)	(0.53)	(4.43)	(4.16)	(5.12)	(5.26)	(-0.59)	(-1.21)	(-1.82)	(-2.04)
FOMC month	0.03	0.05**	0.01	0.03	0.02	0.03	0.05	0.09*	0.02	0.03
	(1.08)	(2.11)	(0.34)	(0.80)	(0.54)	(1.01)	(1.09)	(1.84)	(0.65)	(1.01)
NY Fed President at Meeting	0.08***	0.06**	0.10***	0.08**	0.10***	0.08**	0.09**	0.07	0.04	0.02
	(2.84)	(2.18)	(2.62)	(2.02)	(2.93)	(2.25)	(2.06)	(1.61)	(1.03)	(0.51)
Blacked Out	0.02***	0.02**	0.03**	0.02*	0.03***	0.03**	0.02	0.02	0.02*	0.01
	(2.97)	(2.30)	(2.48)	(1.71)	(2.94)	(2.46)	(1.50)	(1.29)	(1.68)	(0.98)
Constant	0.50***	0.52***	0.26***	0.28***	0.32***	0.33***	0.47***	0.49***	0.77***	0.79***
	(12.13)	(11.77)	(4.49)	(4.56)	(5.56)	(5.94)	(5.23)	(5.23)	(11.91)	(11.49)
Type of director	All		A		Finance		B		C	
Observations	2,361		804		1,032		768		804	
Adjusted R-squared	0.027	0.040	0.093	0.105	0.110	0.126	0.098	0.106	0.031	0.057

Table 6: OLS Regressions of the Number of Other Nominees on Director Type and Election Characteristics

This table shows OLS regressions of the number of other nominees for class A and B director elections on director type and election characteristics. Columns I-VI are for class A and B directors. Columns VII-X are for Class A directors only. The data consists of available data on elections of class A and B directors on the board of a Federal Reserve Bank during 1990-2009. The sources of the data are circulars the FRB sent to banks in their district concerning director elections and consist of a combination of calls for nominations, the recommendations of nominating committees, a nomination circular containing the names of nominees and a ballot and circulars announcing the results of the elections. Class A is a dummy variable equal to 1 if the director being elected is a class A director. ABA in Past is a dummy equal to 1 if the bank or BHC had an employee on the board of the ABA in any year prior to the current year. Fortune's Top Industry (Past) is a dummy that is equal to 1 if the company was classified as Top Industry in any year prior to the current year. First term is a dummy indicating a first-time election. Nominating Committee is a dummy variable equal to 1 if the nominees for the election were proposed by a nomination committee. Fill unexpired term is dummy variable which is equal to 1 if the director was elected to fill an unexpired term of a previous director. The number of other nominees is the number of other nominees for the same position, so the total number of candidates is 1 plus the number of other nominees. Banks are divided into 3 groups-large (group 1), medium (group 2) and small (group 3) for the purposes of election. Accordingly, Group electing is either 1, 2 or 3. Number of banks in group is the number of banks in the group entitled to nominate and elect director. The FRB of Atlanta usually used a nominating committee, so I omit the nominating committee dummy when I include district effects in column VI and X. Election data for Boston is omitted because it arrived too late to incorporate into the analysis. Standard errors are corrected for heteroskedasticity and group correlation at the district level. T-statistics are in parentheses. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

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

This table shows OLS regressions of a dummy indicating an employee of the bank (in columns I-IV) or BHC (in columns V-VIII) was elected to an FR bank board on financial characteristics in the universe of banks and BHCs from 1987-2009 as defined in Tables A5 and A6. Banks or BHCs that already have an employee sitting on an FRB board are excluded from the analysis. The dependent variable is a dummy equal to 1 if an employee of the bank or BHC is elected to the board in that year; otherwise it is 0. The maximum number of observations for which the dependent variable is equal to 1 is 180 in columns I-IV and 81 in columns V-VIII. ABA in Past is a dummy equal to 1 if the bank or BHC had an employee on the board of the ABA in any year prior to the current year. Fortune's Top Industry (Past) is a dummy that is equal to 1 if the company was classified as Top Industry in any year prior to the current year. All characteristics except ABA in Past, Fortune's Top Industry (Past), Federal Reserve Member, National bank, No parent are lagged one period. In lagged specifications the data is from 1988-2009. All specifications include year and district dummies. All coefficients are multiplied by 1000 except coefficients on ABA and Fortune variables. All standard errors are corrected for heteroskedasticity and group correlation at the bank or BHC level. T-statistics are in parentheses. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

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

Table 8: Event Study of Election or Appointment to Federal Reserve Bank Boards

This table shows the market reaction of companies' stock to news that an employee has been elected, in the case of class A and B directors, or appointed, in the case of class C directors, to the board of a Federal Reserve Bank. I examine the reactions for parent company stock if the parent of the class A employer is publicly-traded. The event studies are conducted around 3 different types of dates. The first is the nominating date. This date concerns elections of class A and B directors only. In district-years with nominating committees, this date is the date of the nominating committee circular. In other district-years, this date consists of the date of the nomination circular listing candidates for election. If this information was missing, then the date of the call for nominations was used as it indicates whether directors are eligible for reelection. The election date is the date of the election or appointment. This date is from circulars or, in the case of class C directors, the board of governors (BOG). If this information was unavailable, the date is the date of the circular announcing election results or the date of news releases from FRBs or the date of newspaper articles announcing election results. Sole election dates consist of a subset of election or nomination dates for which only one director was elected, appointed or nominated. Table 5 indicates sources for circulars. Newspaper articles and news releases were obtained from a Factiva search. Information from the BOG was obtained from a 2002 FOIA request and the BOG website. Cumulative abnormal returns are calculated using Eventus over 2 windows (-1,0), (-1,1). Abnormal returns are calculated using both a value-weighted market model and a constant mean return model. In both cases the estimation period is 255 days ending 46 days prior to the first day in the event window. BMP Z denotes the standardized cross-sectional test statistic from Boehmer, Musumeci, and Poulsen (1991). Panel A shows the combined results for nomination dates for class A and B directors and election/appointment dates for class A, B and C directors. Sole election/appointment dates are dates on which only one director was elected/appointed. Panel B shows the market reactions for the sample of class A directors only and panel C shows the market reactions for class B directors only. *, ** and *** indicate significance at the 10%, 5% and 1 % level using a one-tailed test respectively. *, ** and *** on the ratio of positive to negative events indicates generic one-tail significance of the generalized sign test.

		Value-Weighted Market Model				*Constant Mean Return Model*			
Days	N	Mean CAR	Pos: Neg	BMP Z	Patell Z	Mean CAR	Pos: Nega	BMP Z	Patell Z
Panel A: All Directors' Employers									
Event date=Nomination Date for Class A and B Directors									
(-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
Event date=Election/Appointment Date for Class A, B and C Directors									
(-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**
Event date=Sole Election/Appointment Date for Class A, B and C Directors									
(-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									
Event date=Nomination Date Class A Directors (Banks or BHCs) Only									
(-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
Event date= Election Date Class A Directors (Banks or BHCs) Only									
(-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**
Event date= Sole Election Date Class A Directors (Banks or BHCs) Only									
(-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
Panel C: Class B Directors' Employers Only									
Event date=Nomination Date Class B Directors Only									
(-1,0)	40	0.20%	21:19	0.651	0.59	-0.01%	20:20	0.247	0.323
(-1,+1)	40	0.53%	24:16*	1.181	1.540*	-0.55%	19:21	-0.161	0.007
Event date=Election Date Class B Directors Only									
(-1,0)	61	-0.75%	21:40**	-1.995**	-2.129**	-0.35%	26:35	-0.702	-0.779
(-1,+1)	61	-0.57%	22:39**	-1.360*	-1.873**	-0.06%	26:35	0.092	-0.779
Event date= Sole Election Date Class B Directors Only									
(-1,0)	10	-0.97%	1:9***	-1.991**	-2.451***	-0.84%	4:06	-0.022	-0.45
(-1,+1)	10	-1.47%	2:8**	-1.405*	-1.819**	-1.02%	3:07	0.179	-1.083

Table 9: Cross-sectional Analysis of CAR (-1,+1) Around Election Dates For Class A, B Directors and Appointment Dates for Class C Directors

This table shows OLS regressions of cumulative abnormal returns (CARs) from days -1 to +1 around election dates for class A and B directors and appointment dates for class C directors on firm characteristics. Table 5 describes the dates in more detail. CARs are calculated using the value-weighted market model in Eventus. The estimation period is 255 days ending 46 days prior to the first day in the event window. New York is a dummy variable equal to 1 if the director is nominated to the board of the New York Fed. Financial crisis is a dummy variable equal to 1 if the director was on the board of a Federal Reserve Bank in in 2008 or 2009, which means they were elected in 2007 and 2008. President's tenure is the tenure of the Federal Reserve Bank president between 1990 and 2009. ABA in Past is a dummy equal to 1 if the bank or BHC had an employee on the board of the ABA in any year prior to the current year. Fortune's Top Industry (Past) is a dummy that is equal to 1 if the company was classified as Top Industry in any year prior to the current year. Monetary Policy Uncertainty and Financial Regulation Uncertainty are from Baker, Bloom and Davis (2016). Columns I-VI are regressions for class A directors. Columns VII-IX are regressions for class B directors. Columns X-XII are regressions for class C directors. For class A directors financial data is from call or FR Y-9C data. The data is from the parent company if the parent is public. See Tables A5 and A6 for descriptions of financial data items for class A directors. For class B and C directors financial data is from Compustat. ROA=Compustat item NI divided by AT for class B and C directors. Assets are denominated in thousands in all cases. Monetary Policy Uncertainty and Financial Regulation Uncertainty are divided by 1000. Year dummies are included as indicated at the bottom of the table. All standard errors are corrected for heteroskedasticity and group correlation at the district level. T-statistics are in parentheses. *, ** and *** indicate significance at the 10%, 5% and 1 % level.

	CAR (-1,1): Class A Directors						CAR (-1,1): Class B Directors			CAR (-1,1): Class C Directors		
VARIABLES	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
NY	0.005	0.020**	0.022***	0.022***	0.022***	0.025***	0.008	-0.003	0.010	-0.016***	0.003	0.018
	[1.32]	[3.04]	[3.24]	[3.41]	[3.46]	[3.79]	[1.59]	[-0.28]	[0.86]	[-6.86]	[0.24]	[1.06]
Financial crisis	0.026*	0.075***	0.080***	0.027	0.001	-0.004	-0.020***	-0.019*	-0.033	-0.012	-0.002	0.015
	[1.86]	[3.25]	[4.41]	[1.32]	[0.05]	[-0.16]	[-3.25]	[-2.19]	[-0.93]	[-1.13]	[-0.25]	[0.32]
President's tenure		0.001	0.001	0.002*	0.002*	0.002		-0.001	0.003		-0.002	-0.002
		[1.73]	[1.42]	[2.01]	[1.99]	[1.50]		[-0.65]	[0.90]		[-1.13]	[-1.08]
Monetary Policy Uncertainty			0.141		-0.138	-0.126		0.085	0.081		-0.018	0.041
			[1.36]		[-0.93]	[-0.92]		[1.22]	[0.63]		[-0.22]	[0.44]
Financial Regulation Uncertainty				0.116**	0.166***	0.163***		-0.048	-0.029		-0.039	-0.046
				[2.74]	[3.52]	[3.29]		[-0.58]	[-0.23]		[-0.53]	[-0.22]
Fortune's Top Industry (Past)						-0.036		0.010	-0.011		-0.007	-0.004
						[-1.16]		[1.31]	[-0.53]		[-1.00]	[-0.42]
ABA in Past						0.008						
						[1.42]						
Ln(Assets)		-0.006**	-0.006**	-0.006**	-0.006**	-0.006*		0.003	0.002		-0.002	-0.004
		[-2.49]	[-2.64]	[-2.66]	[-2.70]	[-2.11]		[1.10]	[0.42]		[-1.14]	[-1.03]
ROA		0.705	0.418	0.720	1.006	0.953		-0.043	-0.053*		0.028	0.043
		[1.11]	[0.62]	[1.23]	[1.54]	[1.67]		[-1.06]	[-2.15]		[1.14]	[1.67]
Fraction nonperforming loans		0.579	0.555	0.466	0.441	0.396						
		[1.07]	[1.15]	[1.09]	[0.98]	[0.83]						
Number of acquisitions		0.001	0.001	0.002	0.002	0.001						
		[1.50]	[1.46]	[1.63]	[1.67]	[1.27]						
Constant	0.007	0.080*	0.057	0.067	0.084**	0.073**	-0.006	-0.032	-0.021	0.007**	0.038	0.038
	[1.69]	[1.93]	[1.63]	[1.66]	[2.85]	[2.37]	[-1.11]	[-1.66]	[-0.46]	[2.95]	[1.60]	[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

Table 10: Market Reaction to Insider Purchases by Fed Directors

Table 10 shows results of OLS regressions of cumulative abnormal returns from days 0 to +2 around reporting dates of insider purchases of their employer's stock on OnFedBoard and controls. OnFedBoard is a dummy equal to 1 if the transaction occurs in a year the insider sits on the board of a Federal Reserve Bank and is 0 otherwise. The data consists of individual reporting date observations between 1986 and 2013. The sample contains reporting dates for trades belonging to 34 individuals who served as class A directors and 22 individuals who served as class B or C directors between 1986 and 2013. The data construction follows Adams, Wu and Xu (2015). Top 5 is a dummy which is equal to one if the trade is by a CEO, CFO, Chairman of the Board, COO or President. Bank is a dummy variable that is one if the company is in the 2015 version of the NY Fed's CRSP-FRB Link file. The sample in column I (VII) is for Top 5 executives in banks (non-banks). The sample in columns II-VI (VIII-XII) is restricted to reporting dates of purchases by individuals who served as Class A (Class B, C) directors in any sample year. Additional sample restrictions are indicated at the bottom of the table. All regressions except those in columns I and VII include person fixed effects, which include only year effects. Standard errors are clustered at the reporting-date year level except in I and VII where they are clustered at the person level. T-statistics are in parentheses. *, ** and *** indicate significance at the 10%, 5% and 1 % level.

	CAR (0,2): Banks						**CAR (0,2): Non-Banks**					
VARIABLES	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
OnFedBoard	0.612	1.685**	1.321**	1.992***	1.743**	2.026**	-2.691**	-1.318	0.249	-0.922	0.853	-0.745
	(0.87)	(2.39)	(2.20)	(2.92)	(2.86)	(2.70)	(-2.48)	(-1.17)	(0.26)	(-0.89)	(0.43)	(-0.89)
Ln(Size)	0.228***		0.868		0.150		0.192***		-8.147		-14.719*	
	(3.22)		(1.23)		(0.14)		(5.31)		(-1.38)		(-2.02)	
Ln(Book to market)	0.353		0.772		0.215		0.230***		-9.398*		-10.615**	
	(1.44)		(0.78)		(0.18)		(3.76)		(-1.89)		(-2.38)	
Tradesize/Shrout	0.001*		0.002		0.001		0.000		0.001		-0.019***	
	(1.68)		(0.16)		(0.09)		(1.10)		(1.08)		(-4.51)	
IVOL	5.797***		19.917**		18.332**		9.676***		-23.753		-66.773*	
	(2.58)		(2.82)		(2.58)		(9.56)		(-0.73)		(-1.98)	
Ffreq_buy	-0.047***		0.332		0.286		-0.012***		0.295		0.920	
	(-2.64)		(1.09)		(0.89)		(-5.42)		(1.38)		(1.50)	
STRONG (BUY)	0.099***		0.045		0.030		0.259***		-0.445		-2.047	
	(3.86)		(0.32)		(0.18)		(7.21)		(-0.61)		(-1.49)	
Constant	2.340	-0.037	-19.579	-0.073	-5.191	0.012	-4.907***	1.278***	175.045	0.963***	345.598*	1.171***
	(0.48)	(-0.14)	(-1.34)	(-0.25)	(-0.24)	(0.02)	(-5.04)	(3.76)	(1.35)	(3.98)	(2.02)	(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

Table 11: Factors Related to the Market Reaction to Insider Purchases by Fed Directors

Table 11 shows results of OLS regressions of cumulative abnormal returns from days 0 to +2 around reporting dates of insider purchases of their employer's stock on OnFedBoard interacted with Ln(Size), Financial Crisis, Monetary Policy and Financial Regulation Uncertainty. The data is the same as in Table 10 restricted to individuals who were ever on the board of a Fed (34 class A directors and 22 class B or C directors). The same controls as in Table 10 and the constant term are included but not reported for the sake of brevity. R-squared measures are also not reported for the sake of brevity. OnFedBoard is a dummy equal to 1 if the transaction occurs in a year the insider sits on the board of a Federal Reserve Bank and is 0 otherwise. Financial Crisis is a dummy equal to 1 if the reporting date occurs in 2007 or 2008. Monetary Policy and Financial Regulation Uncertainty are from Baker, Bloom and Davis (2016). All regressions include person fixed effects. Panel A is for Class A directors. Panel B is for Class B, C directors. Standard errors are clustered at the reporting-date year level. T-statistics are in parentheses. *, ** and *** indicate significance at the 10%, 5% and 1 % level.

	CAR (0,2): Class A (175) obs						
VARIABLES	I	II	III	IV	V	VI	VII
OnFedBoard	0.220	1.529	-0.385	-38.625*	1.181	-1.630	-39.072*
	(0.24)	(1.29)	(-0.51)	(-1.89)	(0.76)	(-1.28)	(-1.76)
OnFedBoard * Financial Crisis	3.461**				3.759**	3.743***	3.457**
	(2.75)				(2.53)	(3.03)	(2.27)
Financial Crisis	-0.647				-0.541	-0.869	-0.694
	(-0.82)				(-0.68)	(-1.13)	(-0.78)
OnFedBoard * Monetary Policy Uncertainty		-0.002			-0.012		
		(-0.18)			(-0.80)		
Monetary Policy Uncertainty		0.000			0.001		
		(0.01)			(0.20)		
OnFedBoard * FRU			0.012**			0.012**	
			(2.34)			(2.60)	
Financial Regulation Uncertainty (FRU)			-0.002			-0.003	
			(-0.71)			(-0.73)	
OnFedBoard * Ln(Size)				1.998*			1.965
				(1.91)			(1.73)
Ln(Size)	0.633	0.895	0.891	0.274	0.703	0.687	0.054
	(0.98)	(0.99)	(0.90)	(0.42)	1.181	-1.630	-39.072*
	CAR (0,2): Class B, C (88 obs)						
OnFedBoard	-1.319	-6.071**	-1.139	-4.449	-7.038***	-2.507	-0.883
	(-1.15)	(-2.91)	(-0.81)	(-0.39)	(-2.95)	(-1.61)	(-0.06)
OnFedBoard * Financial Crisis	6.346**				5.290*	4.686**	6.392
	(2.23)				(1.86)	(2.21)	(1.68)
Financial Crisis	-3.758				-2.809	-1.824	-3.783
	(-1.63)				(-1.14)	(-0.82)	(-1.43)
OnFedBoard * Monetary Policy Uncertainty		0.068***			0.062***		
		(3.48)			(3.61)		
Monetary Policy Uncertainty		-0.030**			-0.031**		
		(-2.57)			(-2.45)		
OnFedBoard * FRU			0.007			0.006	
			(0.59)			(0.56)	
Financial Regulation Uncertainty (FRU)			-0.011***			-0.010***	
			(-4.09)			(-4.03)	
OnFedBoard * Ln(Size)				0.199			-0.019
				(0.43)			(-0.03)
Ln(Size)	-7.486	-14.928***	-8.470	-8.167	-14.351**	-8.381	-7.481
	(-1.19)	(-3.00)	(-1.75)	(-1.36)	(-2.61)	(-1.60)	(-1.19)

Table 12: Enforcement Actions for Banking Institutions with and without Executives on Fed Boards

This table shows firm fixed effects regressions of variables indicating different types of enforcement actions (EAs) that the Federal Reserve takes against banking institutions in the sample on the variable OnFedBoard. EA data from 1989-2009 is hand-collected from the website of the Federal Reserve. The EA data is matched to the population of banks and BHCs from 1989 to 2009 as defined in Table 7. OnFedBoard is a dummy equal to one if an executive of the banking institution sits on the board of a Federal Reserve Bank in a given year. I follow Danisewicz, McGowan, Onali, Schaeck, (2016) in classifying EAs as Severe or Less Severe. Severe EA is a dummy variable equal to 1 if the institution received a Written Agreement, Prompt Corrective Action or Cease and Desist in a given year. Less Severe EA is a dummy equal to 1 if an institution received a Prohibition from Banking or Civil Monetary Penalty. Named Individual is a dummy equal to 1 if the EA names an individual. Columns I-VI are for banks. Columns VII-XII are for BHCs. The dependent variable in columns I, II (VII, VIII) is Severe EA. The dependent variable in columns III, IV (IX, X) is Less Severe EA. The dependent variable in columns V, VI (XI, XII) is Named Individual. The second column for each dependent variable is restricted to all observations on institutions that received an EA in any year (312 banks and 170 BHCs). NPL denotes nonperforming loans. All regressions include firm fixed effects and year dummies. Standard errors are clustered at firm level. T-statistics are in parentheses. *, ** and *** indicate significance at the 10%, 5% and 1 % level.

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

Table 13: Enforcement Actions for Banking Institutions after Fed Board Service-IV

This table shows firm fixed IV regressions of variables indicating different types of enforcement actions (EAs) that the Federal Reserve takes against banking institutions in the sample on the variable PostFedBoard. Table 12 describes the EA data in more detail. PostFedBoard is a dummy equal to one in all years after the service of an executive of a banking institution on a Fed board. It is 0 otherwise. For banks the instrument for PostFedBoard is the number of BHCs in the district-year. For BHCs the instrument for PostFedBoard is the number of Federal Reserve member banks in the district-year. EA is a dummy variable equal to 1 if the institution received an EA in a given year. Severe EA is a dummy variable equal to 1 if the institution received a Written Agreement, Prompt Corrective Action or Cease and Desist in a given year. Less Severe EA is a dummy equal to 1 if an institution received a Prohibition from Banking or Civil Monetary Penalty. Named Individual is a dummy equal to 1 if the EA names an individual. Columns I-V are for banks. Columns VI-X are for BHCs. Columns I, VI report the first stage regressions. All other columns report firm fixed effect IV regressions. NPL denotes nonperforming loans. The instrument is divided by 100 for banks. All regressions include year dummies. Standard errors are clustered at firm level. T-statistics are in parentheses. *, ** and *** indicate significance at the 10%, 5% and 1 % level.

	Banks					**BHCs**				
VARIABLES	**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

INTERNET APPENDIX

Figure A1: Fortune Reputation Measures for BHCs with Fed Directorships

Figure A1 shows the average cumulative sum of Fortune's Top Industry or Fortune's Most Admired between 1987 and 2009 around the year of the first Fed board directorship for BHCs with Fed directorships. Top Industry denotes BHCs with an industry rank above 5 or a score above 6 on Fortune's Most Admired lists in a given year. Most Admired denotes BHCs that ranked between 1 and 50 on Fortune's "most admired" list in a given year. The "most admired" list is not industry specific. The data is restricted to BHCs with at least one Fed directorship in the sample period 1987-2009. Since companies only qualify to be ranked if they are on Fortune lists, the data is also restricted to BHCs that were ever on the Fortune most admired lists between 1983 and 2009. The final sample consists of 14 BHCs. Year 0 denotes the year the institution's executive is first elected to a Fed board in the period 1987-2009. The line labeled "With [-5,10] data" is for a sample of institutions with data in the years [-5,10] around the first Fed year. Citigroup is the only BHC with Most Admired status in a [-5,10] window around Year 0. In the [-5,10] window, Citigroup was listed as having Most Admired status in years -1 (2000), 1 (2002) and 2 (2003). In year 2001, Fortune only listed the top and bottom 10 Most Admired companies..

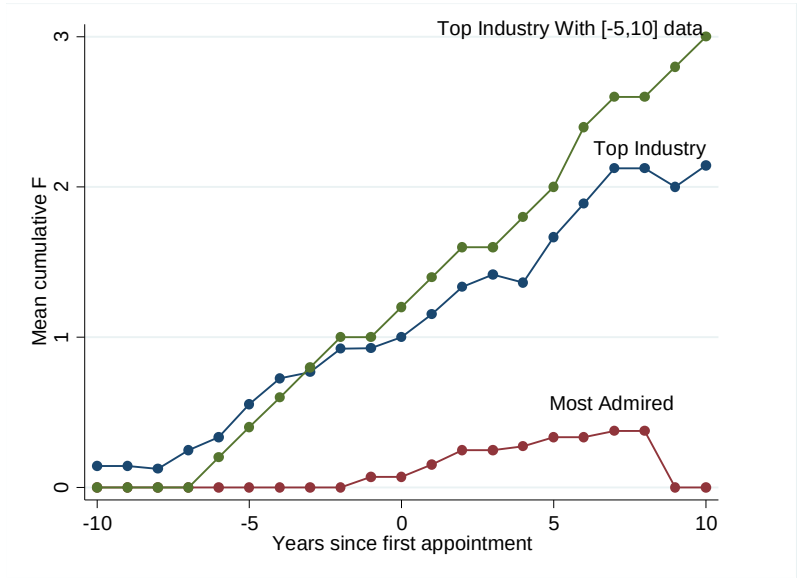


Figure A2: Trading Behavior by Fed Directors On and Off Federal Reserve Bank Boards

The source sample for Figure A2 consists of a panel of yearly trading behavior measures for the sample of trades underlying the reporting-date level data in Tables 10 and 11. The sample is restricted to individuals who served on a board of a Federal Reserve Bank at any point between 1982 and 2013. The sample is also restricted to trading behavior by those individuals in the company with the same permco as their employer while they were on the board of a Fed. The sample consists of 419 individual, transaction year, permco observations. Ffreq_buy (ffreq_sell) is the number of "buy" ("sell") filings with the SEC the individual has in a given year. N_buy (n_sell) is the total number of buy (sell) trades the individual made in a given year. Shares_buy (shares_sell) is the total number of shares the individual bought (sold) in a given year. Years in which individuals served as Fed Directors are classified as "on" years. Years in which individuals did not serve as Fed Directors are classified as "off" years. Figure A2.A shows the means for ffreq_buy, ffreq_sell, n_buy and n_sell for "on" and "off" years by class of director. Figure A2.B shows the means for shares_buy and shares_sell for "on" and "off" years by class of director.

Figure A2.A. Trading Frequency by Fed Directors On and Off Federal Reserve Bank Boards

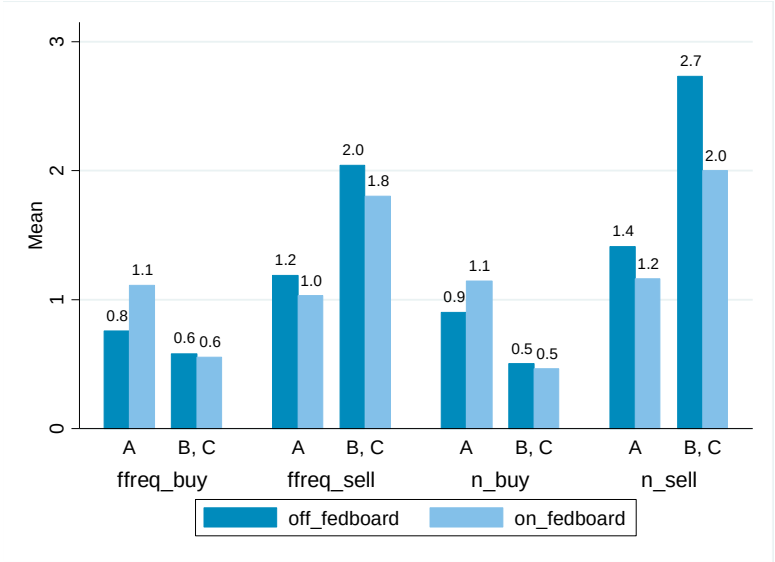


Figure A2.B. Trading Amounts by Fed Directors On and Off Federal Reserve Bank Boards

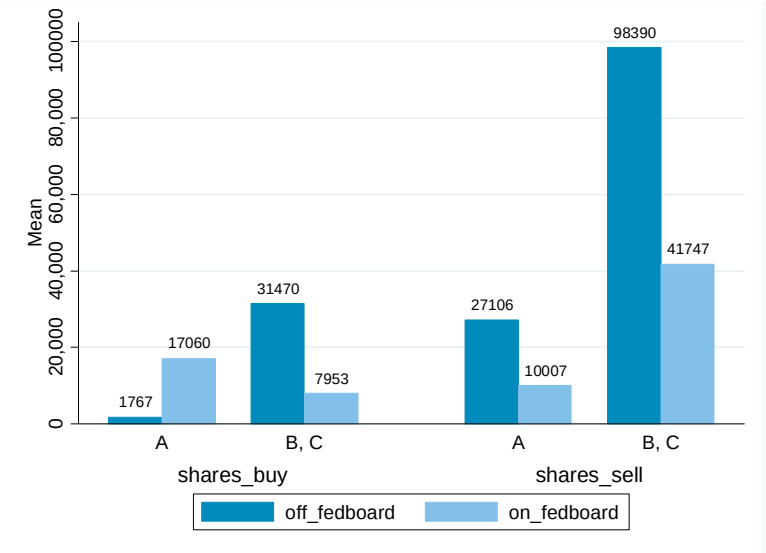
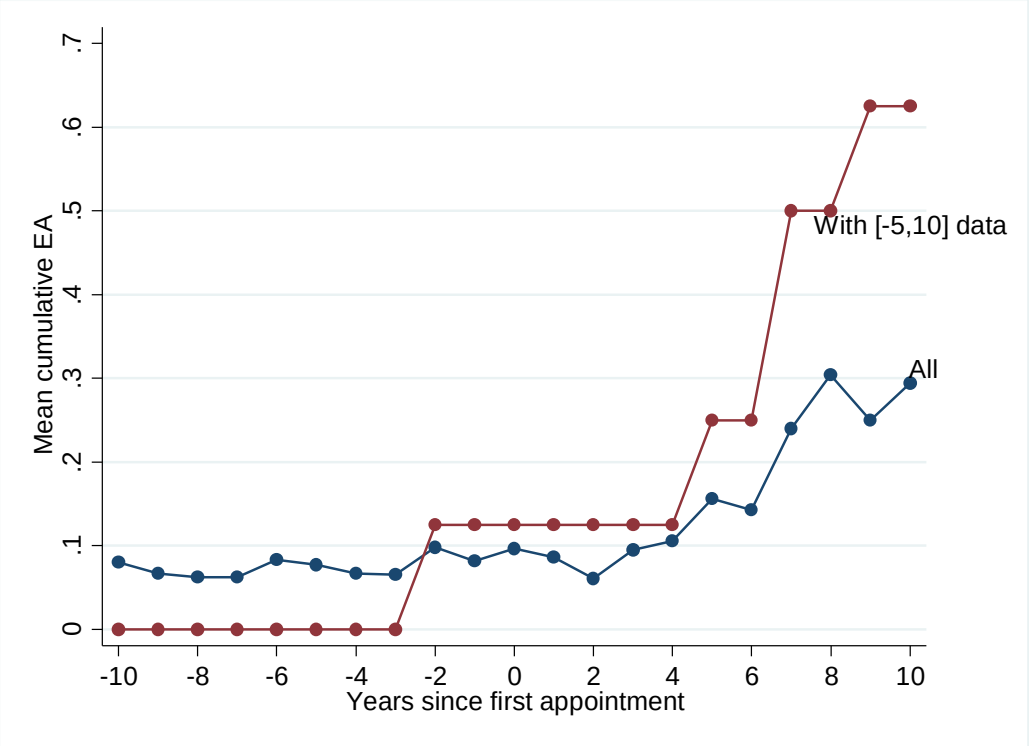


Figure A3: Enforcement Actions for Banking Institutions with Fed Directorships

Panels A-B of Figure A3 shows the average cumulative sum of enforcement actions for banking institutions with at least one Fed directorship in the sample period 1987-2009 around the year of the first Fed board directorship. Year 0 denotes the year the institution's executive is first elected to a Fed board in the period 1987-2009. The line labeled "With [-5,10] data" is for a sample of institutions with data in the years [-5,10] around the first Fed year. Panel A is for 62 BHCs with Fed directorships, Panel B is for 145 banks with Fed directorships.

Panel A: Cumulative Enforcement Actions for BHCs with Fed Directorships around First Year of Appointment



Panel B: Cumulative Enforcement Actions for Banks with Fed Directorships around First Year of Appointment

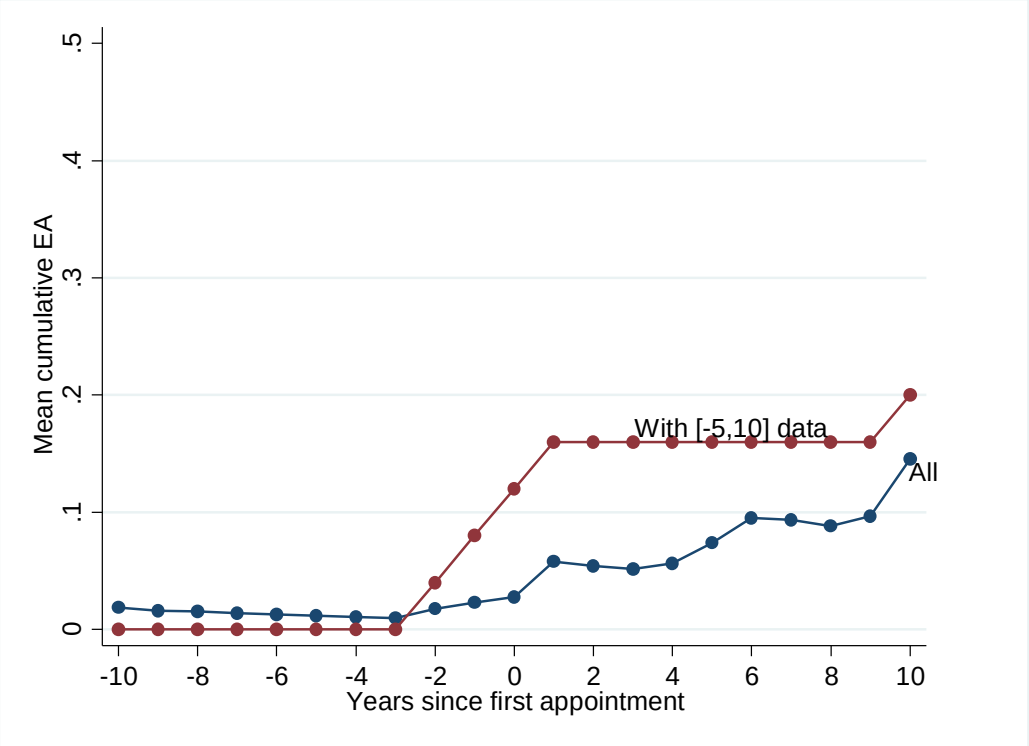


Table A1: Items Voted on at Meetings of the Board of the Federal Reserve Bank of New York

The table tabulates items voted on by the board of the Federal Reserve Bank of New York. The data comes from minutes of 263 meetings of the board of the Federal Reserve Bank of New York between January 4, 2007 and June 20, 2013. Votes are identified using the keyword "vote". Votes are described and then aggregated into common categories as below.

Item Voted on	Freq.	%	Cum. %	Item Voted on	Freq.	%	Cum. %
Credit Rates	165	45.21	45.21	8th Floor IT Infrastructure	1	0.27	94.52
Appointments, Salaries, Promotions	35	9.59	54.79	Approval of Fedwire Securities Modern..	1	0.27	94.79
Director Nominations and Appointments..	27	7.4	62.19	Approval of Mr. Geithner's Authority ..	1	0.27	95.07
Adopt General Resolutions	18	4.93	67.12	Approval of Section 208 waiver	1	0.27	95.34
Performance Evaluation	14	3.84	70.96	Approve External Auditor	1	0.27	95.62
Dividends	13	3.56	74.52	Bank's Section 13(3)	1	0.27	95.89
Approve the Bank's Proposed Budget	12	3.29	77.81	Business Intelligence Tool (BI) project	1	0.27	96.16
Internal Governance and Policies	12	3.29	81.1	CORE Program	1	0.27	96.44
Advances to Depository Institutions	9	2.47	83.56	Check Processing	1	0.27	96.71
Appointment to FOMC	5	1.37	84.93	Corporate Governance Recommendations	1	0.27	96.99
Selection of FAC members	5	1.37	86.3	Data Center Equipment Purchase Strategy	1	0.27	97.26
Approval of Exception to Bank's Manda..	4	1.1	87.4	Diversity and Inclusion Program	1	0.27	97.53
Capital Budget	4	1.1	88.49	East Rutherford Operations Center (ER..	1	0.27	97.81
Approval of Capital Budget	3	0.82	89.32	Engage KPMG to Develop Vendor Complia..	1	0.27	98.08
Procurement Policy	3	0.82	90.14	Engagement of Financial Tracking Tech..	1	0.27	98.36
Tribute	3	0.82	90.96	Fedwire Funds Service Agreements	1	0.27	98.63
A-Level Security Enhancement Project	2	0.55	91.51	Fedwire Migration Program	1	0.27	98.9
Appoint President and Chief Executive..	2	0.55	92.05	New Treasury Automated Auction Proces..	1	0.27	99.18
Approval of Purchase of 33 Maiden Lane.	2	0.55	92.6	Replacement of the Bank's Obsolete Au..	1	0.27	99.45
Approve Reports of Audit Activities	2	0.55	93.15	Systemwide SERP Benefits Plan	1	0.27	99.73
Leasing Arrangements	2	0.55	93.7	Trade Pre-Clearance and Monitoring So..	1	0.27	100
Temporary Waiver of Conflict of Inter..	2	0.55	94.25				
Total					365		100

Table A2: Reports at Meetings of the Board of the Federal Reserve Bank of New York

The table tabulates items officers, directors and guests of the New York Fed reported on to the board of the Federal Reserve Bank of New York. The data comes from minutes of 263 meetings of the board of the Federal Reserve Bank of New York between January 4, 2007 and June 20, 2013. Reports are identified using # # symbols used in numbering reports. Reports are described and then aggregated into common categories as below.

Report	Freq.	%	Cum. %	Report	Freq.	%	Cum. %	Report	Freq.	%	Cum. %
Schedule of Rates	145	25.4	25.39	Prices of Domestic Risk Assets	2	0.35	86.51	Markets Data Strategy Implementation	1	0.2	93.7
Global Economic Conditions	50	8.76	34.15	Proposed Committee Assignments for Di..	2	0.35	86.87	Meeting with Bank Activities Committee	1	0.2	93.87
Current Economic Outlook	46	8.06	42.21	Recent News	2	0.35	87.22	Outlook and Risks for the US Economy:..	1	0.2	94.05
Financial Sector Developments and Issues	42	7.36	49.56	Special Briefing on China	2	0.35	87.57	Overview of Federal Reserve Bank of N..	1	0.2	94.22
Officer Activity and Compensation Programs	30	5.25	54.82	33 Maiden Lane Opportunity	1	0.18	87.74	Overview of the Board’s Role	1	0.2	94.4
Report of Audit and or Risk Activities	27	4.73	59.54	Authority and Responsibilities in Con..	1	0.18	87.92	Personal Trading Compliance Program R..	1	0.2	94.57
Board of Directors Succession	19	3.33	62.87	Bank Objectives	1	0.18	88.09	Phase 2 Plan	1	0.2	94.75
Bank’s Proposed Budget	14	2.45	65.32	Bank’s Data Center Strategy	1	0.18	88.27	Plans for Buildings' Renovation	1	0.2	94.92
Performance Evaluation	14	2.45	67.78	Bank’s Loan to AIG	1	0.18	88.44	Proposed Director Eligibility Policy	1	0.2	95.1
Quarterly Financial Review	11	1.93	69.7	Bank’s New Communications Strategy	1	0.18	88.62	Purchase of 33 Maiden Lane	1	0.2	95.27
U.S. Macro Overview	10	1.75	71.45	Board of Director Succession	1	0.18	88.79	Recent ECB Policy Actions	1	0.2	95.45
Corporate Governance	8	1.4	72.85	Board of Governors policy letter S-26..	1	0.18	88.97	Regulatory Reform Process	1	0.2	95.62
Procurement	8	1.4	74.26	Book "Lords of Finance"	1	0.18	89.14	Regulatory Reform Task Force	1	0.2	95.8
Board Self-Assessment	6	1.05	75.31	Briefing on on the Federal Conflicts ..	1	0.18	89.32	Report on Conference of Presidents	1	0.2	95.97
Fedwire Services	6	1.05	76.36	Buffalo Branch Strategy	1	0.18	89.49	Request for Additional Funding	1	0.2	96.15
Bank’s Credit, Market, Operational, C..	5	0.88	77.23	Bundesbank’s Announcement	1	0.18	89.67	Reserve Bank Operations and Payments ..	1	0.2	96.32
FRBNY Strategic Planning Initiative	4	0.7	77.93	Changes in Board of Governors’ Policy	1	0.18	89.84	Response to Report on Systemic Risk a..	1	0.2	96.5
Waiver	4	0.7	78.63	Changes to the Board’s Eligibility Pr..	1	0.18	90.02	Revised Check Service Agreement	1	0.2	96.67
Administrative Announcements	3	0.53	79.16	Check Infrastructure Briefing	1	0.18	90.19	Revised Directors’ Eligibility, Quali..	1	0.2	96.85
Financial Statements and/or Operation..	3	0.53	79.68	Closing of Buffalo Branch	1	0.18	90.37	Search for Mr. Geithner’s Successor	1	0.2	97.02
Restoration/ Renovation of the Main B..	3	0.53	80.21	Comprehensive Reorganization of the G..	1	0.18	90.54	Service Agreements	1	0.2	97.2
Assessing the Strength of the Regiona..	2	0.35	80.56	Conference of President's Meeting (In..	1	0.18	90.72	Shedule of Rates	1	0.2	97.37
Bank's Financial Performance	2	0.35	80.91	Diversity & Inclusion at FRBNY	1	0.18	90.89	State of Operations of the Bank Follo..	1	0.2	97.55
Bank’s Bylaws	2	0.35	81.26	Dividends	1	0.18	91.07	Student Loan Overview	1	0.2	97.72
Bank’s Freedom of Information (FOI) P..	2	0.35	81.61	Economic Conditions in Europe	1	0.18	91.24	Supervisory Initiatives: Response to ..	1	0.2	97.9

Board of Directors Security Briefing	2	0.35	81.96	FRBNY CORE Program	1	0.18	91.42	Technology Project	1	0.2	98.07
Changes in FOMC Communications	2	0.35	82.31	Federal Budget Policy	1	0.18	91.59	Technology Services Group Transformat..	1	0.2	98.25
Committee Charters	2	0.35	82.66	Fedwire Securities Modernization Prog..	1	0.18	91.77	Terrorist Incident	1	0.2	98.42
Conference of Presidents Discussion o..	2	0.35	83.01	Financial Risk Management Infrastruct..	1	0.18	91.94	The Impact of Economic Downturns on S..	1	0.2	98.6
Contingency Strategy	2	0.35	83.36	Financing Arrangement with the LLC	1	0.18	92.12	The Medium-Term Fiscal Outlook	1	0.2	98.77
FOIA Request for Minutes of the Meeti..	2	0.35	83.71	Global Financial Markets	1	0.18	92.29	The Responsibilities and Attributes o..	1	0.2	98.95
Freedom of Information Act (FOIA) (Ja..	2	0.35	84.06	Global Monetary Policy	1	0.18	92.47	Topics for Upcoming Directors Meetings	1	0.2	99.12
Government Accountability Office (GAO)	2	0.35	84.41	Government’s Agreement with Citigroup..	1	0.18	92.64	U.S. Labor Market	1	0.2	99.3
Importance of Preserving Confidential..	2	0.35	84.76	Housing Markets Policy	1	0.18	92.82	Update from the Search Committee	1	0.2	99.47
Interest Rates	2	0.35	85.11	Human Resources Challenges Facing the..	1	0.18	92.99	Update on AIG	1	0.2	99.65
Investigation of a Contractor Stealin..	2	0.35	85.46	Infrastructure	1	0.18	93.17	Utica Office Consolidation	1	0.2	99.82
Performance Evaluation, excluding Ban..	2	0.35	85.81	Large Scale Asset Purchases	1	0.18	93.35	What Role (if any) Should Government ..	1	0.2	100
Performance Evaluation, pertaining to..	2	0.35	86.16	Market, Operational, and Compliance R..	1	0.18	93.52				
Total									571		100

Table A3: Positions of Participants Providing Reports at Meetings of the Board of the Federal Reserve Bank of New York

The table tabulates positions of officers, directors and guests of the New York Fed reporting to the board of the Federal Reserve Bank of New York. The data comes from minutes of 263 meetings of the board of the Federal Reserve Bank of New York between January 4, 2007 and June 20, 2013. Reports are identified using # # symbols used in numbering reports. Names of participants providing reports are names in close vicinity to # symbols associated with the term "reported" or "discussed".

Participant position	**Freq.**	**%**	**Cum.**
President	183	33.64	33.64
Executive Vice President	132	24.26	57.9
First Vice President	68	12.5	70.4
Senior Vice President	58	10.66	81.07
Executive Vice President and General Counsel	28	5.15	86.21
Deputy General Counsel, Corporate Secretary, and Senior Vice President	23	4.23	90.44
Vice President	13	2.39	92.83
Executive Vice President and Director of Research	10	1.84	94.67
Assistant Vice President	6	1.1	95.77
Chair	6	1.1	96.88
Chair of the Audit Committee	5	0.92	97.79
Executive Vice President and General Auditor	3	0.55	98.35
Chief Compliance Officer and Senior Vice President	2	0.37	98.71
Deputy Chair	1	0.18	98.9
Director	1	0.18	99.08
Executive Vice President, Federal Reserve Bank of Chicago	1	0.18	99.26
FRIT (Federal Reserve Information Technology)	1	0.18	99.45
Guest Speaker	1	0.18	99.63
Senior Economist	1	0.18	99.82
Senior Financial Analyst	1	0.18	100
Total	544	100	

Table A4: Summary Statistics for Companies Represented on Federal Reserve Bank Boards

The data consists of data on employers of Federal Reserve Bank directors from 1990-2009 from Federal Reserve Bulletins. There were 25 vacancies during this period which resulted in 2135 directorships (director-year observations). I determined if a company was publicly-traded by matching the name, city and state of the employer to CRSP. I determined if a company was a bank or bank holding company (BHC) by matching employer information to the Call report and Y-9C data available from the Federal Reserve Bank of Chicago and checking uncertain matches using institution searches in the National Information Center databases and the internet. I classify an institution as a bank if it appeared in the Call data and a BHC if it appeared in the Y9-C data. Bank or BHC is a dummy which is equal to 1 if a director's employer is a bank or a BHC. The number of times an employee is elected/represented is the number of times any employee is either elected or appointed by the Board of Governors to a Federal Reserve Bank director position. Data on elections at the company level may be missing if a director was not elected while employed for a company but moved to that company later. Number of years represented is the number of years a company has any employee sitting on the board of a Federal Reserve Bank. Number of times employee of high holder is elected is equal to the number of times any employee of a parent bank or BHC, including employees of subsidiaries, is elected to a Federal Reserve Bank director position. Data on banks is from the Call reports. I classify banks as stand alone if their high holder id indicated they were not held by another institution (their rssd9001=rssd9348). I classify banks as national banks if they have an OCC registration number.

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
Panel A: All non-vacant directorships					
Publicly-traded	2135	0.34	0.47	0	1
Bank or BHC	2135	0.33	0.47	0	1
Panel B: Unique companies appearing between 1991 and 2008					
Bank or BHC	389	0.37	0.48	0	1
Number of times employee elected/appointed	350	1.56	0.67	1	4
Number of years represented	389	3.67	1.97	1	9
Panel C: Data for unique banks or BHCs appearing between 1991 and 2008					
Number of times employee elected	133	1.32	0.52	1	3
Number of times employee of high holder is elected	142	1.46	0.71	1	6
Number of years represented	147	3.33	1.66	1	7
Number of years high holder is represented	147	3.90	2.11	1	13
Panel D: Data for all bank-years					
Stand alone bank	461	0.08	0.28	0	1
National bank	461	0.63	0.48	0	1
Federal Reserve member	461	0.98	0.15	0	1

Table A5: Summary Statistics of Employers of Class A Directors Prior to Election-The Case of Banks

Panel A of Table A shows summary statistics of financial characteristics of banks whose employees were elected as class A directors in the year of election. Panel B shows summary statistics for all other banks. The data consists of Call Report data from the FRB of Chicago for the years 1987-2009. I merge this data to the Chicago Fed bank merger data by merging on survivor idrssd and year. I restrict the set of banks to domestic banks (rssd9170 is not equal to 0) and headquarter establishments (rssd9241 equal to 1). Capital ratio is the ratio of tier 1 capital to assets. Tier 1 capital data (rcfd8274) is missing prior to 1996. I use Ken Kuttner's approximation (see http://www.chicagofed.org/digital_assets/others/banking/financial_institution_reports/regulatory_capital.pdf) to define Tier 1 capital for 1990-1993, i.e. Tier 1 capital = rcfd3230 + rcfd3839 + rcfd3632 + rcfd3000 + rcfd3778 + rcfd0297 - rcfd3163 if rcon9804 is not equal to 51, otherwise it is Tier 1 capital (as above) + rcfd3284. Rcfd0297 is missing in 1994 and 1995, so Capital ratio is missing for those years. I define assets, employees, salaries and capital ratio to be missing if they are non-positive. I define ROA and ROE to be missing if they are smaller than or equal to -1 or greater than or equal to 1. Number of acquisitions is the number of times the bank appears as a surviving entity in a given year in the bank merger data. Federal Reserve member is a dummy equal to 1 if rssd9422 is equal to 1. National bank is a dummy equal to 1 if the bank has an OCC registration number (rssd9055). No parent is a dummy equal to 1 if the bank has no high holder (rssd9348 is missing). For all other data items, I provide the Call report data items I use to construct the variable in parentheses after each variable in panel A. Assets and salaries per employee are denominated in thousands. ***, **, * indicate differences in means between Panel A and Panel B are statistically significant at the 1, 5, and 10% respectively.

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
Panel A: Banks with Employees Elected to Federal Reserve Bank Boards					
Assets (rcfd2170)	180	3.8e+6 ***	1.26e+07	10371.00	9.03e+07
Employees (riad4140)	180	1099.36***	3489.43	7.00	27300.00
Salary per employee (riad4135/riad4150)	180	0.03	0.01	0.01	0.06
Loans/Assets (rcfd2122/rcfd2170)	180	0.59	0.15	0.05	0.89
ROA (income/average assets=riad4340/rcfd3368)	180	0.01	0.01	-0.03	0.04
Fraction nonperforming loans ((rcfd1403+rcfd1407)/rcfd2122)	180	0.01	0.02	0.00	0.11
Capital ratio	132	0.10	0.03	0.05	0.30
Number of acquisitions	180	0.16***	0.97	0.00	12.00
Federal Reserve member	180	0.98***	0.13	0.00	1.00
National bank	180	0.64***	0.48	0.00	1.00
No parent	180	0.11***	0.31	0.00	1.00
Panel B: Bank Universe (excluding Panel A data)					
Assets	231178	674890.70	1.33e+07	1.00	1.75e+09
Employees	229505	172.16	2236.32	1.00	213967.00
Salary per employee	229387	0.03	0.28	0.00	128.00
Loans/Assets	231141	0.58	0.17	0.00	1.35
ROA (income/average assets)	229933	0.01	0.02	-1.00	1.00
Fraction nonperforming loans	229076	0.02	0.03	0.00	1.00
Capital ratio	166667	0.11	0.08	0.00	1.03
Number of acquisitions	231757	0.06	0.48	0.00	51.00
Federal Reserve member	231757	0.37	0.48	0.00	1.00
National bank	231757	0.27	0.44	0.00	1.00
No parent	231757	0.27	0.44	0.00	1.00

Table A6: Summary Statistics of Employers of Class A Directors Prior to Election-The Case of BHCs

Panel A of Table A shows summary statistics of financial characteristics of BHCs whose employees were elected as class A directors in the year of election. Panel B shows summary statistics for all other BHCs. The data consists of FR Y-9C from the FRB of Chicago for the years 1987-2009. I merge this data to the Chicago Fed BHC merger data by merging on survivor idrssd and year. I restrict the set of BHCs to domestic BHCs (rssd9170 not equal to 0) and from 1990 on to top tier BHCs (bhck9802 is equal to 1 or 3). Tier 1 capital ratio is 100*Tier 1 capital / risk-weighted assets. Risk-weighted assets = bhcka223. Tier 1 capital data (bhck8274) is missing prior to 1996. Prior to 1996 I use data on the Tier 1 capital ratio from Benjamin Mandel at the Federal Reserve Bank of New York. I define assets, employees, salaries and capital ratio to be missing if they are non-positive. Number of acquisitions is the number of times the BHC appears as a surviving entity in a given year in the BHC merger data. For all other data items, I provide the FR Y-9C data items I use to construct the variable in parentheses after each variable in panel A. Assets and salaries per employee are denominated in thousands. ***, **, * indicate differences in means between Panel A and Panel B are statistically significant at the 1, 5, and 10% respectively.

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
Panel A: BHCs with Employees Elected to Federal Reserve Bank Boards					
Assets (bhck2170)	81	7.93E+07***	2.29E+08	1.51E+05	1.35E+09
Employees (bhck4140)	81	18900.47***	45599.52	73.00	267220.00
Salary per employee (bhck4135/bhck4150)	81	0.02*	0.01	0.01	0.04
Loans/Assets (bhck2122/bhck2170)	81	0.63	0.10	0.36	0.79
ROA (income/average assets=bhck4340/bhck3368)	81	0.01	0.00	-0.01	0.02
Fraction nonperforming loans ((bhck5525+bhck5526)/bhck2122)	73	0.01	0.01	0.00	0.04
Tier 1 capital ratio	70	10.59***	2.75	6.28	18.40
Number of acquisitions	81	2.40***	6.66	0.00	54
Panel B: BHC Universe (excluding Panel A data)					
Assets	34790	4.34E+06	4.71E+07	7.85E+03	2.22E+09
Employees	34790	1127.36	8537.75	1.00	409720.00
Salary per employee	34788	0.03	0.02	0.00	1.81
Loans/Assets	34790	0.62	0.14	0.00	1.18
ROA (income/average assets)	32087	0.01	0.01	-0.27	0.81
Fraction nonperforming loans	30478	0.01	0.02	0.00	0.84
Tier 1 capital ratio	27688	13.46	6.12	0.00	99.74
Number of acquisitions	49427	0.21	1.21	0.00	54

Table A7: Summary Statistics for Insider Trading Data

Insider transaction and filing data is from Thomson Reuters Insider Filing Data Files (TFN) for the period January 1986 to December 2013. My sample construction closely follows Adams, Wu and Xu (2015). I include only open market purchase and sale transactions from "management" insiders (i.e., managers, directors and officers) with valid transaction data, valid firm and person IDs. I exclude observations which Thomson Reuters flagged as flawed observations (cleanse code "A" or "S"). I also exclude option related sales (option sell indicator "A" or "P"). I include only common shares (CRSP share code 10 or 11) and data from SEC Form 4 filings. To eliminate potentially problematic cases, I drop the transactions whose trade price is not within 20% of the CRSP closing price on the transaction day. I remove trades for which the number of shares traded exceed 20% of the number of shares outstanding or is less than or equal to 100. In addition, I remove observations from firm-years whose share prices are less than $2 at the beginning of the calendar year. I aggregate multiple transactions of one firm on one transaction date by the same individual into one transaction. If these transactions are reported on multiple reporting dates, I keep the reporting date on which the number of shares traded is the largest. When analyzing market reactions, a reporting date for an insider is a "net purchase" if the insiders net purchase on that date is positive; if net purchases are negative, the date as a "net sale". For transactions reported on the same date with different transaction dates, the market capitalization, book-to-market and share outstanding correspond to the values on the latest transaction date. The data is merged to return data from CRSP and firm characteristics data from COMPUSTAT. Abnormal returns are computed based on market model in Eventus, with parameters estimated from event day -255 to event date -46 with the CRSP value-weighted return as the market return. The abnormal returns are set to a missing value if there are fewer than 160 daily returns in the event window. CAR(x,y) denotes cumulative abnormal returns in window from day x to day y around reporting date 0. I identify a "bank" from the 2015 version of the CRSP-FRB Link file provided by the Federal Reserve Bank of New York. Based on the position description in the insider trading data, a Top 5 insider is defined to be the CEO, CFO, Chairman of the Board, COO or President. I measure firm size by the market capitalization at the end of December of year t-1. Book-to-market (BM) is fiscal year-end book equity in year t-1 divided by the market value of equity at the end of December of year t-1. Monthly idiosyncratic volatility in percent (IVOL) is the variance of residuals from a regression of daily returns on a Fama-French-Carhart model in a rolling 6 month window prior to the estimation month. The filing frequency of insiders at the individual (ffreq) level is the number of filings, either buys or sales, in a year per insider. The strength of the trading signal on a reporting date (STRONG (Buy)) is the number of unique people who reported purchases on a reporting date or in the transaction month. Panel A contains summary statistics for individual trading variables for insiders who individuals who served as Fed Directors at any point between 1982 and 2013 and who also traded shares in the employer they worked for while they were Fed Directors at any point between 1986 and 2013. The trading data is for the company with the same permco as their employer while on the Fed board in that year. A "sell" year dummy is assigned a value of 1 for an individual if the individual sold shares in this company in that year. "buy" ("sell") years are assigned a value of 0 in years with no buys (sells) in their employer and no trades. Years in which individuals served as Fed Directors are classified as "on" years. Years in which individuals did not serve as Fed Directors are classified as "off" years. N_buy (n_sell) is the total number of buy (sell) trades the individual made in a given year. Shares_buy (shares_sell) is the total number of shares the individual bought (sold) in a given year. Panel B summarizes yearly variables at the firm-level as well as monthly IVOL. Panel C summarizes yearly individual-level data. Panel D summarizes reporting date data for net buys. Panel E summarizes reporting date data for net buys for individuals who served as Fed Directors at any point between 1982 and 2013 for the companies with the same permco as their employer while on the Fed board.

	Banks				Non-Banks			
Panel A.1:Yearly Trading by Fed Directors Off (Bank obs: 160, Non-Bank obs: 141)								
Variable	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max
ffreq_buy	0.756	1.068	0	6	0.582	1.469	0	15
n_buy	0.900	1.587	0	10	0.504	1.597	0	17
shares_buy	1766.606	4442.844	0	30750	31469.520	183291.800	0	1635472
ffreq_sell	1.188	1.657	0	12	2.043	5.199	0	43
n_sell	1.413	2.129	0	14	2.730	6.205	0	43
shares_sell	27105.910	103932.400	0	899733	98390.390	278392.200	0	1739200
Panel A.2: Yearly Trading by Fed Directors On (Bank obs: 62, Non-Bank obs: 56)								
ffreq_buy	1.113	1.427	0	6	0.554	1.205	0	5

n_buy	1.145	1.435	0	6	0.464	1.144	0	5
shares_buy	17059.900	77621.960	0	500000	7952.679	26991.590	0	169200
ffreq_sell	1.032	1.698	0	7	1.804	2.583	0	18
n_sell	1.161	2.113	0	12	2.000	3.314	0	24
shares_sell	10007.310	22572.730	0	119000	41746.710	66908.570	0	270461
Panel B: Yearly Firm-level Variables (Bank obs: 7,108-7,110, Non-Bank obs: 46,112-47,766)								
Ln(Size)	19.248	1.842	14.806	26.103	19.932	1.943	14.399	27.028
Ln(Book to market)	-0.357	0.536	-3.410	2.141	-0.830	0.874	-8.924	3.312
IVOL	0.098	0.060	0.022	0.938	0.136	0.080	0.013	1.908
OnFedBoard	0.002	0.024	0	0.6	0.000	0.010	0	0.8
EverOnFedBoard	0.007	0.048	0	1	0.001	0.020	0	1
Top 5	0.188	0.254	0	1	0.279	0.325	0	1
Panel C: Yearly Individual Trading Data (Bank obs: 33,950, Non-Bank obs: 168,890)								
Ffreq_buy	1.197	1.762	0	57	0.609	1.534	0	221
Ffreq_sell	0.710	1.546	0	85	1.407	3.441	0	251
OnFedBoard	0.002	0.043	0	1	0.000	0.018	0	1
EverOnFedBoard	0.007	0.081	0	1	0.001	0.033	0	1
Top 5	0.167	0.370	0	1	0.246	0.426	0	1
Panel D: Reporting Date Data for Net Buys (Bank obs: 6,922-6,907 obs, Non-Bank obs: 30,945-30,812 obs)								
CAR(0,2)	0.633	5.183	-33.238	79.647	1.611	8.023	-66.000	141.845
car05_secd~e	0.959	6.829	-43.962	149.993	2.500	11.019	-85.924	154.977
car11_secd~e	0.478	5.335	-50.492	70.122	1.273	8.645	-61.871	215.530
Tradesize/Shrout	0.053	0.292	0.000	10.855	0.122	0.688	0.000	39.425
STRONG (Buy)	2.063	2.222	1.000	21.000	1.706	1.433	1.000	26.000
Panel E.1: Reporting Date Data for Net Buys for Fed Directors Off (Bank obs: 111 obs, Non-Bank obs: 64 obs)								
CAR(0,2)	0.112	4.064	-16.704	25.569	1.292	4.975	-9.371	19.155
CAR(0,5)	0.329	4.590	-14.831	25.581	2.473	8.025	-22.226	26.630
CAR(-1,1)	-0.231	2.998	-8.909	8.223	1.196	5.434	-10.068	17.919
Tradesize/Shrout	0.022	0.047	0.000	0.339	0.329	1.124	0.000	8.535
STRONG (Buy)	1.874	1.959	1.000	11.000	2.250	2.016	1.000	10.000
Panel E.2: Reporting Date Data for Net Buys for Fed Directors Off (Bank obs: 66 obs, Non-Bank obs: 24 obs)								
CAR(0,2)	1.396	5.674	-13.276	26.920	-0.078	5.108	-19.557	7.970
CAR(0,5)	1.513	7.008	-25.774	32.433	0.790	5.218	-7.878	16.866
CAR(-1,1)	0.791	3.813	-11.999	12.537	-0.531	5.325	-16.655	7.196
Tradesize/Shrout	0.016	0.043	0.000	0.224	0.042	0.091	0.000	0.383
STRONG (Buy)	1.515	1.638	1	12	1.583	0.881	1	4

Table A8: Summary Statistics for Enforcement Actions at Banks and BHCs

Table A8 shows summary statistics for different types of enforcement actions (EAs) that the Federal Reserve takes against banking institutions in the population samples of banks and BHCs. EA data from 1989-2009 is hand-collected from the website of the Federal Reserve. The EA data is matched to the population of banks and BHCs from 1989 to 2009 as defined in Table 7. EA is a dummy variable which is 1 if an institution received an enforcement action in a given year. I follow Danisewicz, McGowan, Onali, Schaeck, (2016) in classifying EAs as Severe or Less Severe. Severe EA is a dummy variable equal to 1 if the institution received a Written Agreement, Prompt Corrective Action or Cease and Desist in a given year. Less Severe EA is a dummy equal to 1 if an institution received a Prohibition from Banking or Civil Monetary Penalty. Named Individual is a dummy equal to 1 if the EA names an individual.

	Banks					*BHCs*			
Variable	Obs	Mean	Std. Dev.	Min	Max	Obs	Mean	Std. Dev.	Min
Enforcement Action (EA)	73,075	0.553%	7.415%	0	1	29,066	0.609%	7.780%	0
Severe Actions	73,075	0.404%	6.341%	0	1	29,066	0.575%	7.558%	0
Less Severe Actions	73,075	0.179%	4.230%	0	1	29,066	0.052%	2.271%	0
Individual Named	73,075	0.164%	4.049%	0	1	29,066	0.079%	2.812%	0

Table A9: OLS Regressions of the Number of Banks in Group and Capital Limits on Time

This table shows OLS regressions of the number of banks in group and the capital limits for dividing banks into groups on a year trend. The data consists of the subsample of available data on elections of class A and B directors on the board of a Federal Reserve Bank during 1990-2009. Table A4 describes the data in more detail. Number of banks in group is the number of banks in the group electing the director. Group electing is either 1, 2 or 3 depending on whether the electing banks are the large banks (group 1), medium banks (group 2) or small banks (group 3). Upper bound is the amount of capital and surplus used to determine groups 2 and 3. Lower bound is the amount of capital and surplus used to determine groups 1 and 2. Banks must have capital and surplus greater than the lower bound of capital and surplus for groups 1 and 2. Banks must have capital and surplus smaller than the upper bound of capital and surplus for groups 2 and 3. The regressions in Columns II-VIII are at the group level indicated in the row at the bottom of the table. Election data for Boston was unavailable at the time of analysis. Kansas City was dropped from the regression in column IV due to insufficient data. Standard errors are not corrected for heteroskedasticity as the purpose of this table is to document trends. Absolute values of t-statistics are in parentheses. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

	Dependent variable: Number in group				**Dependent variable: Upper bound**		**Dependent variable: Lower bound**	
	I	II	III	IV	V	VI	VII	VIII
Year	-5.18***	-0.91***	-3.93***	-7.07***	2.13e+5***	2.78e+06***	2.0e+5***	6.82e+06***
	[8.33]	[4.49]	[9.80]	[12.34]	[9.47]	[7.50]	[9.93]	[5.53]
Group electing	75.42***							
	[17.53]							
Constant	10,305.65***	1,842.95***	7,954.86***	14,297.31***	-4.22e+08***	-5.52e+09***	-3.96e+08***	-1.36e+10***
(St. Louis omitted district)	[8.30]	[4.55]	[9.94]	[12.50]	[9.40]	[7.48]	[9.87]	[5.52]
Group electing	All	Group 1	Group 2	Group 3	Group 3	Group 2	Group 2	Group 1
Observations	319	108	105	106	115	117	117	121
R-squared	0.54	0.827	0.913	0.907	0.979	0.995	0.98	0.946

Table A10: Event Study of Contested Elections to Federal Reserve Bank Boards

This table shows the market reaction of companies' stock to news that an employee has been elected as a class A or B director to the board of a FRB in contested elections. There were 20 contested elections for class A directorships involving publicly-traded banks or BHCs. The number of contenders varied between 2 and 4 in these elections. There were 5 contested elections for class B directorships involving publicly-traded non-financial companies. The number of contenders was always 2 in these elections. I examine the reactions for parent company stock if the parent of the class A employer is publicly-traded. The event studies are conducted around 2 different types of dates. The first is the nominating date. In district-years with nominating committees, this date is the date of the nominating committee circular. In other district-years, this date consists of the date of the nomination circular listing candidates for election. If this information was missing, then the date of the call for nominations was used as it indicates whether directors are eligible for reelection. The election date is the date of the election. This date is from circulars. If this information was unavailable, the date is the date of the circular announcing election results or the date of news releases from FRBs or the date of newspaper articles announcing election results. Table 3 indicates sources for circulars. Cumulative abnormal returns are calculated using Eventus over 2 windows (-1,0), (-1,1). Abnormal returns are calculated using both a value-weighted market model and a constant mean return model. In both cases the estimation period is 255 days ending 46 days prior to the first day in the event window. BMP Z denotes the standardized cross-sectional test statistic from Boehmer, Musumeci, and Poulsen (1991). Panel A shows the results for nomination dates for class A and B directors in contested elections. Panel B shows the results for winners and losers of contested elections. *, ** and *** indicate significance at the 10%, 5% and 1 % level using a one-tailed test respectively. *, ** and *** on the ratio of positive to negative events indicates generic one-tail significance of the generalized sign test.

Panel A: Nominations in Contested Elections

	Value-Weighted Market Model				*Constant Mean Return Model*	
Event Window	*Mean CAR*	*Positive: Negative*	*Patell Z*	*BMP Z*	*Mean CAR*	*Patell Z*
Event date=Nomination Date for Class A Directors Only (25 Observations)						
(-1,0)	0.17%	11:14	0.330	0.302	-0.02%	-0.146
(-1,+1)	0.34%	12:13	0.692	0.544	0.11%	0.140
Event date=Nomination Date for Class B Directors Only (6 Observations)						
(-1,0)	-1.83%	2:4	-2.288**	-0.633	-2.45%	-2.638***
(-1,+1)	-2.64%	2:4	-2.615***	-0.777	-4.06%	-3.160***

Panel B: Outcomes of Contested Elections

	Winners				***Losers***			
	Value-Weighted Market Model		*Constant Mean Return Model*		*Value-Weighted Market Model*		*Constant Mean Return Model*	
	Mean CAR	*BMP Z*	*Mean CAR*	*BMP Z*	*Mean CAR*	*BMP Z*	*Mean CAR*	*BMP Z*
Event date=Election Date for Class A Directors Only								
(-1,0)	-0.41%	-0.316	-0.32%	-0.298	0.43%	0.376	0.05%	-0.125
(-1,+1)	1.39%	1.352*	1.15%	1.341*	-0.43%	-0.743	-0.78%	-1.007
Number of observations	11	11	11	11	14	14	14	14
Event date=Election Date for Class B Directors Only								
(-1,0)	2.74%	0.529	-0.13%	-0.132	1.54%	2.196**	1.35%	2.068**
(-1,+1)	1.53%	0.242	-0.44%	-0.270	2.85%	2.167**	2.43%	1.921**
Number of observations	3	3	3	3	3	3	3	3

Table A11: Outcomes for Institutions with Fed Directorships

This table shows estimates of firm fixed effect regressions of various outcome measures on PostFedBoard. PostFedBoard is a dummy equal to one in all years after the service of an executive of a banking institution on a Fed board. It is 0 otherwise. In columns I-IX the sample consists of data on Federal Reserve member banks from 1987-2009. In columns X-XIII, the data is for BHCs from 1987-2009. Nonsurvivor next year is a dummy variable equal to 1 in a given year if the bank is listed as a nonsurviving entity in the Chicago Fed bank merger data in the following year. Post fed board is a dummy variable equal to one for all years after Fed board service for directorship banks. The sample and variables are defined in Tables A4 and A5. The sample is restricted to log asset terciles 1, 2 and 3 in columns II, IV and V. All specifications include firm fixed effects and year dummies. All standard errors are corrected for heteroskedasticity and group correlation at the bank level. ***, **, * indicate significance at the 1, 5 and 10% level, respectively.

	Nonsurvivor next year: Banks					**ROA: Banks**		**Fraction NPL: Banks**		**ROA: BHCs**		**Fraction NPL: BHCs**	
VARIABLES	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII
PostFedBoard	-0.019**	-0.021**	-0.011	-0.012	-0.035***	-0.002***	-0.002***	-0.001	-0.002*	-0.001	-0.001	-0.001	-0.001
	[-2.160]	[-2.343]	[-0.374]	[-0.549]	[-2.635]	[-2.948]	[-3.213]	[-1.154]	[-1.674]	[-0.535]	[-1.351]	[-0.558]	[-0.869]
Ln(Assets)		0.018***	-0.006	0.007	-0.003		0.005***		0.003***		-0.023		0.420
		[7.405]	[-0.862]	[0.745]	[-0.511]		[9.147]		[4.053]		[-0.055]		[0.585]
Fraction NPL		0.535***	0.504***	0.491***	0.518***		-0.150***				-0.245***		
		[7.374]	[5.119]	[4.023]	[3.721]		[-8.837]				[-15.489]		
No Parent		0.014***	0.013*	0.003	0.002		0.000		-0.000				
		[4.055]	[1.877]	[0.496]	[0.194]		[0.969]		[-0.347]				
ROA		-0.794***	-0.682***	-1.508***	-1.347***				-0.364***				-0.576***
		[-7.495]	[-4.343]	[-3.941]	[-5.086]				[-10.615]				[-2.948]
Constant	-0.076***	-0.283***	-0.016	-0.145	-0.098	0.006***	-0.045***	0.023***	-0.006	0.009***	0.008	0.045***	0.024**
	[-29.954]	[-10.907]	[-0.223]	[-1.426]	[-1.597]	[20.523]	[-7.760]	[57.102]	[-0.848]	[23.485]	[1.399]	[33.910]	[2.348]
Sample			1 Tercile	2 Tercile	3 Tercile								
Observations	84,842	84,126	22,125	28,435	33,566	84,812	84,126	84,131	84,126	32,168	29,066	30,551	29,066
Number of Institutions	7,760	7,634	3,527	4,295	3,984	7,760	7,634	7,634	7,634	3,874	3,667	3,892	3,667
Adjusted R-squared	0.049	0.055	0.052	0.044	0.067	0.018	0.101	0.068	0.120	0.110	0.250	0.229	0.347

about ECGI

The European Corporate Governance Institute has been established to improve *corporate governance through fostering independent scientific research and related activities.*

The ECGI produces and disseminates high quality research while remaining close to the concerns and interests of corporate, financial and public policy makers. It draws on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to bear on this important subject.

The views expressed in this working paper are those of the authors, not those of the ECGI or its members.

ECGI Working Paper Series in Finance

Electronic Access to the Working Paper Series

The full set of ECGI working papers can be accessed through the Institute's Web-site (www.ecgi.org/wp) or SSRN:

Finance Paper Series	http://www.ssrn.com/link/ECGI-Finance.html
Law Paper Series	http://www.ssrn.com/link/ECGI-Law.html