



# Private Information, Disclosure, and Lending

Allison Nicoletti

University of Pennsylvania

# Bank Information and Disclosure

- Important topic! Banks' accounting recognition and disclosure practices are frequently in the hot seat.

## THE WALL STREET JOURNAL.

**Banks, Investors Revive Push for Changes to Securities Accounting After SVB Collapse**

By [Mark Maurer](#) [Follow](#)

March 20, 2023 4:44 pm ET

**SEC Wants Some Banks to Disclose More on Commercial Real-Estate Exposure**

By [Mark Maurer](#) [Follow](#)

Jan. 25, 2024 5:30 am ET

## FINANCIAL TIMES

**The dark art of bank fair-value accounting needs more transparency**

Todd H Baker JANUARY 19 2024

**Banks brace for California law mandating emissions disclosure**

Patrick Temple-West in New York SEPTEMBER 13 2023

# Bank Information and Disclosure

- More disclosure is a double-edged sword.
  - Allows for greater transparency, which can improve financial system stability, but can also result in bank runs/excessive market discipline.

# Bank Information and Disclosure

- More disclosure is a double-edged sword.
  - Allows for greater transparency, which can improve financial system stability, but can also result in bank runs/excessive market discipline.
- This session includes three interesting papers that consider different types of information and mechanisms through which information affects bank lending and/or funding.

# Bank Information and Disclosure

- More disclosure is a double-edged sword.
  - Allows for greater transparency, which can improve financial system stability, but can also result in bank runs/excessive market discipline.
- This session includes three interesting papers that consider different types of information and mechanisms through which information affects bank lending and/or funding.
- My focus
  - How do the papers broadly fit together?
  - What is the nature of information in each setting, and how does it relate to the documented results?

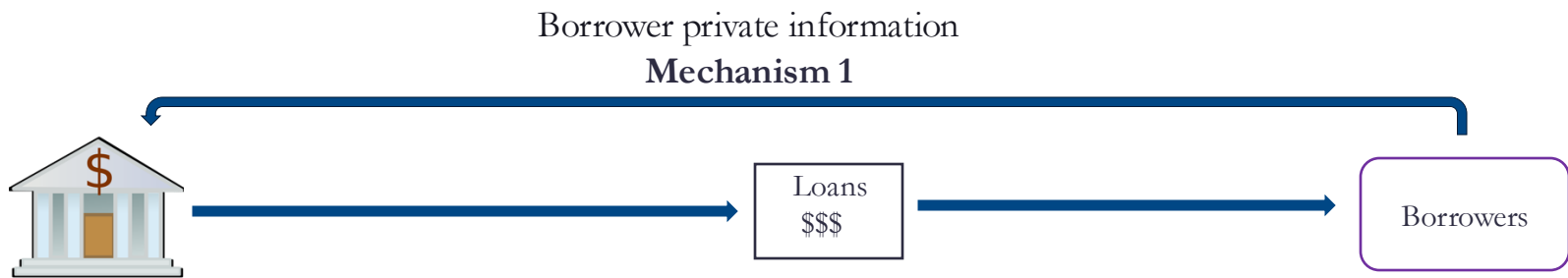
# Big Picture



# Big Picture

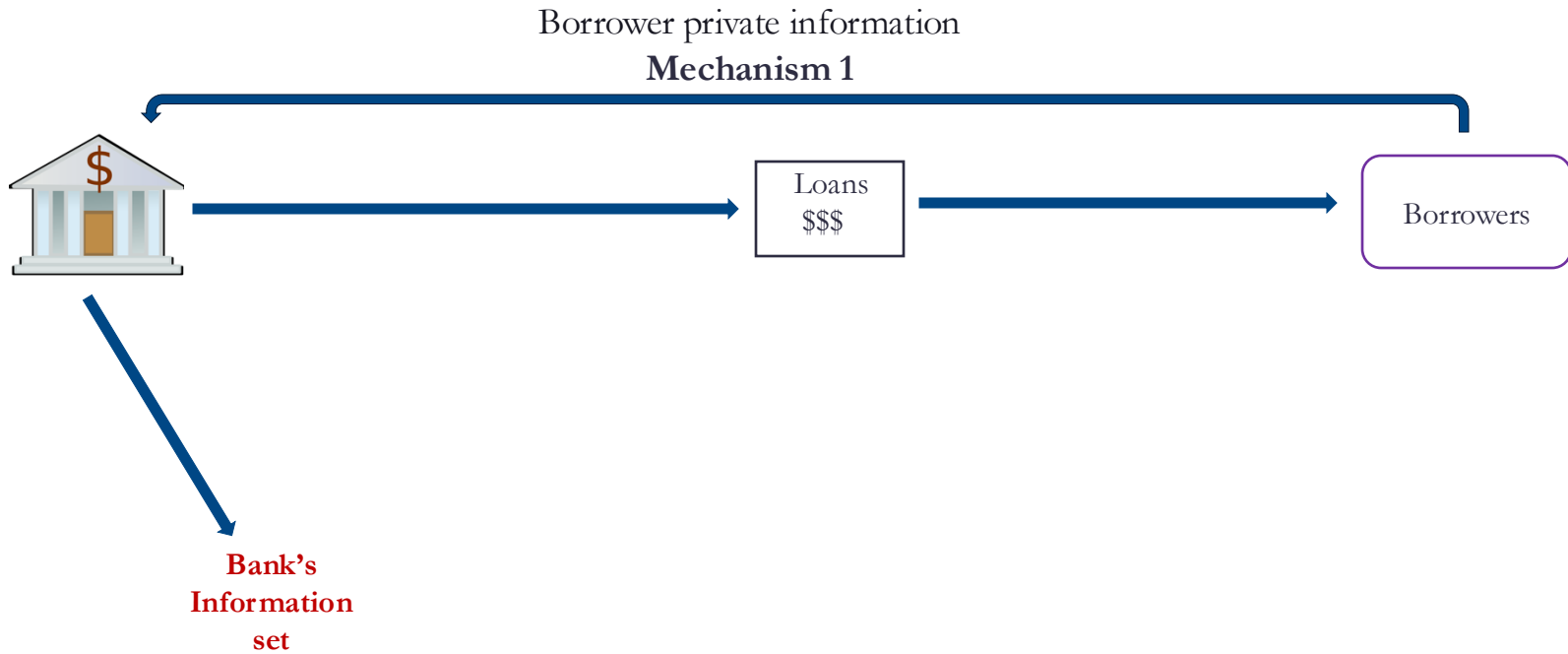


# Big Picture

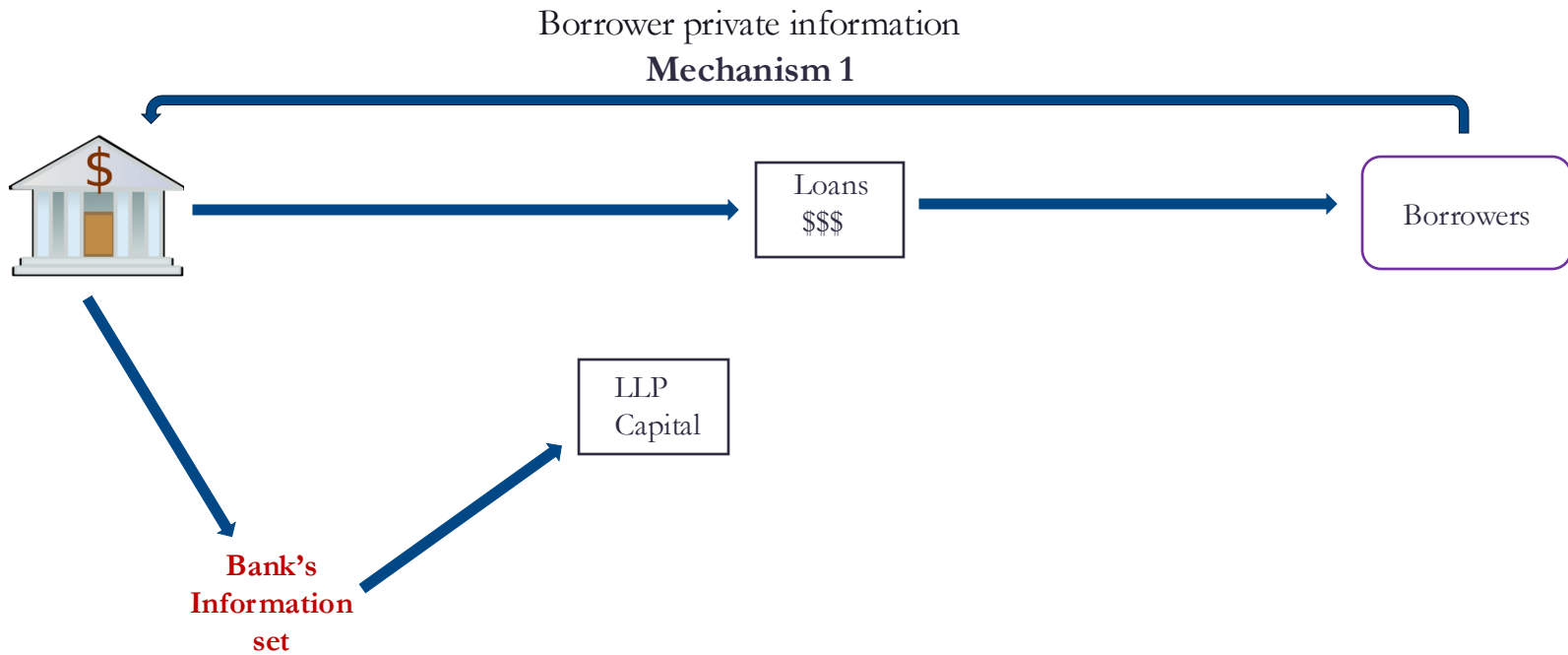




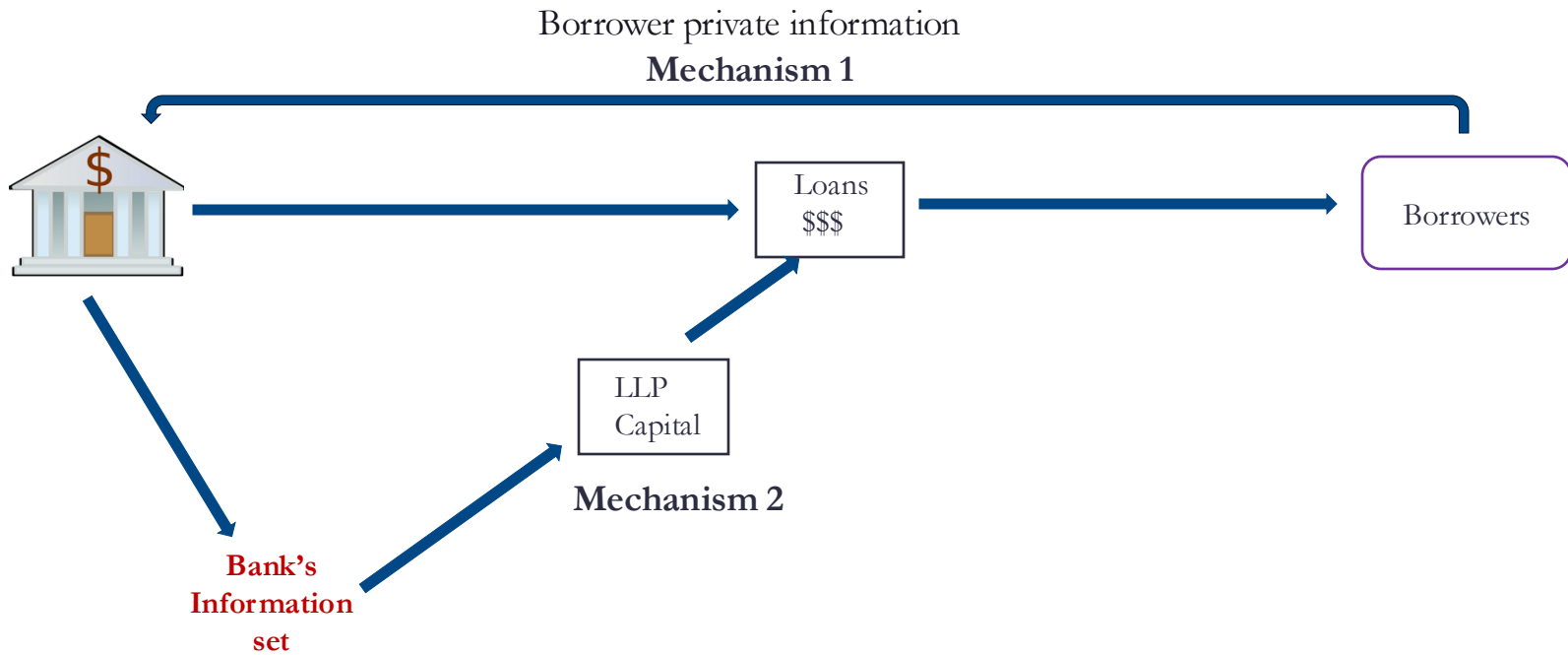
# Big Picture



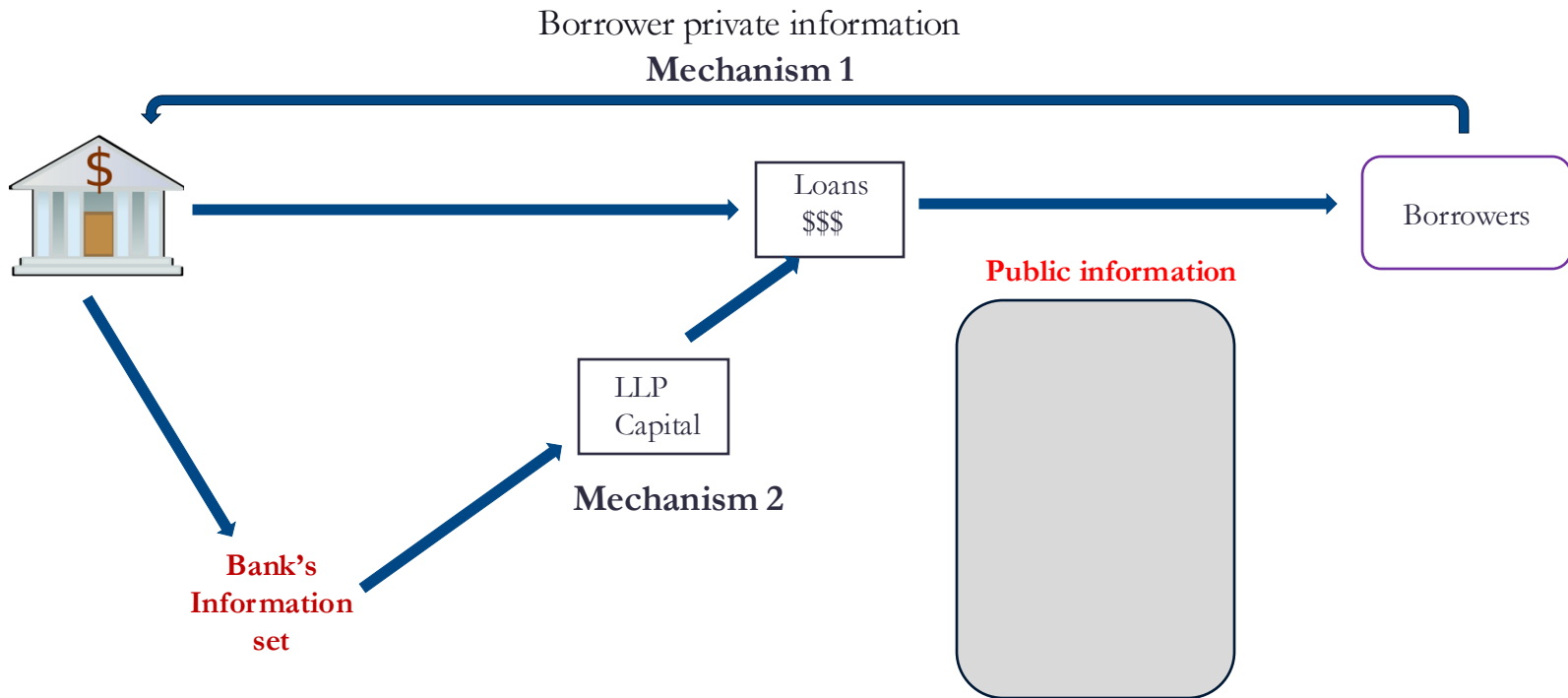
# Big Picture



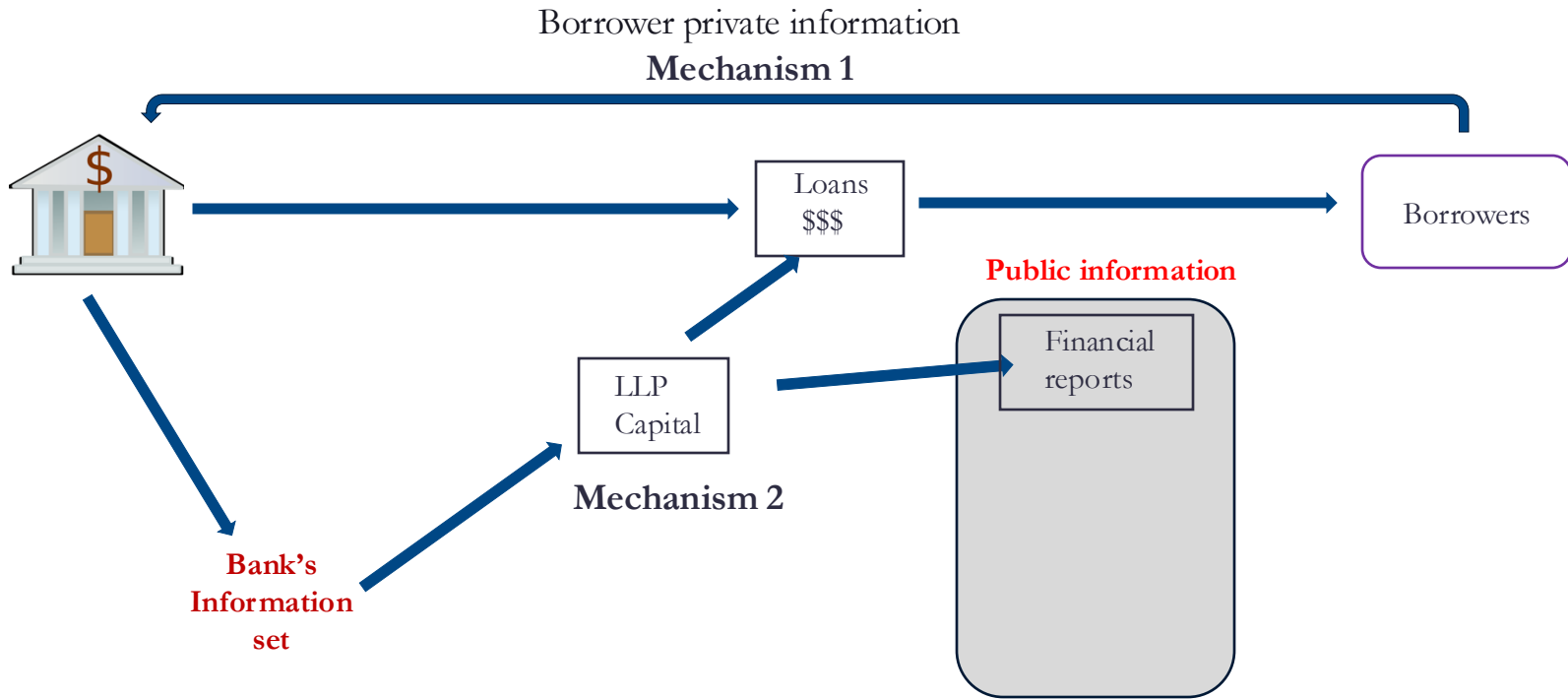
# Big Picture



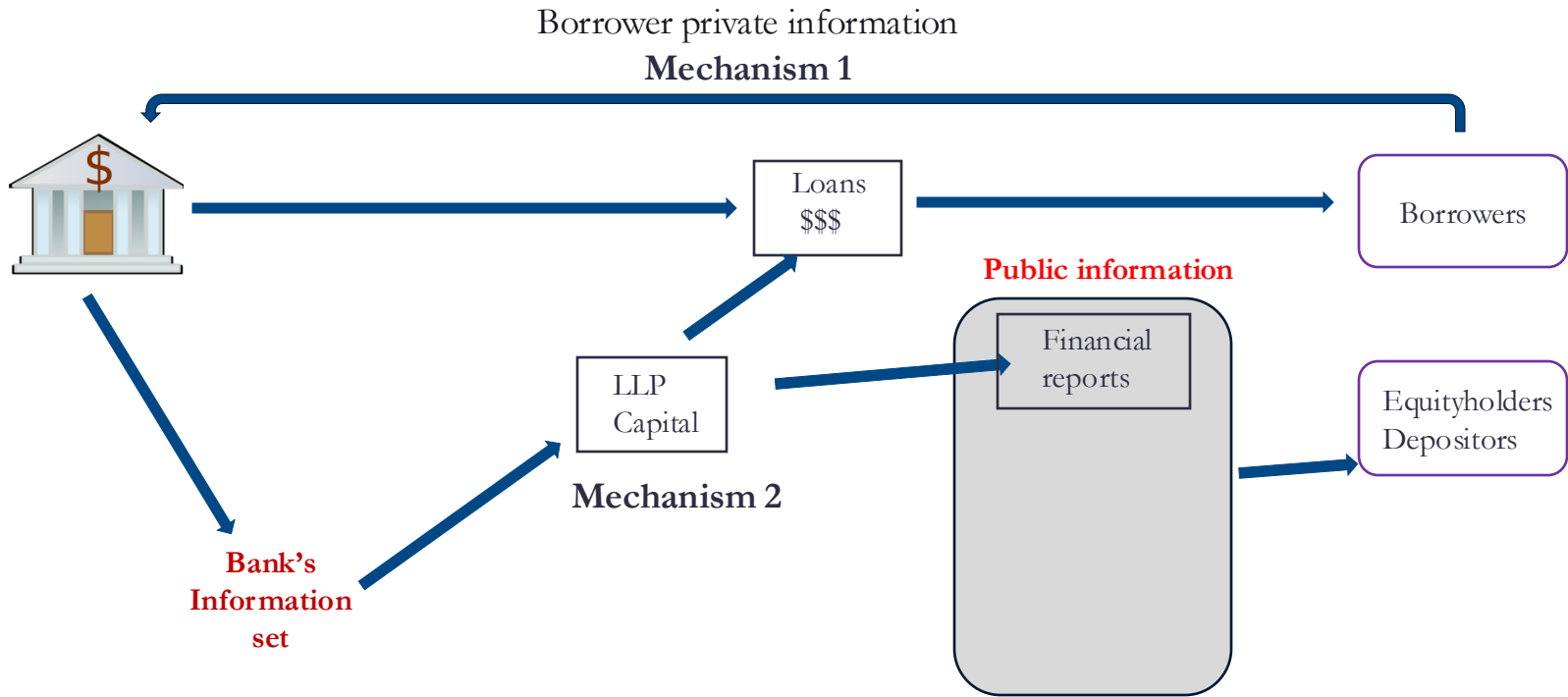
# Big Picture



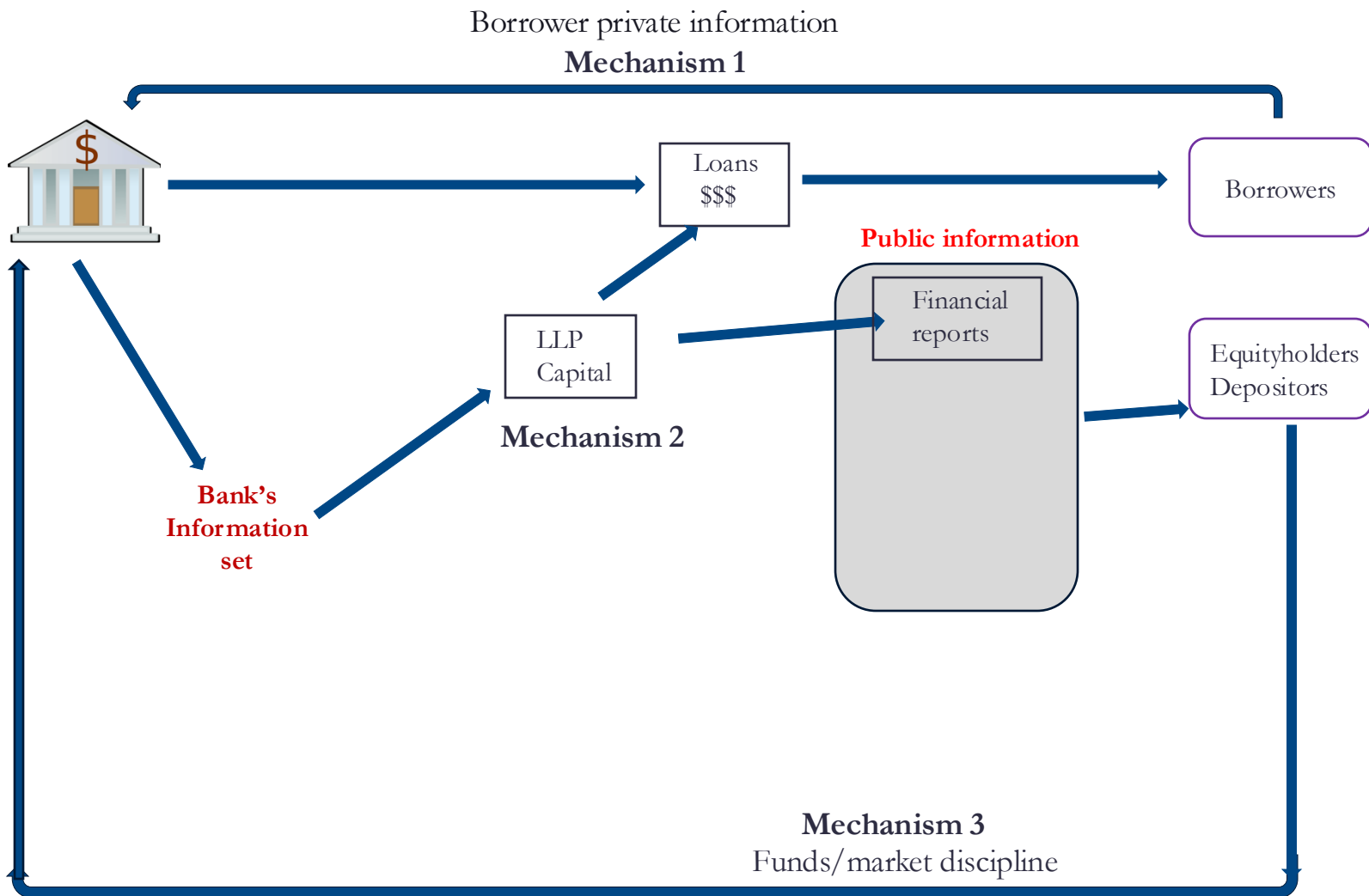
# Big Picture



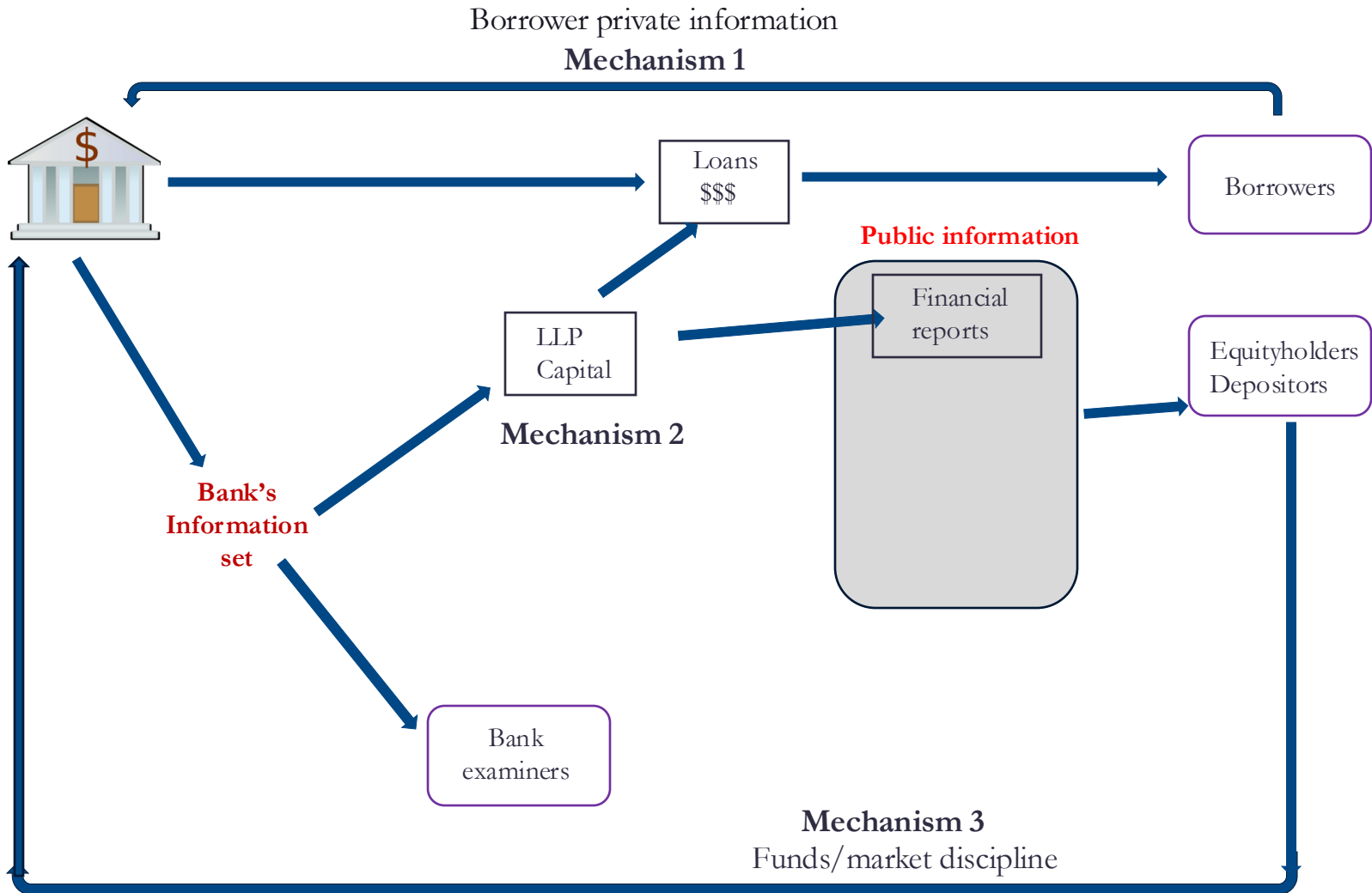
# Big Picture



# Big Picture

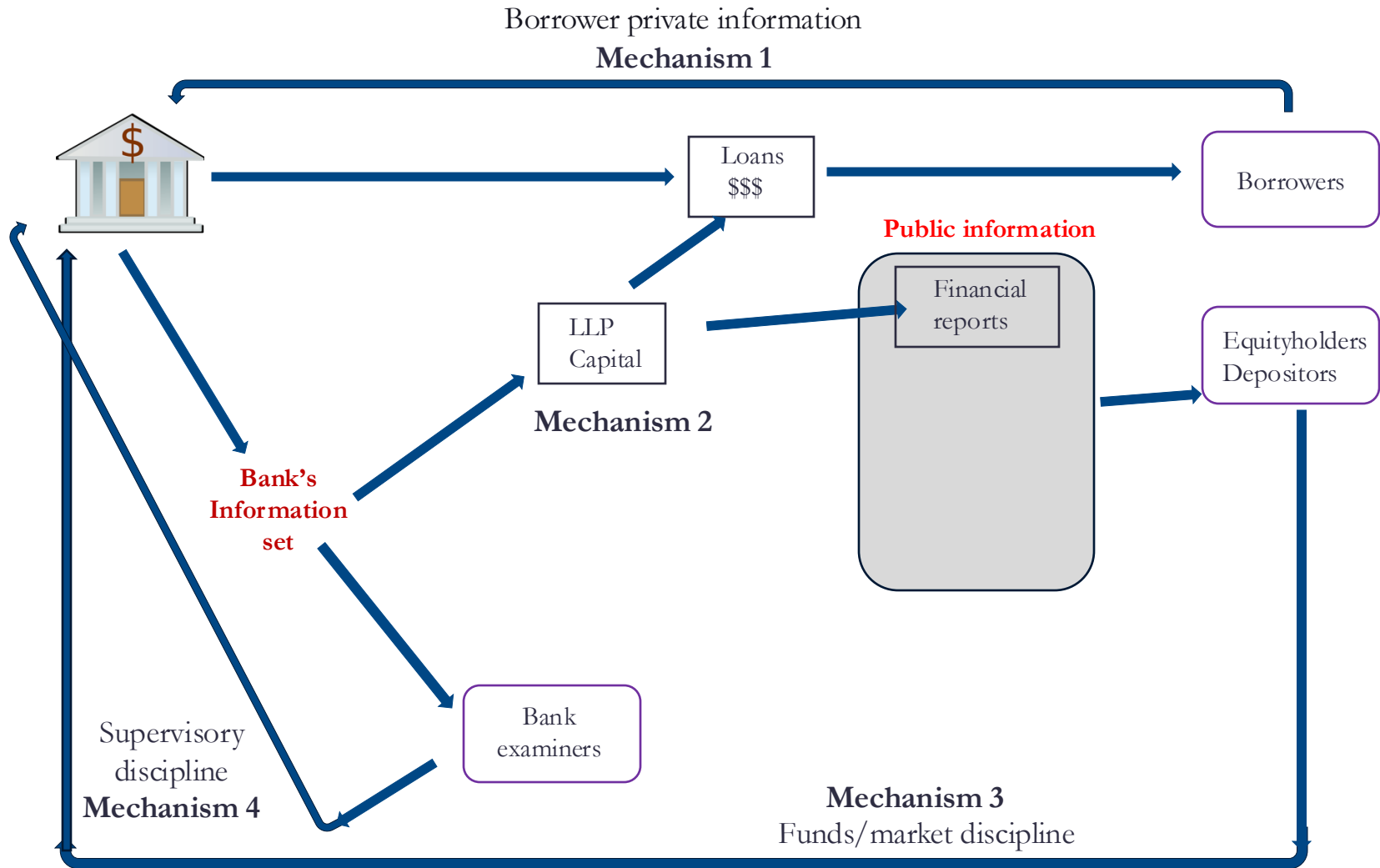


# Big Picture

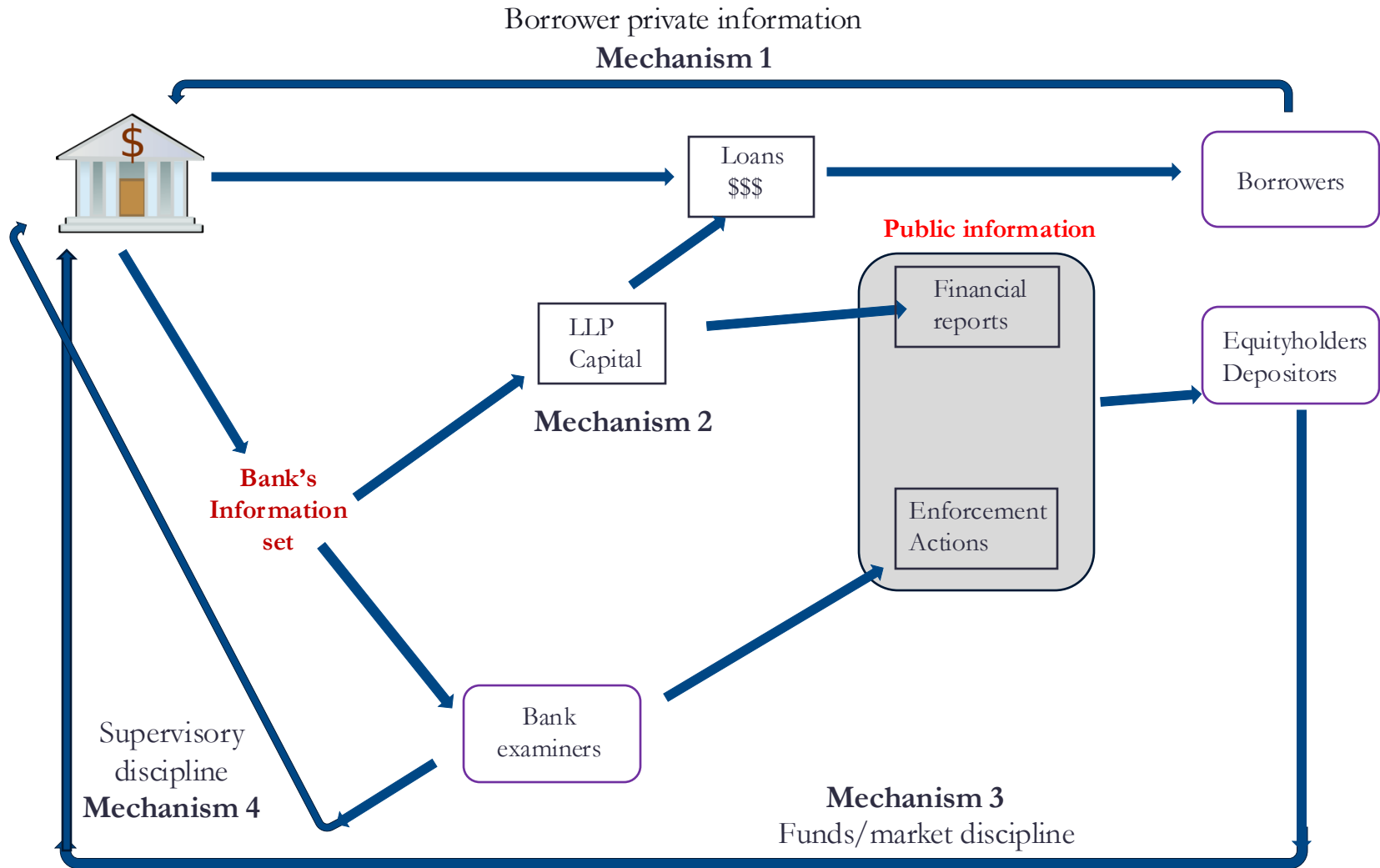




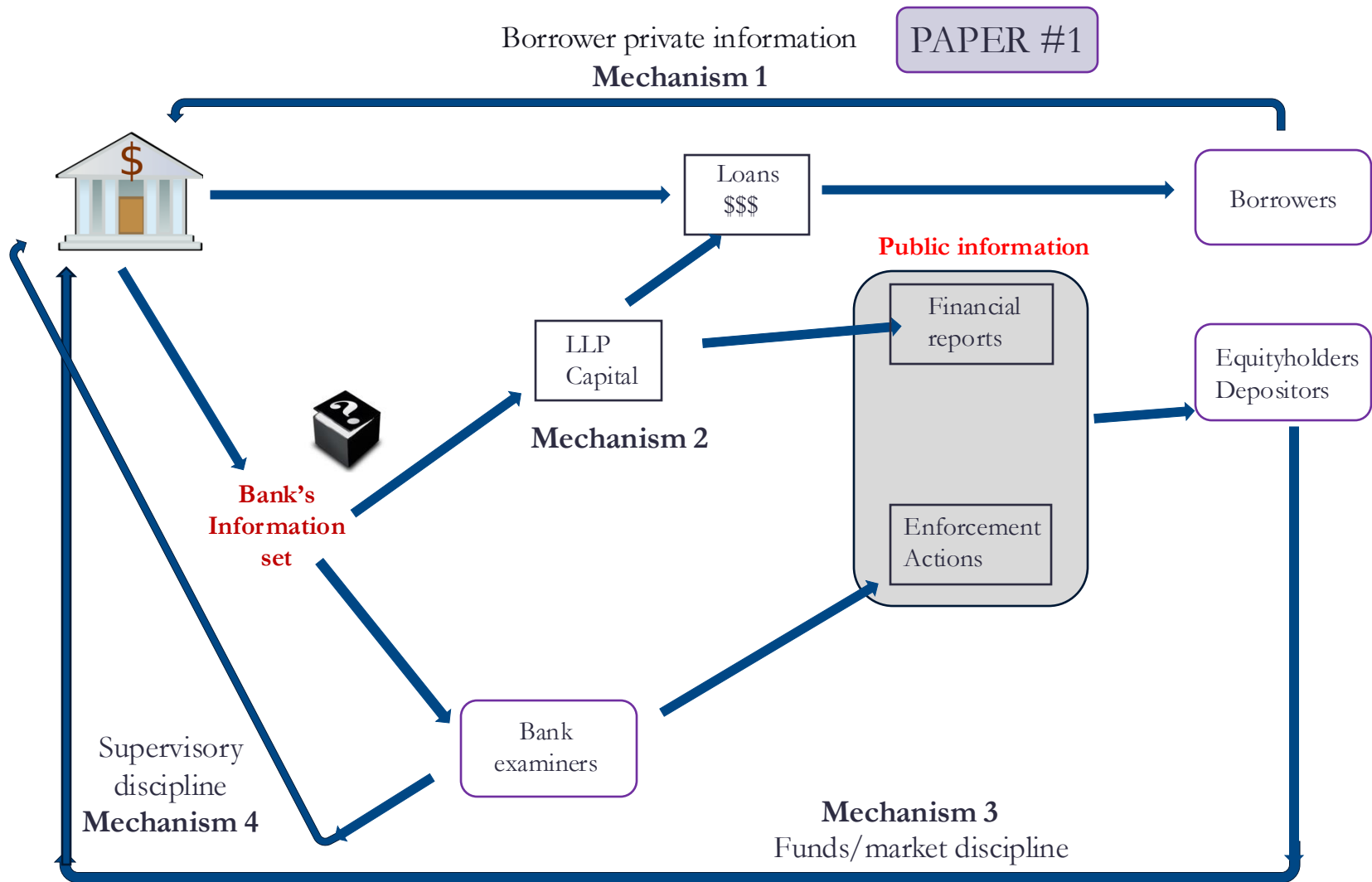
# Big Picture



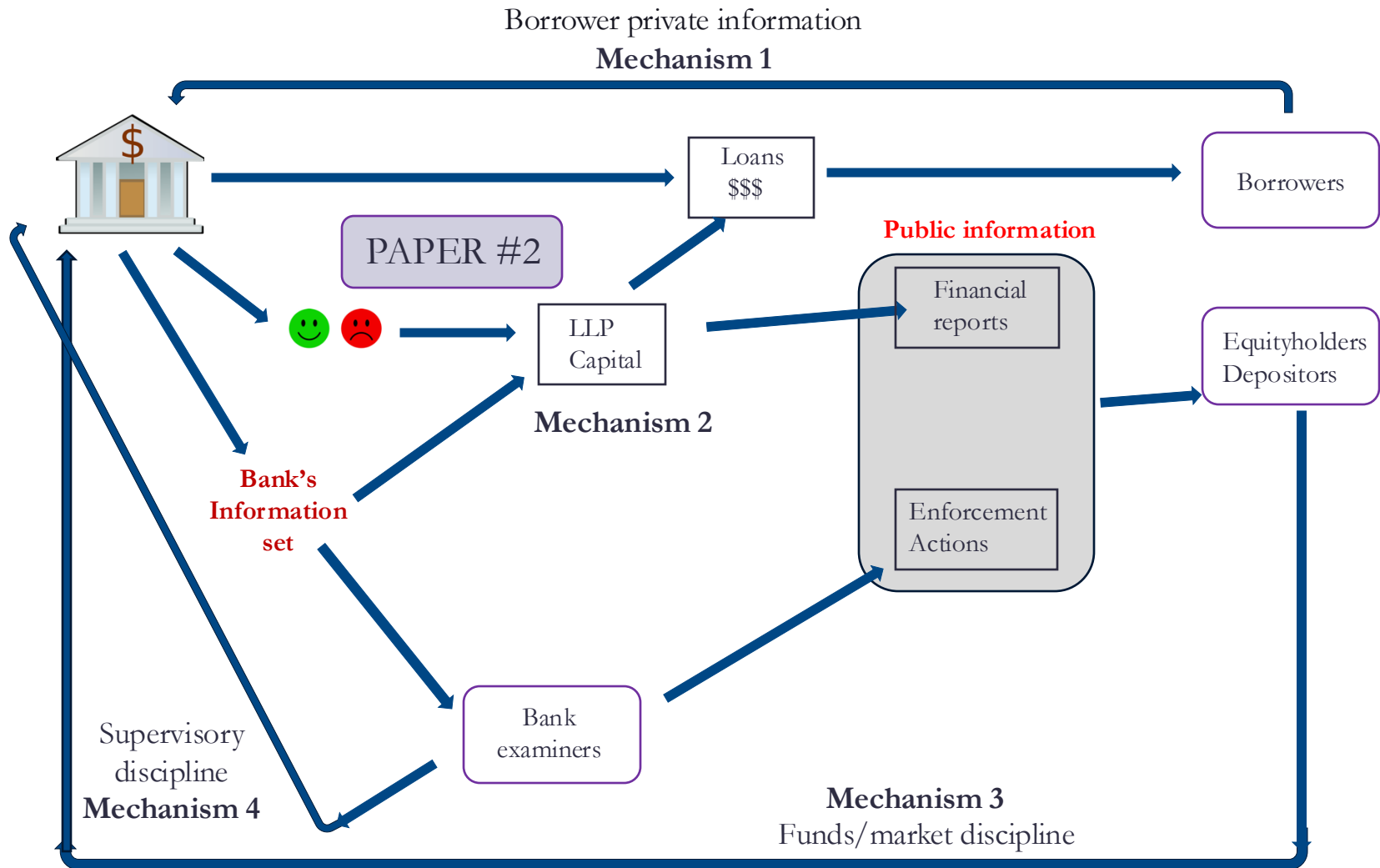
# Big Picture



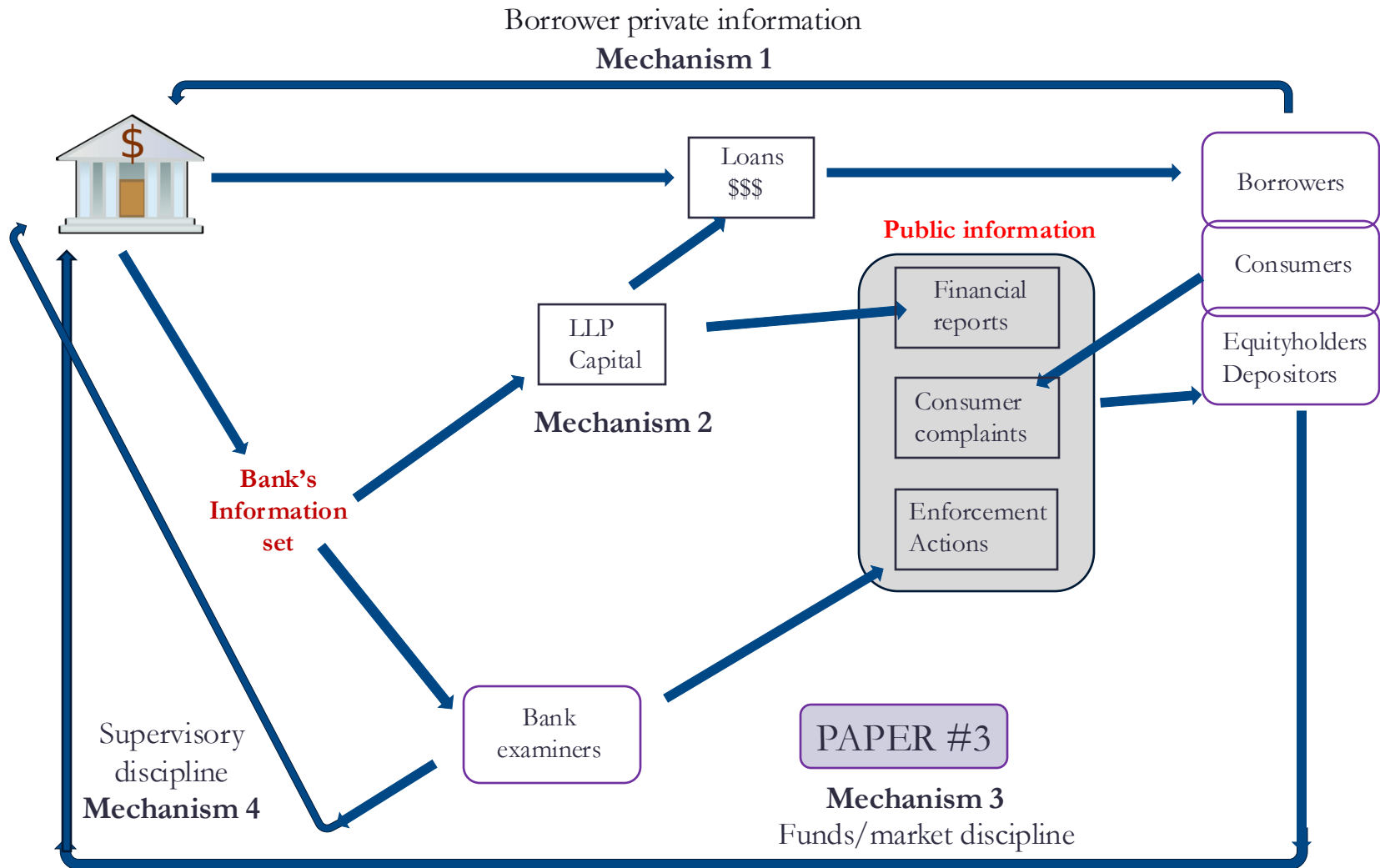
# Big Picture



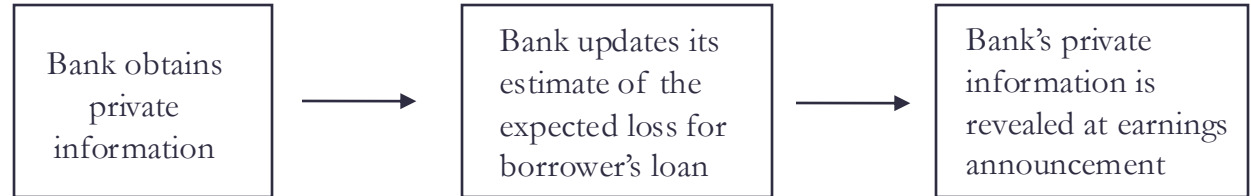
# Big Picture



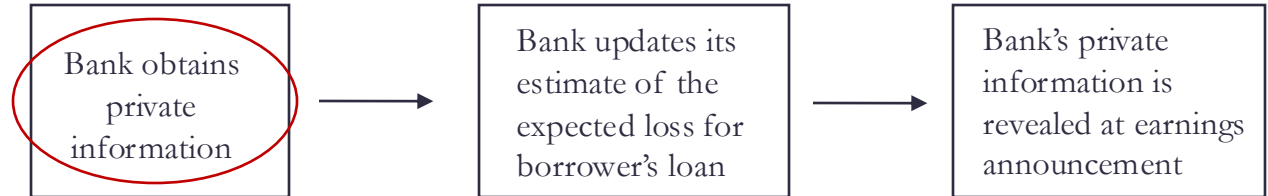
# Big Picture



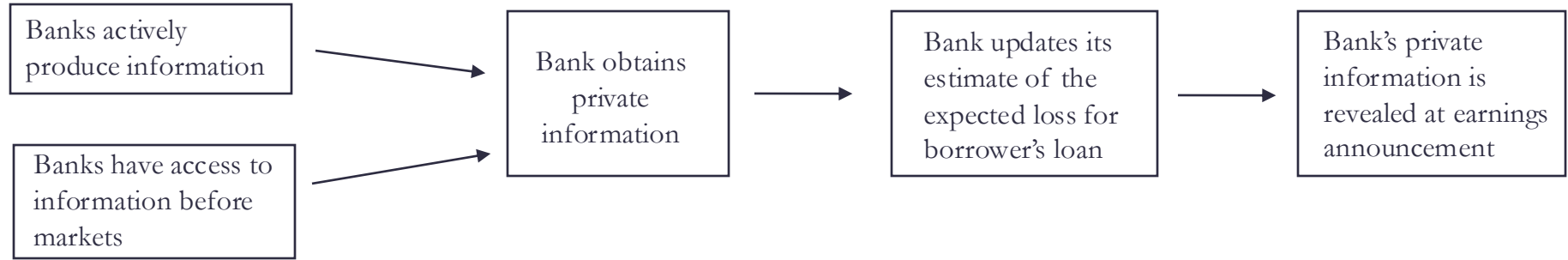
# Paper 1: BHW



# Paper 1: BHW

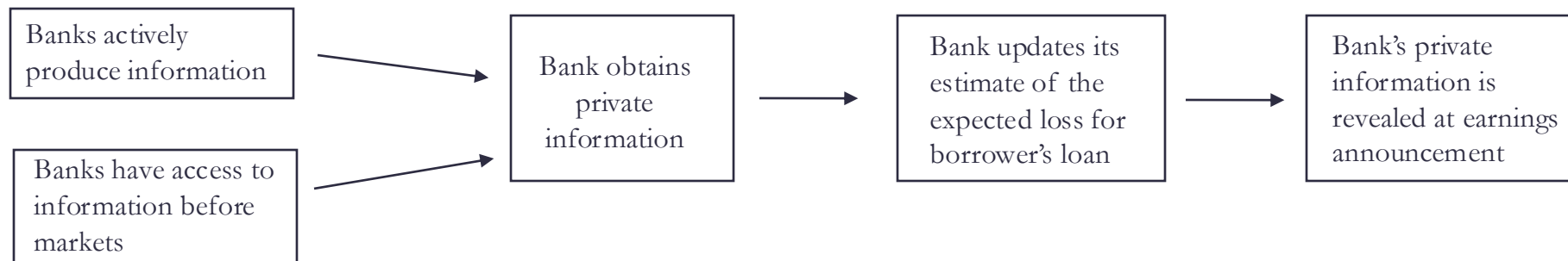


# Paper 1: BHW



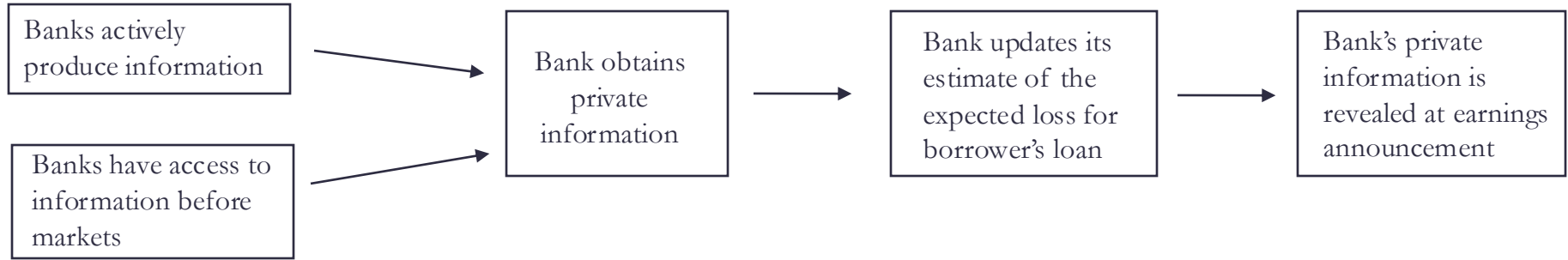


# Paper 1: BHW



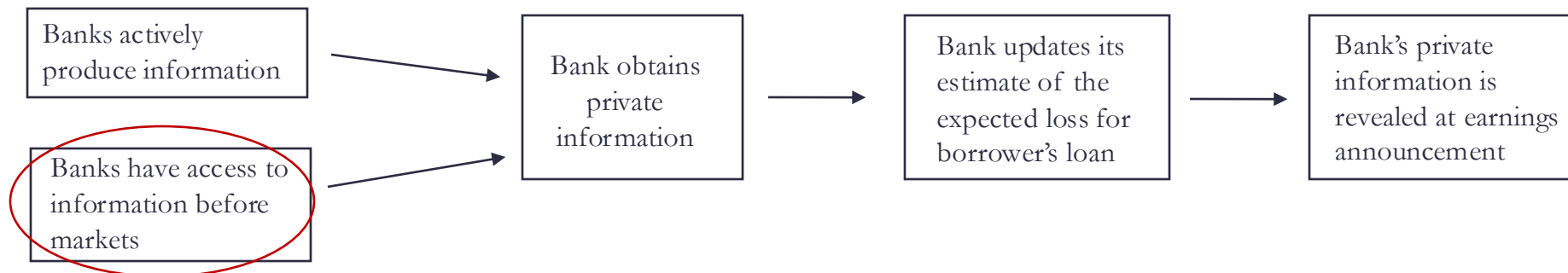
- What type of information would banks be learning in quarter  $q-1$  that is realized in firms' earnings in quarter  $q$  that is **not** pre-disclosed by firms?

# Paper 1: BHW



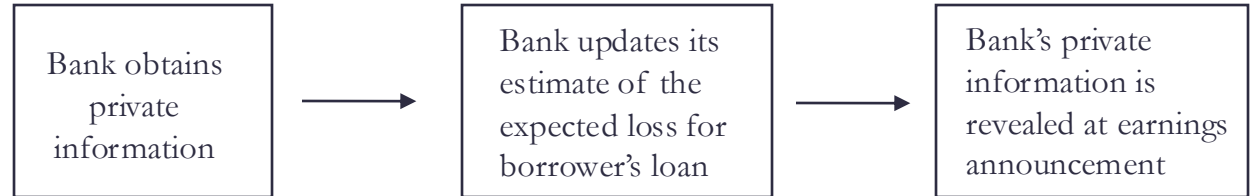
- What type of information would banks be learning in quarter  $q-1$  that is realized in firms' earnings in quarter  $q$  that is **not** pre-disclosed by firms?
  - Results are driven by negative news (and the largest negative events (top 10%)), and the expected loss changes only predict returns one quarter ahead.

# Paper 1: BHW

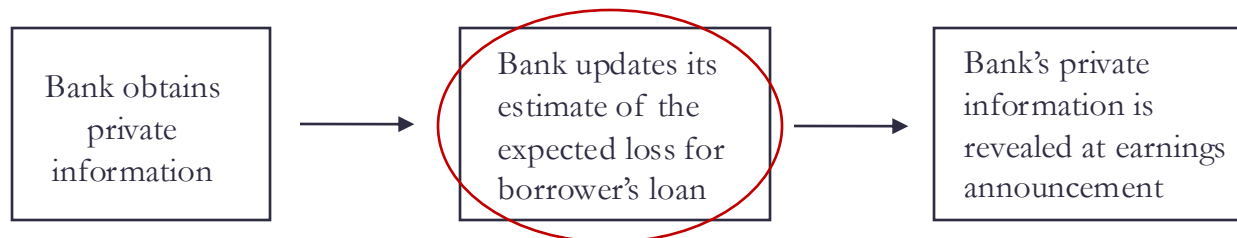


- What type of information would banks be learning in quarter  $q-1$  that is realized in firms' earnings in quarter  $q$  that is **not** pre-disclosed by firms?
  - Results are driven by negative news (and the largest negative events (top 10%)), and the expected loss changes only predict returns one quarter ahead.

# Paper 1: BHW

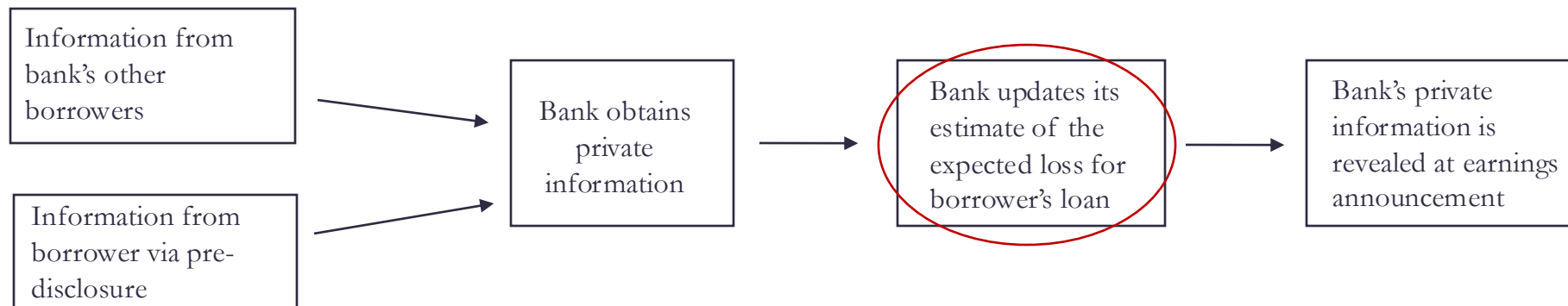


# Paper 1: BHW



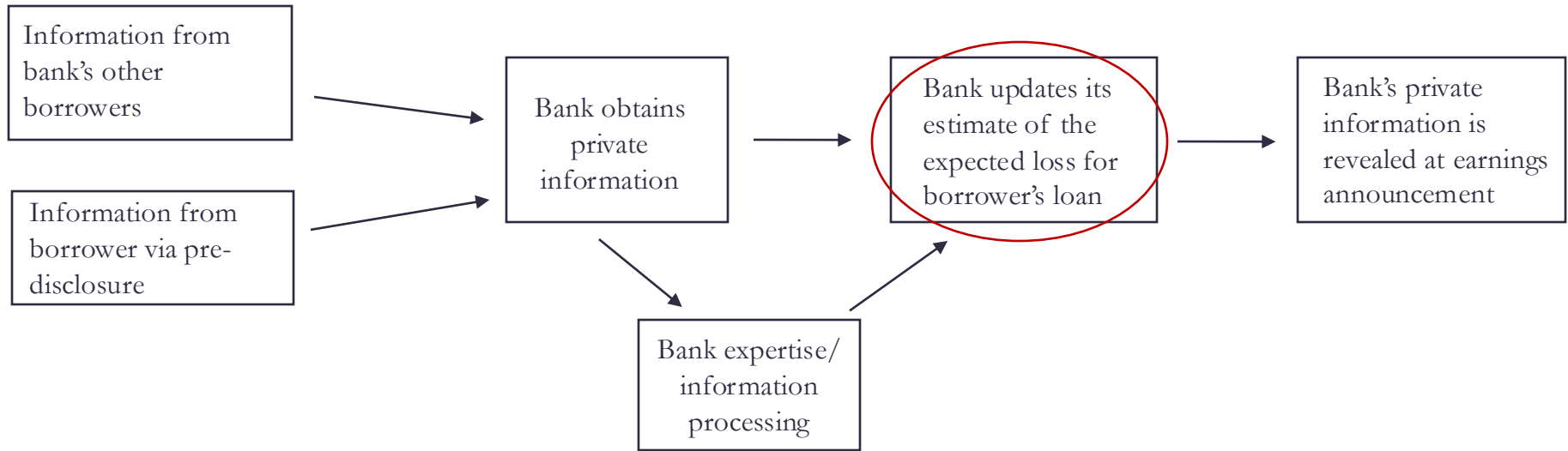
- Could you explore determinants of banks' updating of expected losses within the same borrower-quarter?

# Paper 1: BHW



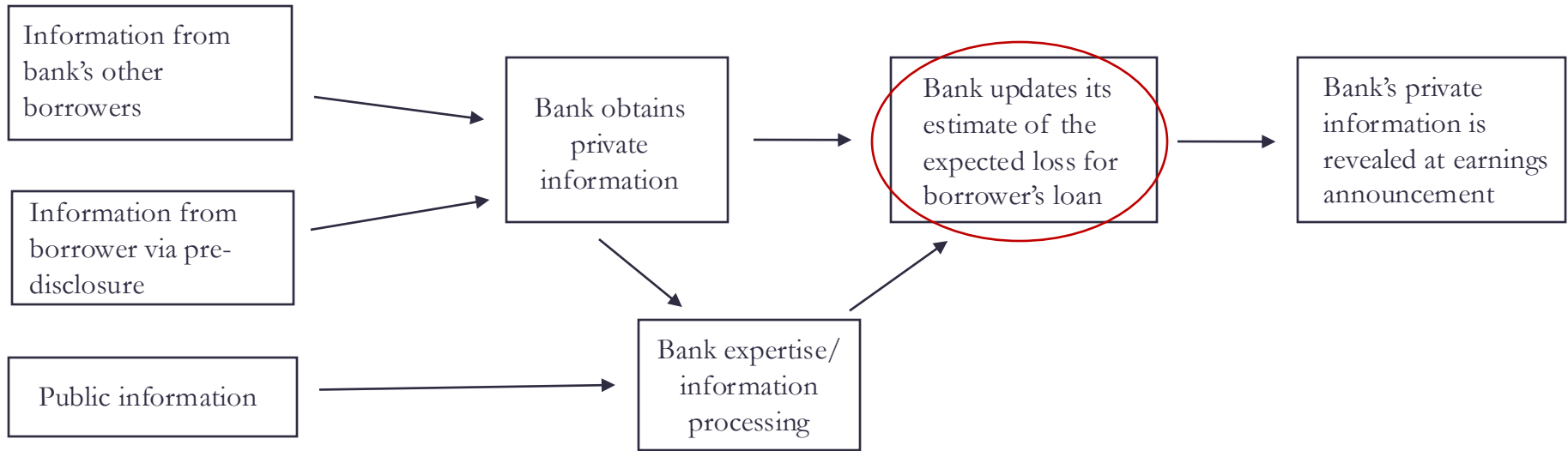
- Could you explore determinants of banks' updating of expected losses within the same borrower-quarter?
  - Differences in information sets

# Paper 1: BHW



- Could you explore determinants of banks' updating of expected losses within the same borrower-quarter?
  - Differences in information sets
  - Differences in expertise/processing

# Paper 1: BHW



- Could you explore determinants of banks' updating of expected losses within the same borrower-quarter?
  - Differences in information sets
  - Differences in expertise/processing



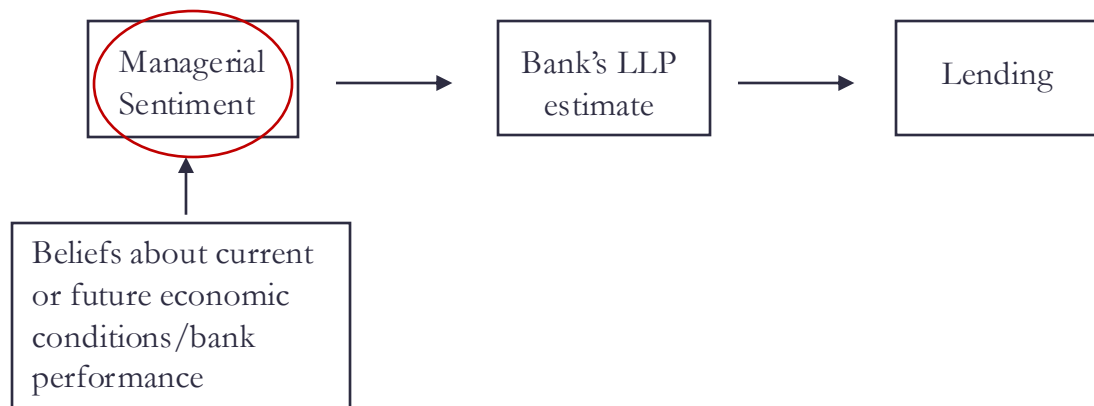
# Paper 2: BBCK



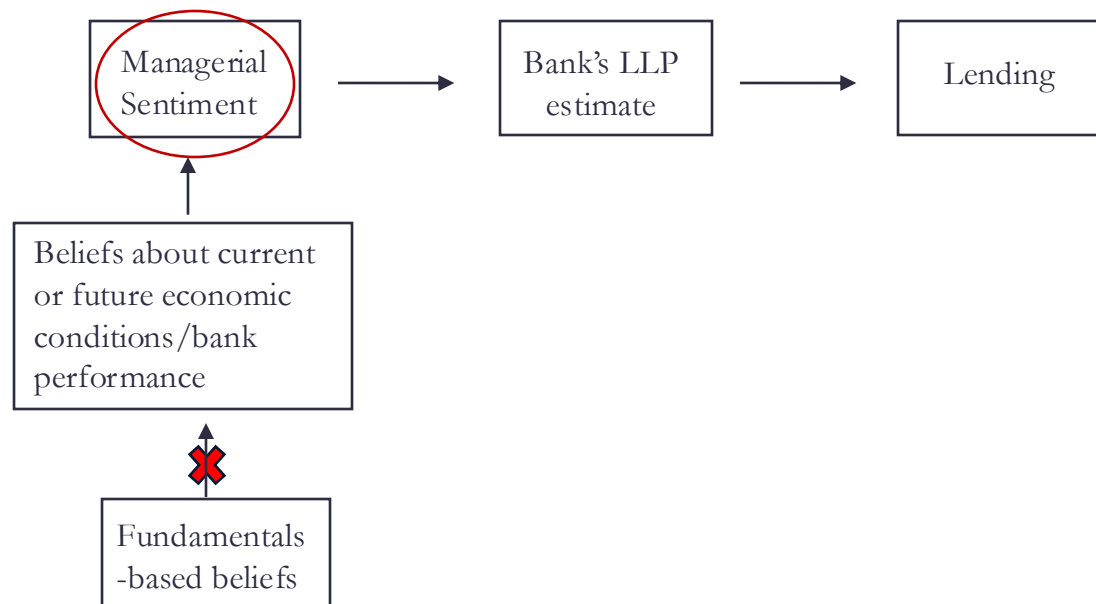
# Paper 2: BBCK



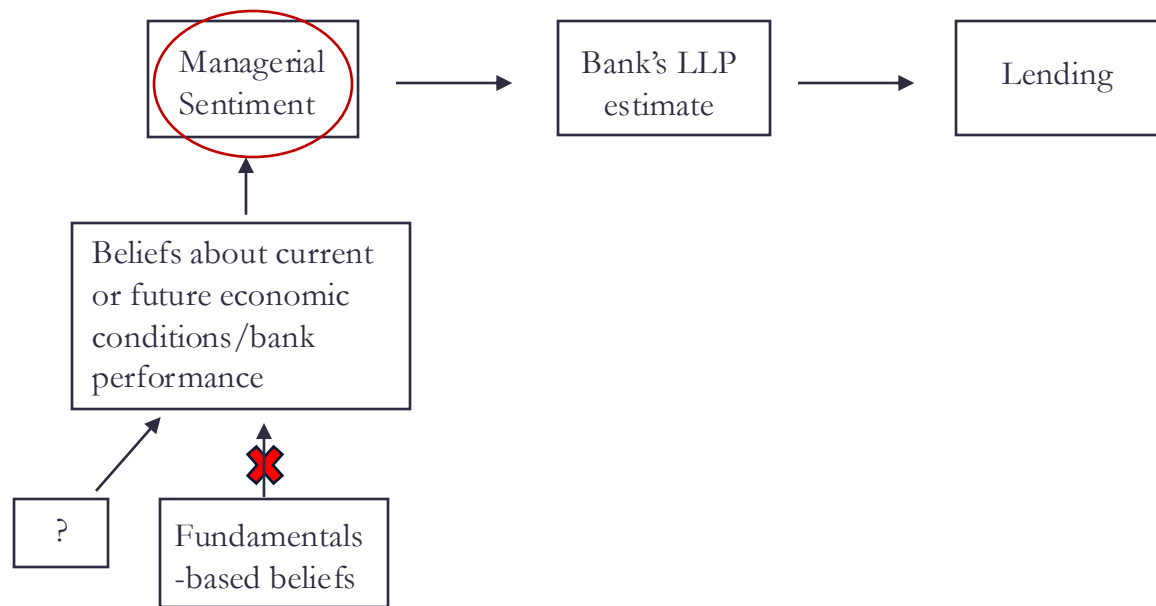
# Paper 2: BBCK



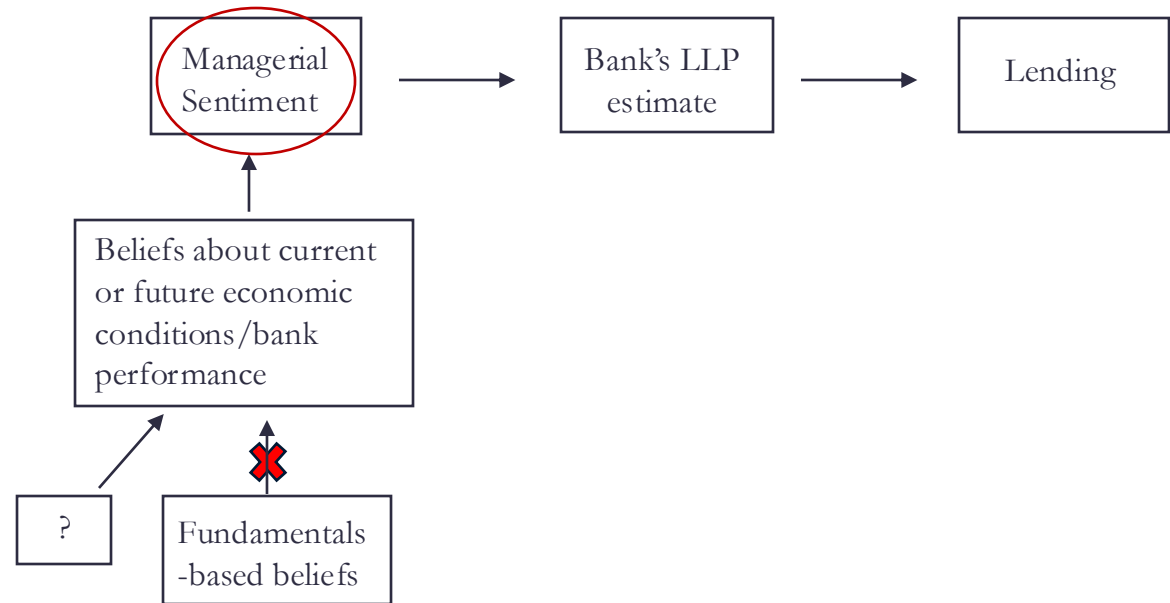
# Paper 2: BBCK



# Paper 2: BBCK

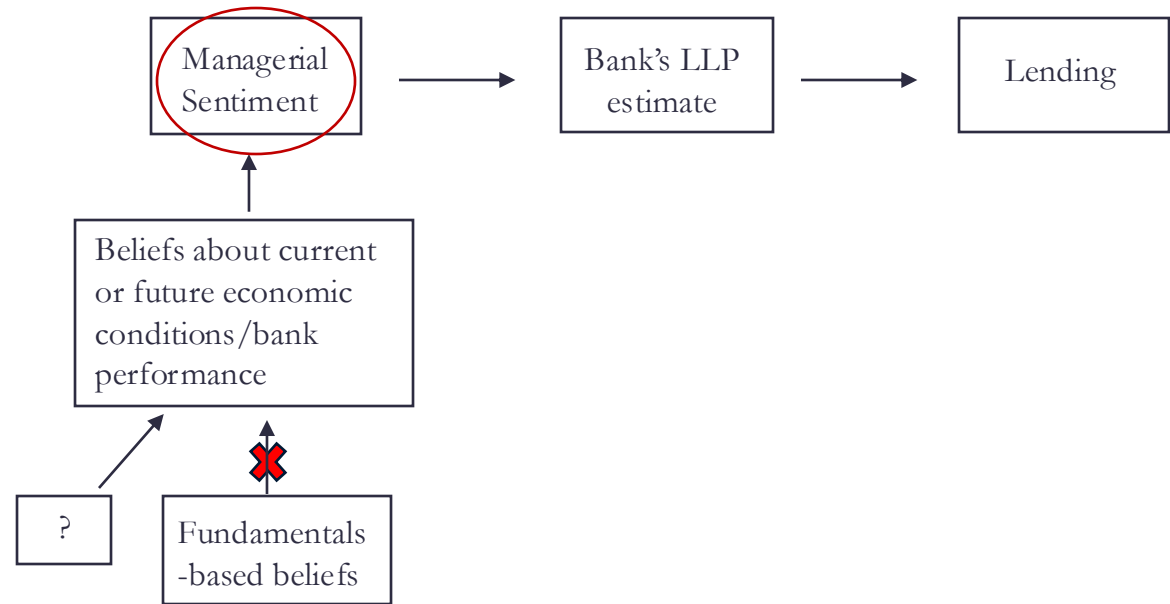


# Paper 2: BBCK



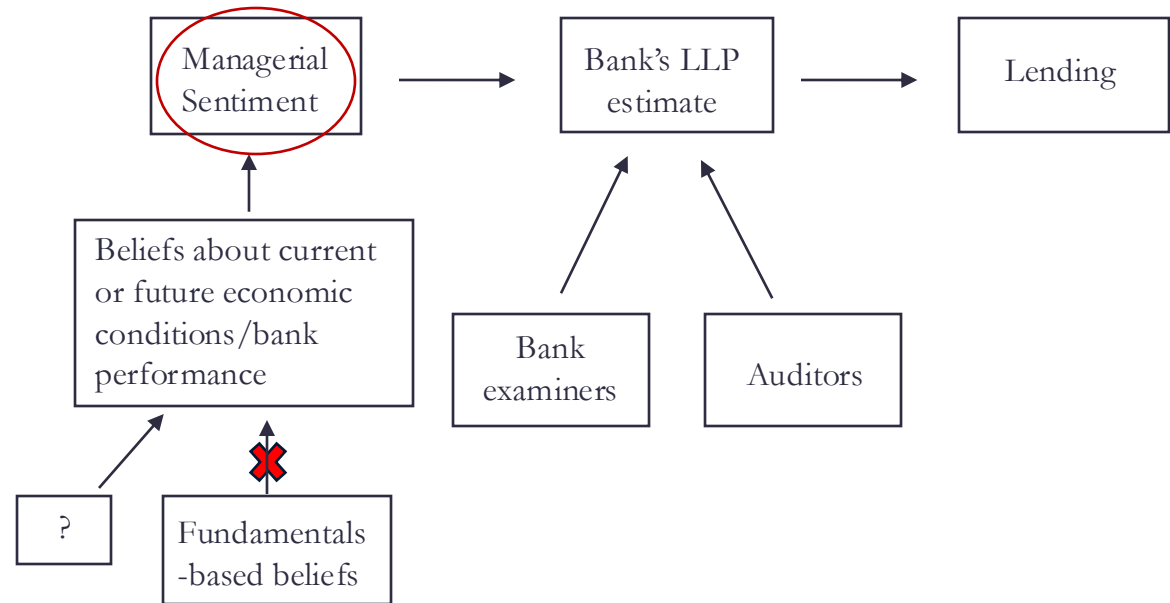
- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.

# Paper 2: BBCK



- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.

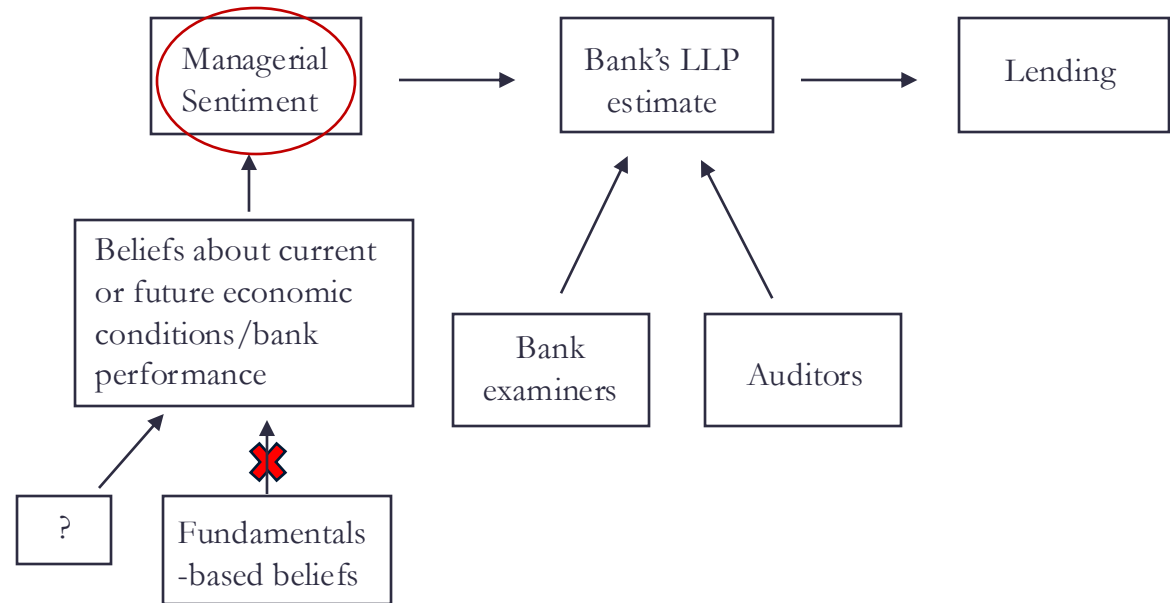
# Paper 2: BBCK



- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.

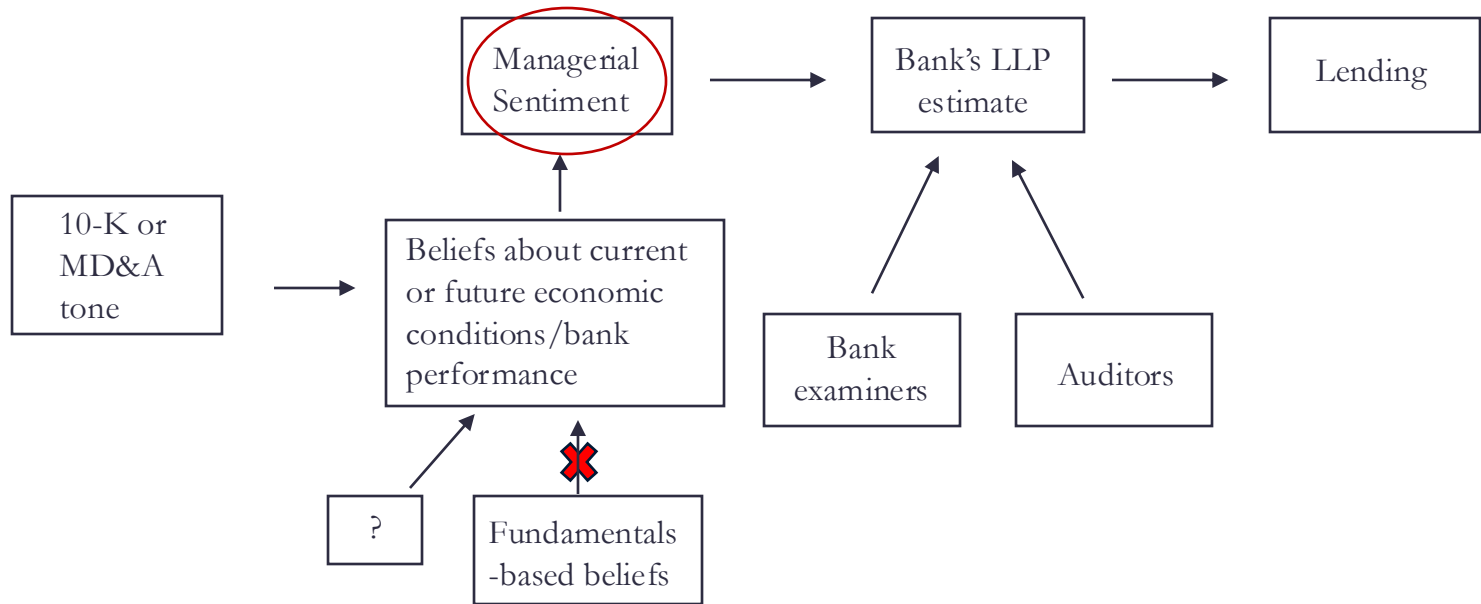


# Paper 2: BBCK



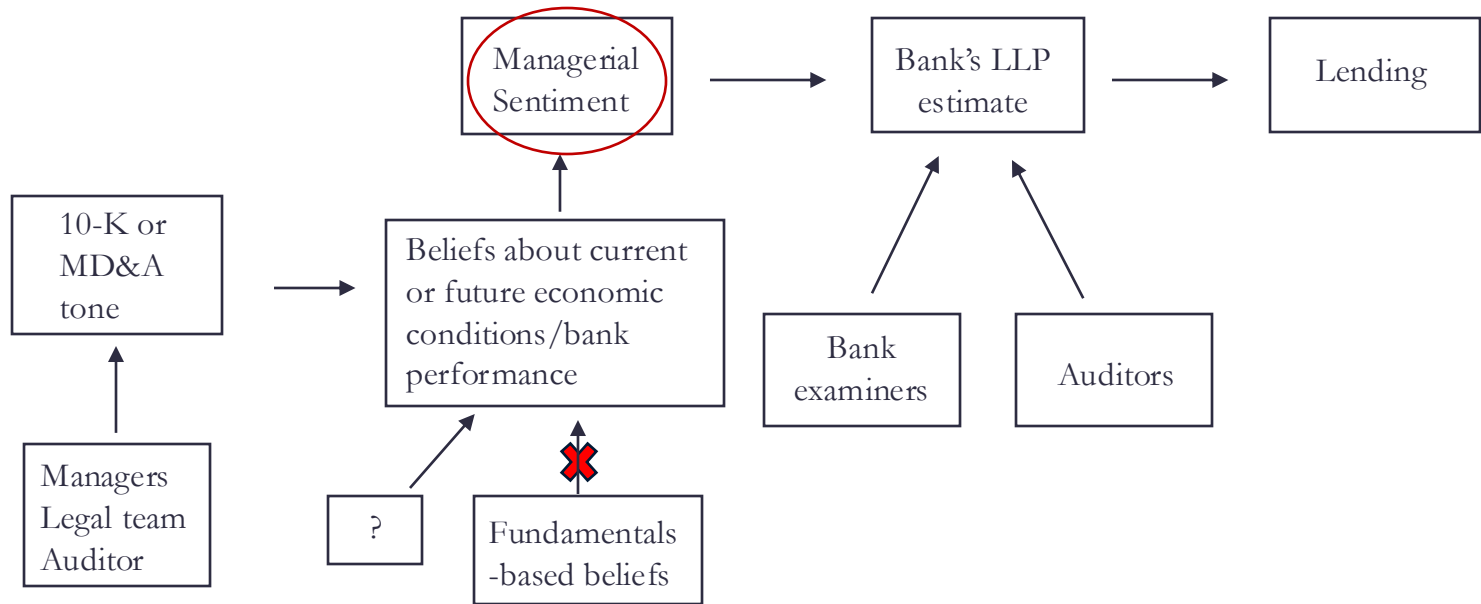
- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.
  - Do bank examiners and auditors discipline sentiment-driven LLPs?

# Paper 2: BBCK



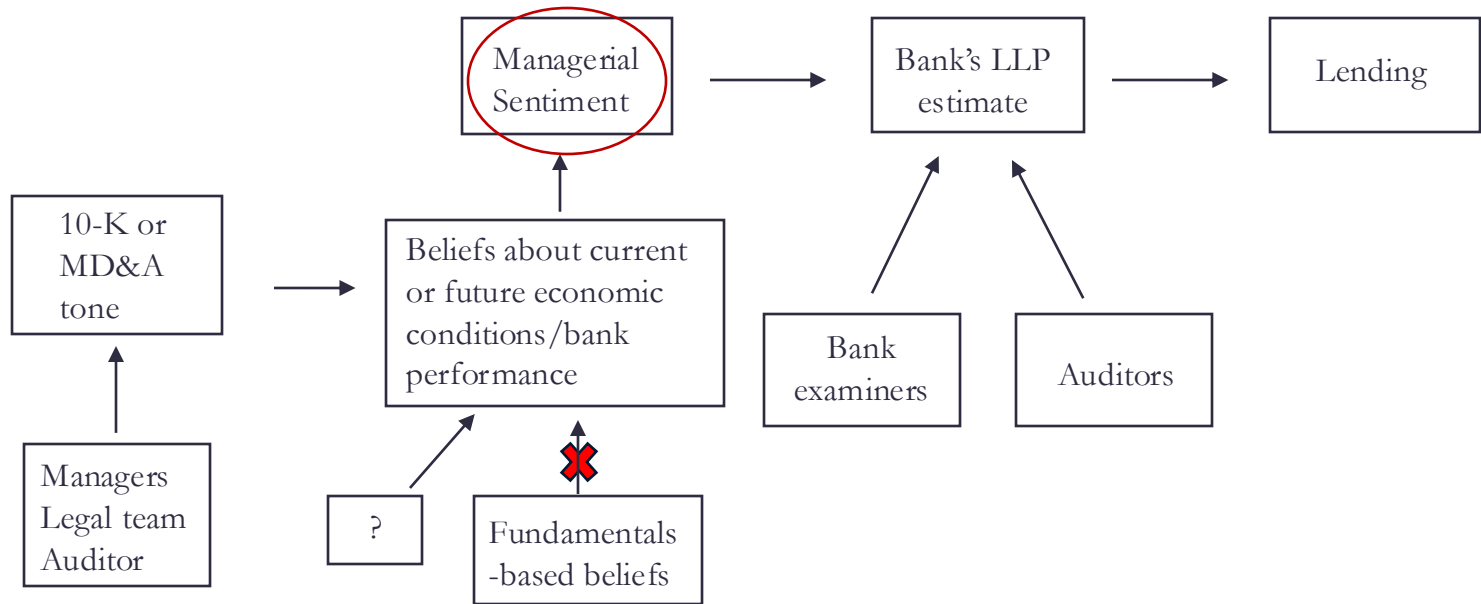
- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.
  - Do bank examiners and auditors discipline sentiment-driven LLPs?

# Paper 2: BBCK



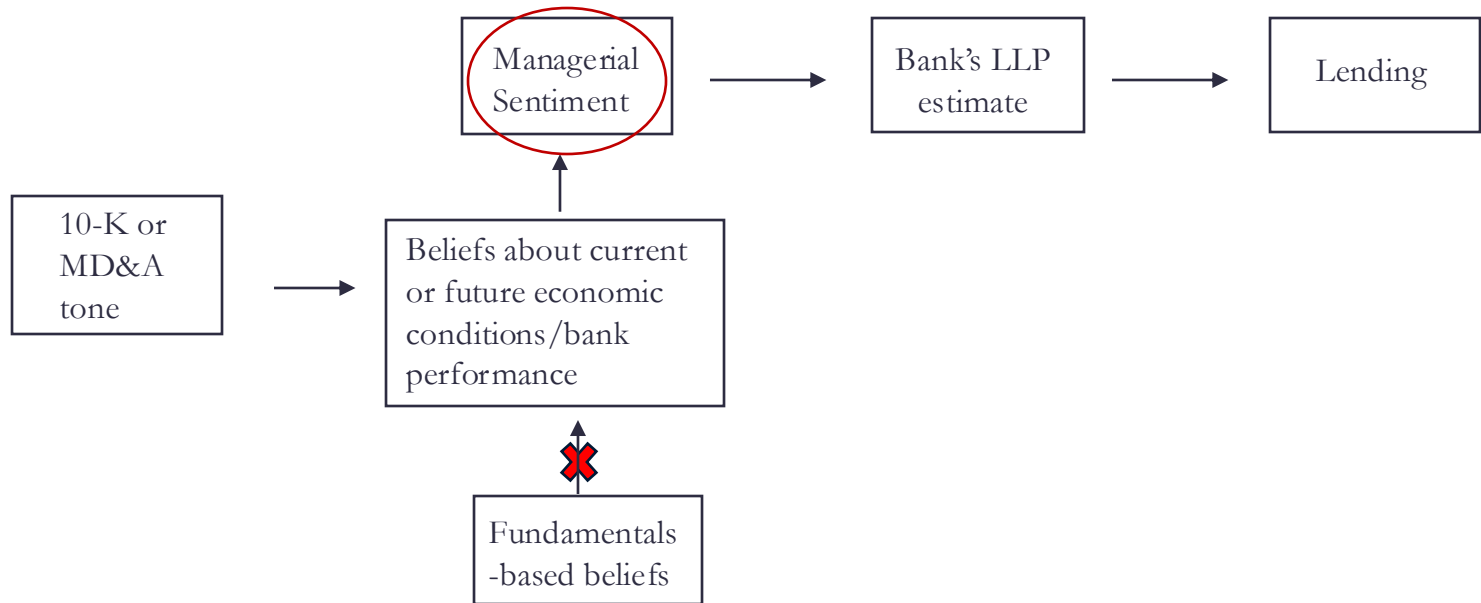
- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.
  - Do bank examiners and auditors discipline sentiment-driven LLPs?

# Paper 2: BBCK



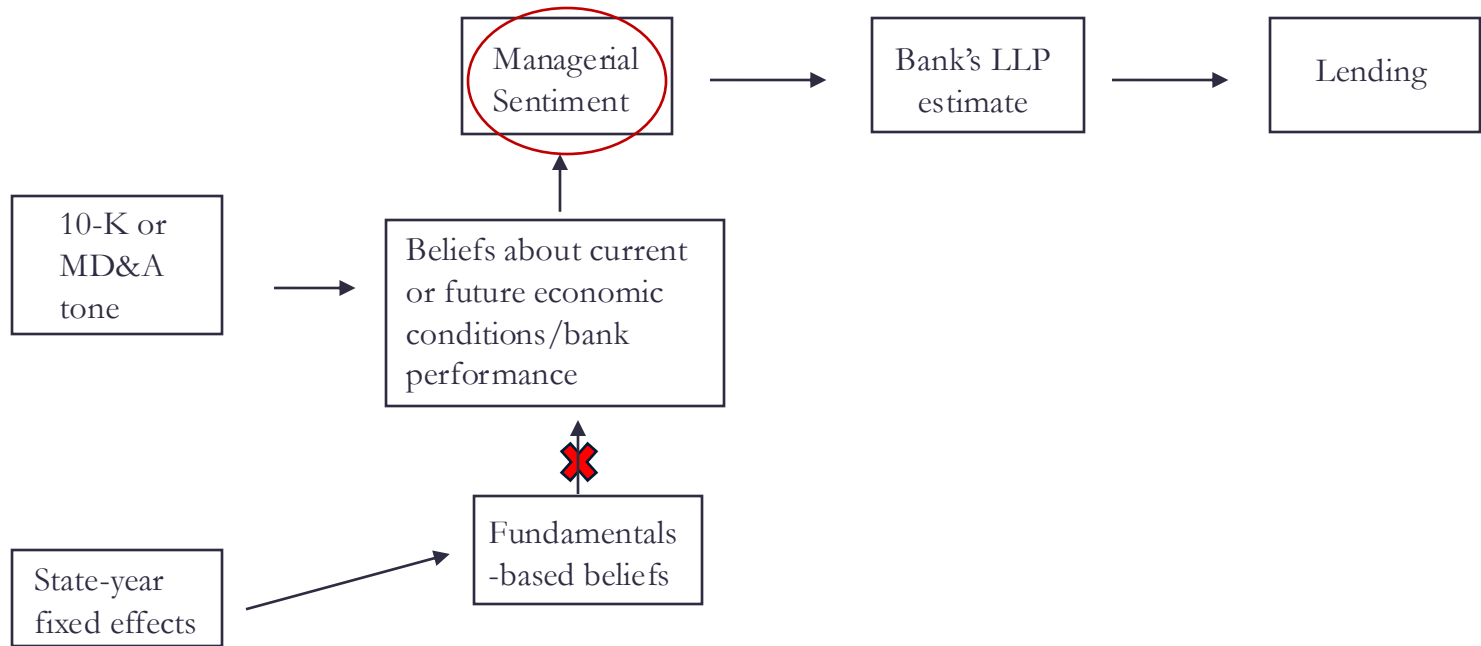
- Prior work focuses on how sentiment affects the mood/behavior of an individual's (e.g., investors, analysts) processing of news.
- Many parties have influence in the LLP estimate and 10-K preparation.
  - Do bank examiners and auditors discipline sentiment-driven LLPs?
  - Could focus on conference call Q&A to capture manager specifically.

# Paper 2: BBCK



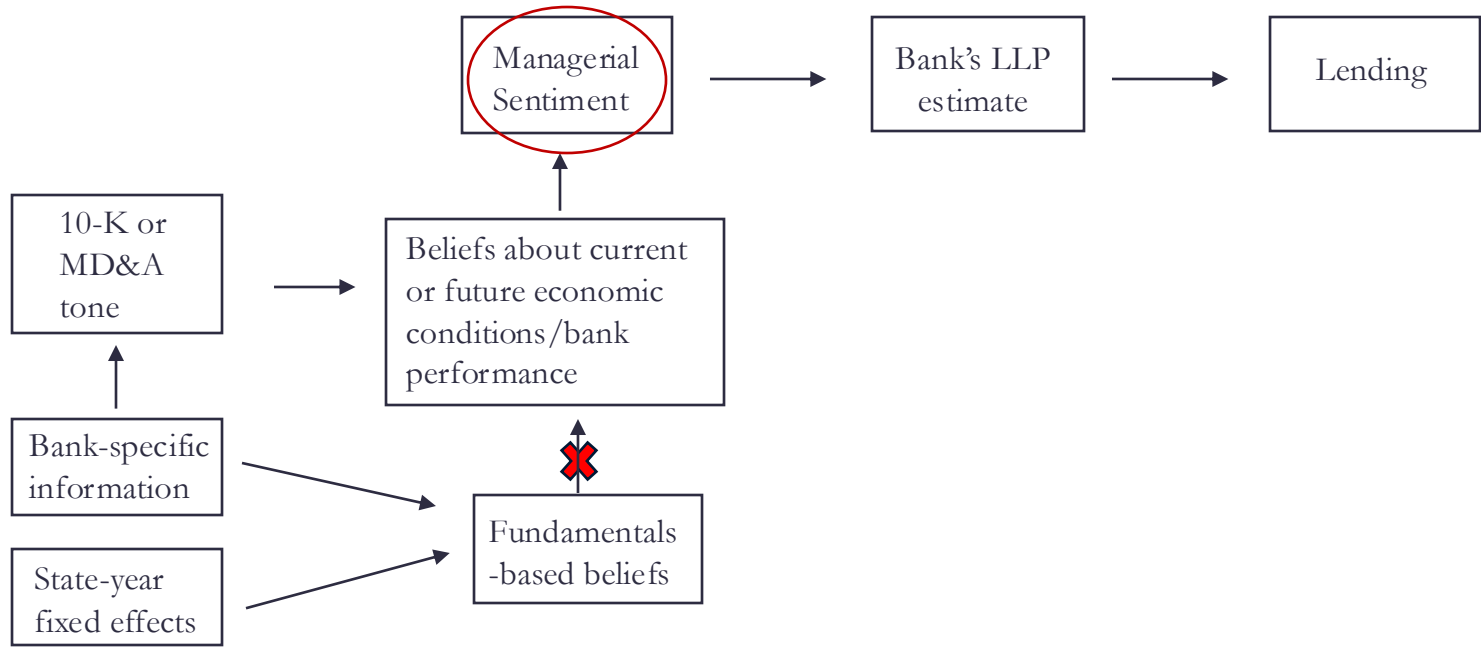
- How do we control for fundamentals-based beliefs?

# Paper 2: BBCK



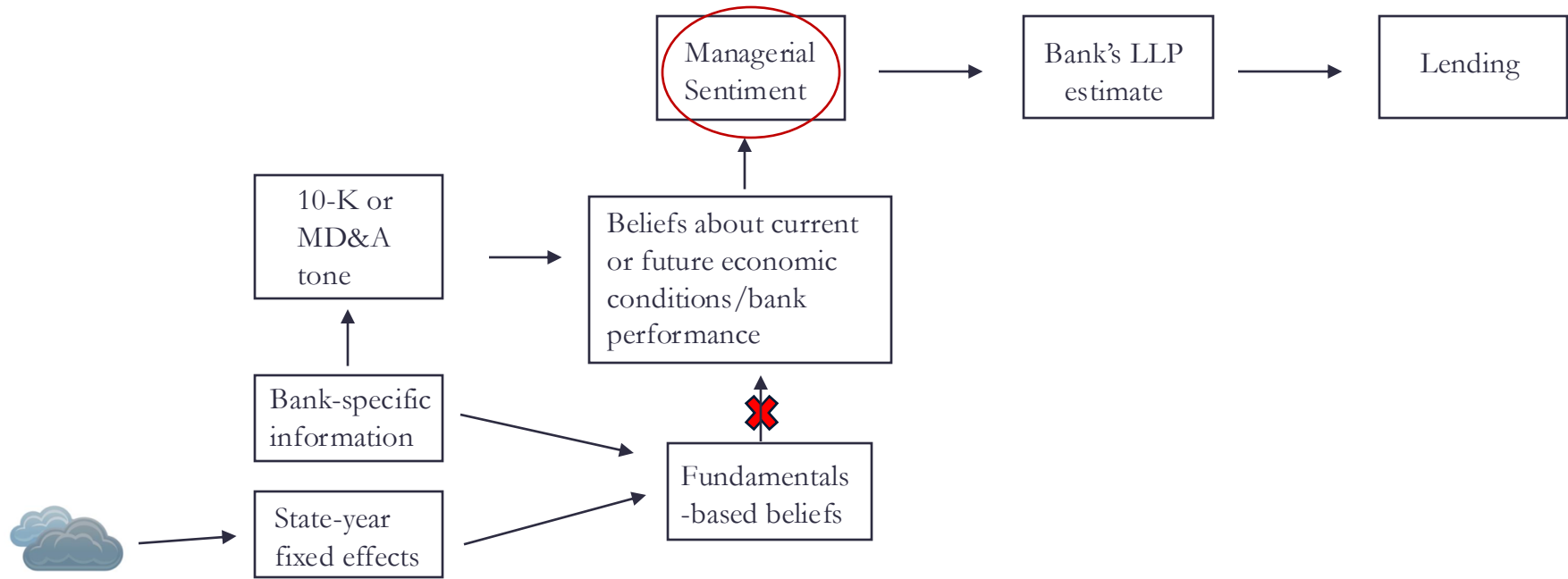
- How do we control for fundamentals-based beliefs?

# Paper 2: BBCK



- How do we control for fundamentals-based beliefs?

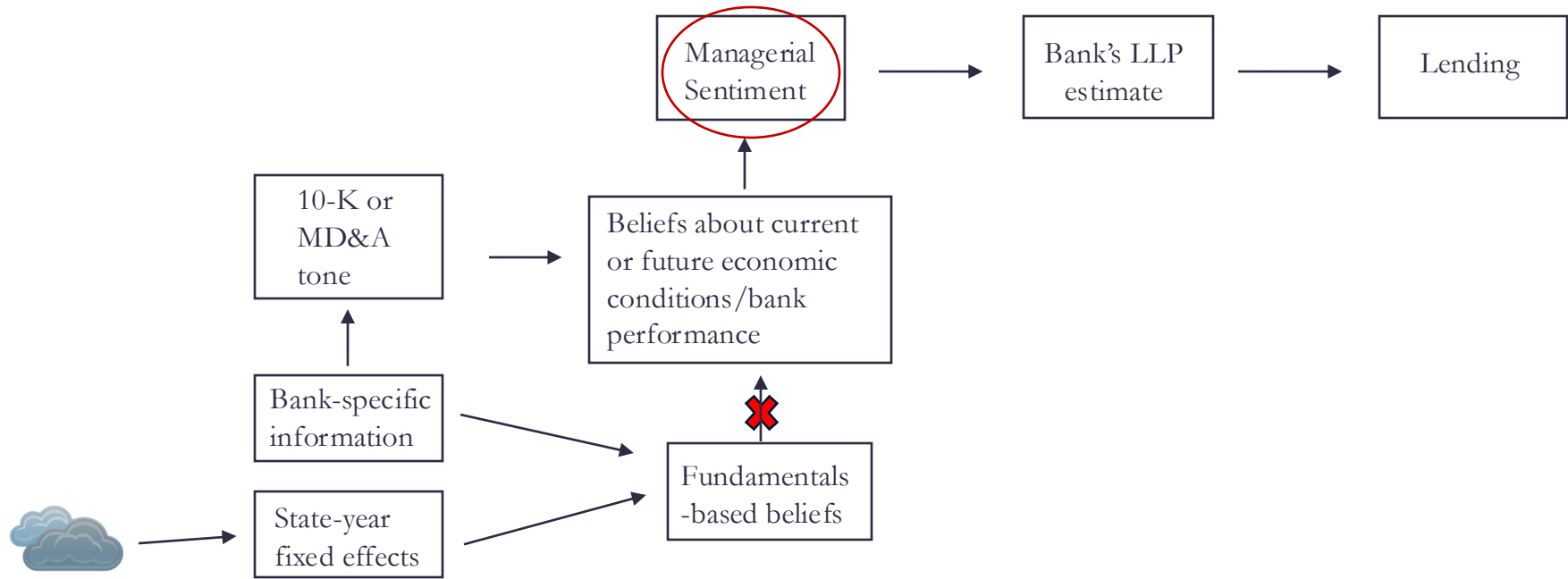
# Paper 2: BBCK



- How do we control for fundamentals-based beliefs?

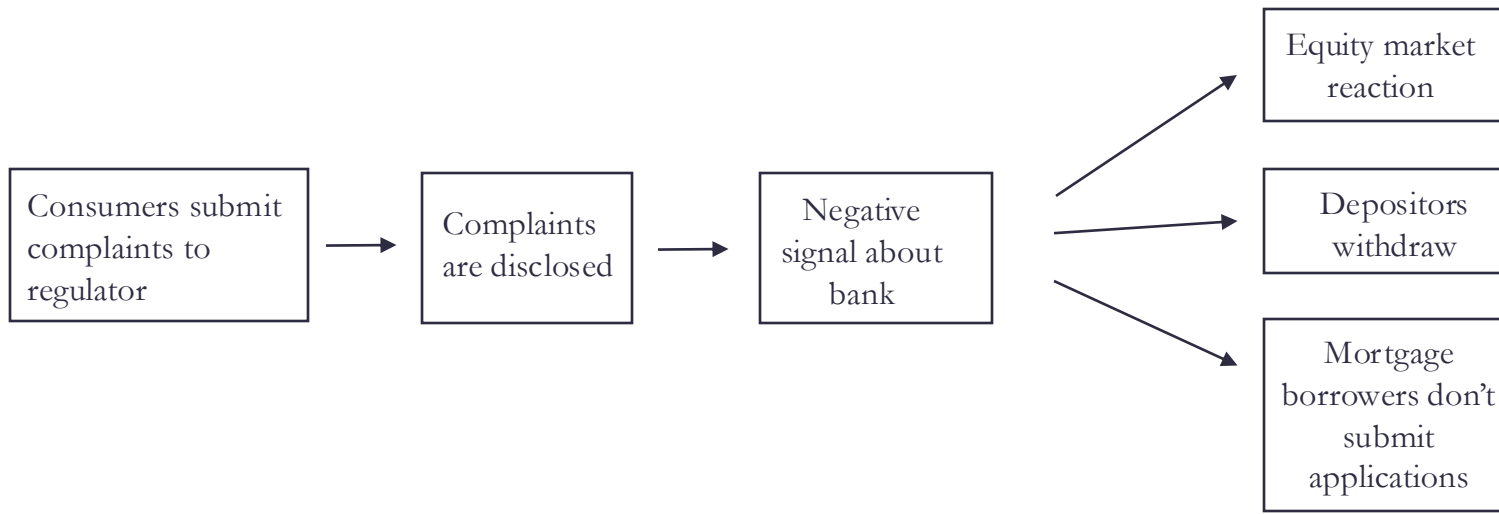


# Paper 2: BBCK

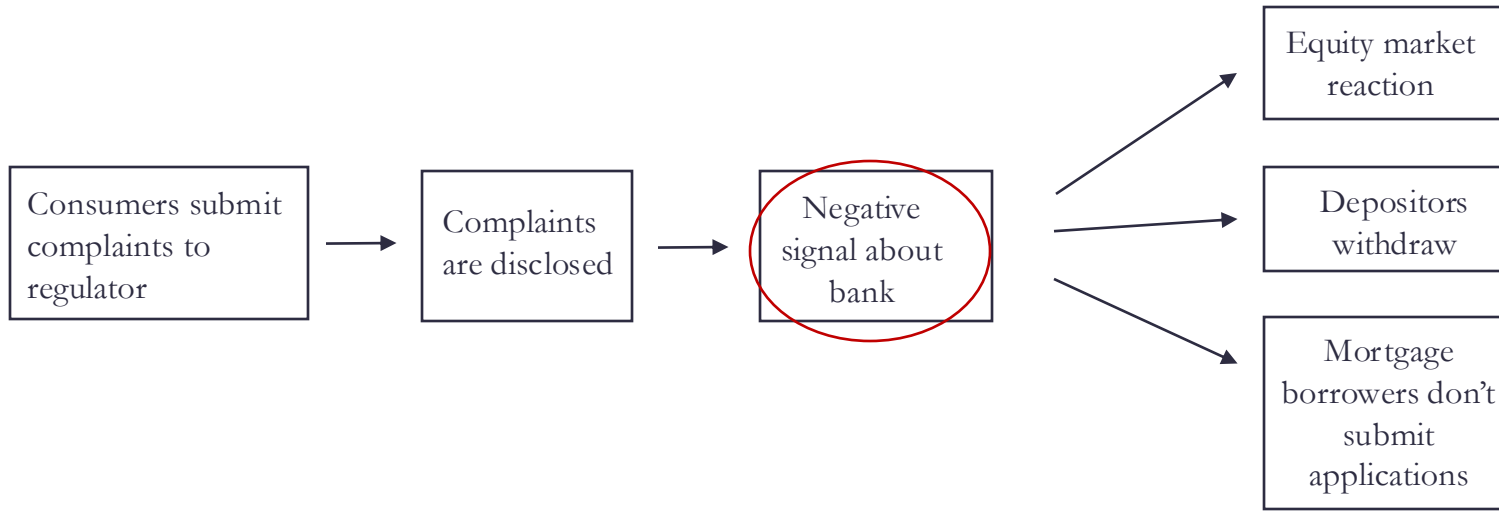


- How do we control for fundamentals-based beliefs?
- Could you frame the question as how forward-looking/soft information affects loan loss provisions?

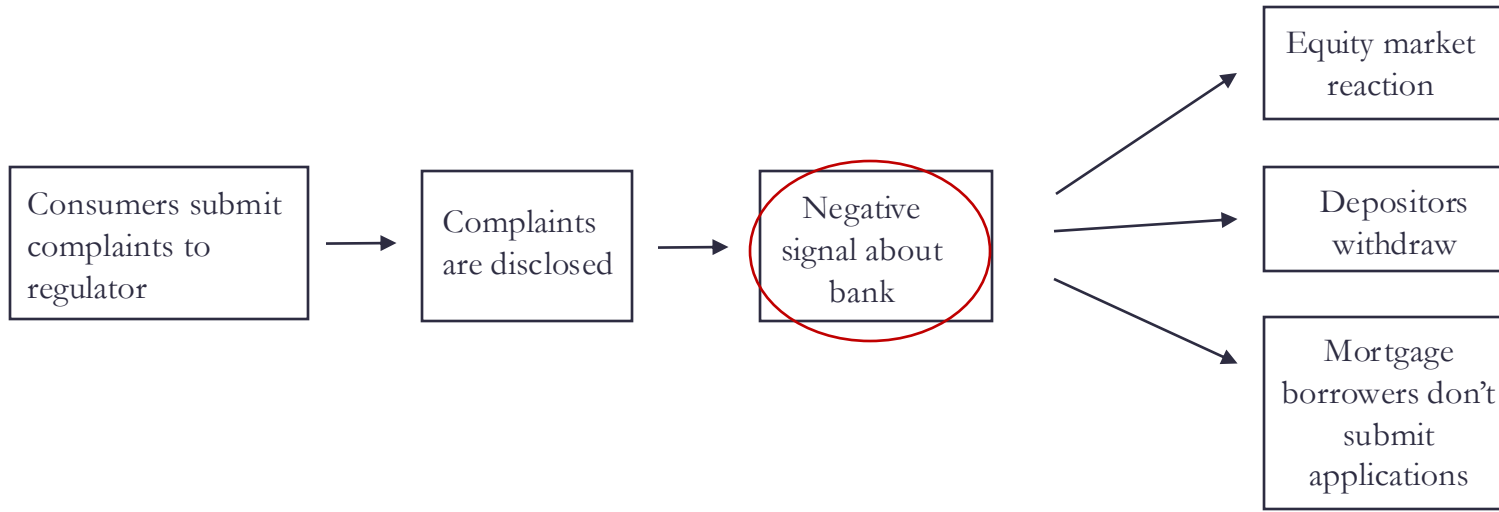
# Paper 3: JKPSV



# Paper 3: JKPSV

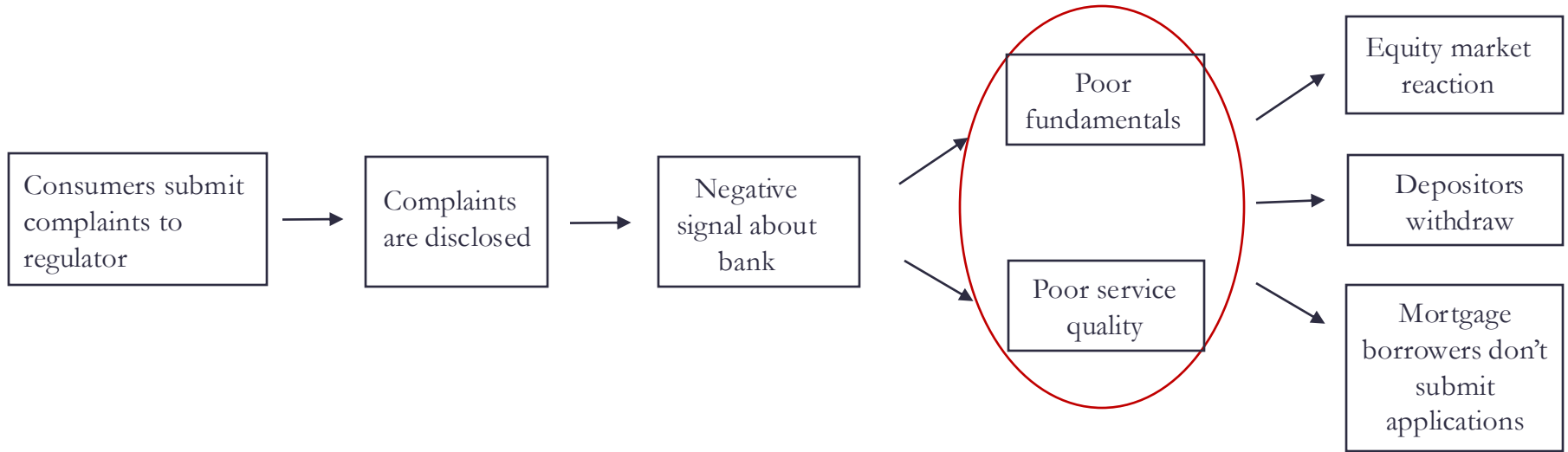


# Paper 3: JKPSV



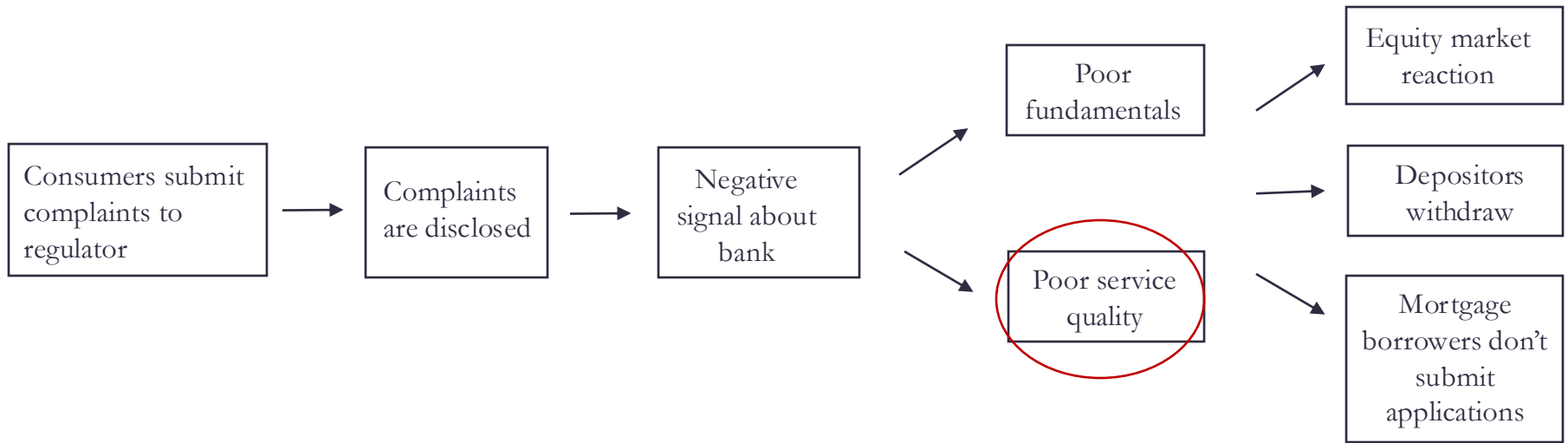
- What do consumer complaints signal about the bank?

# Paper 3: JKPSV



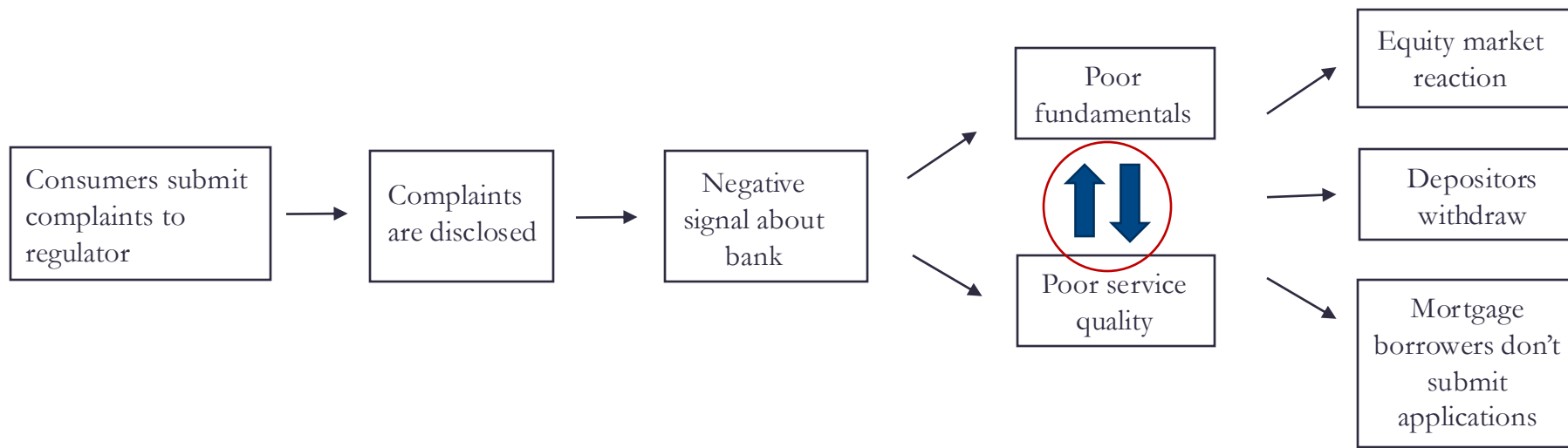
- What do consumer complaints signal about the bank?

# Paper 3: JKPSV



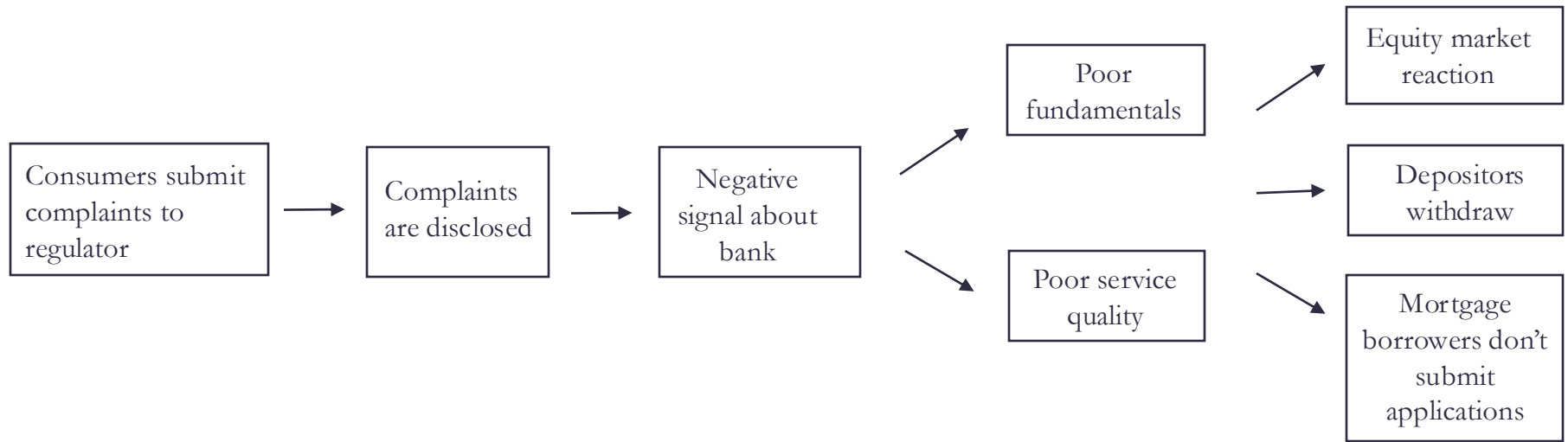
- What do consumer complaints signal about the bank?

# Paper 3: JKPSV



- What do consumer complaints signal about the bank?

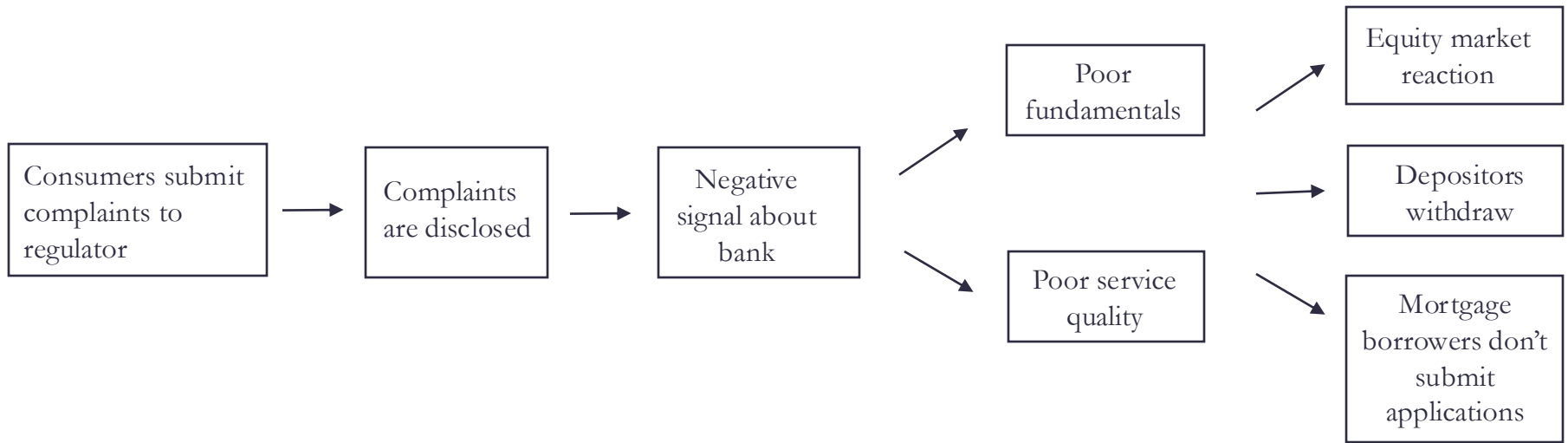
# Paper 3: JKPSV



- What do consumer complaints signal about the bank?
  - Do the results hold for banks that are relatively better performers?

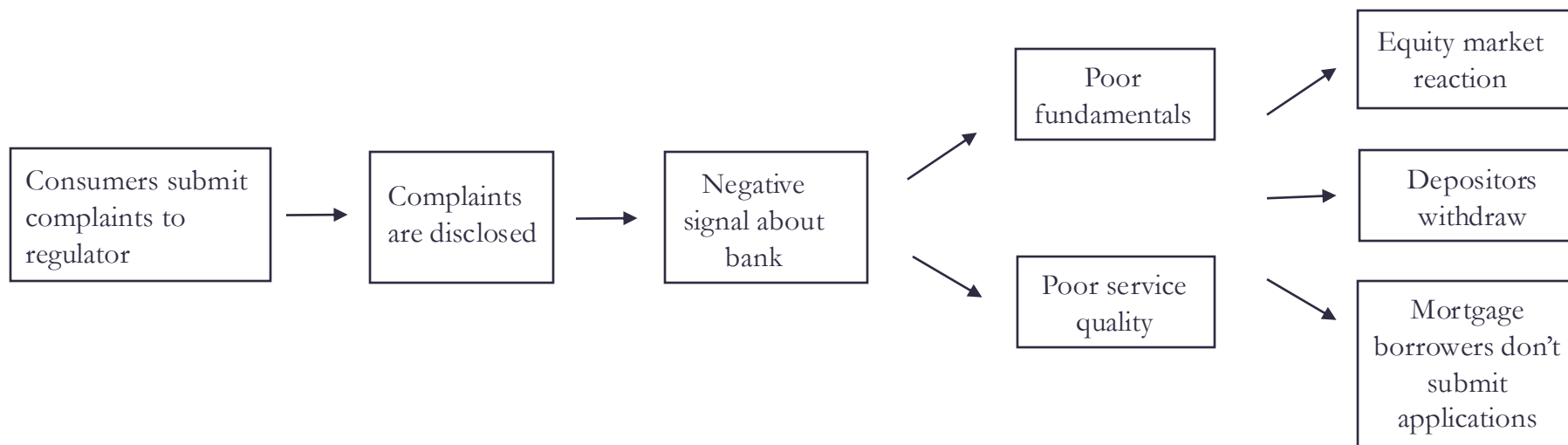


# Paper 3: JKPSV



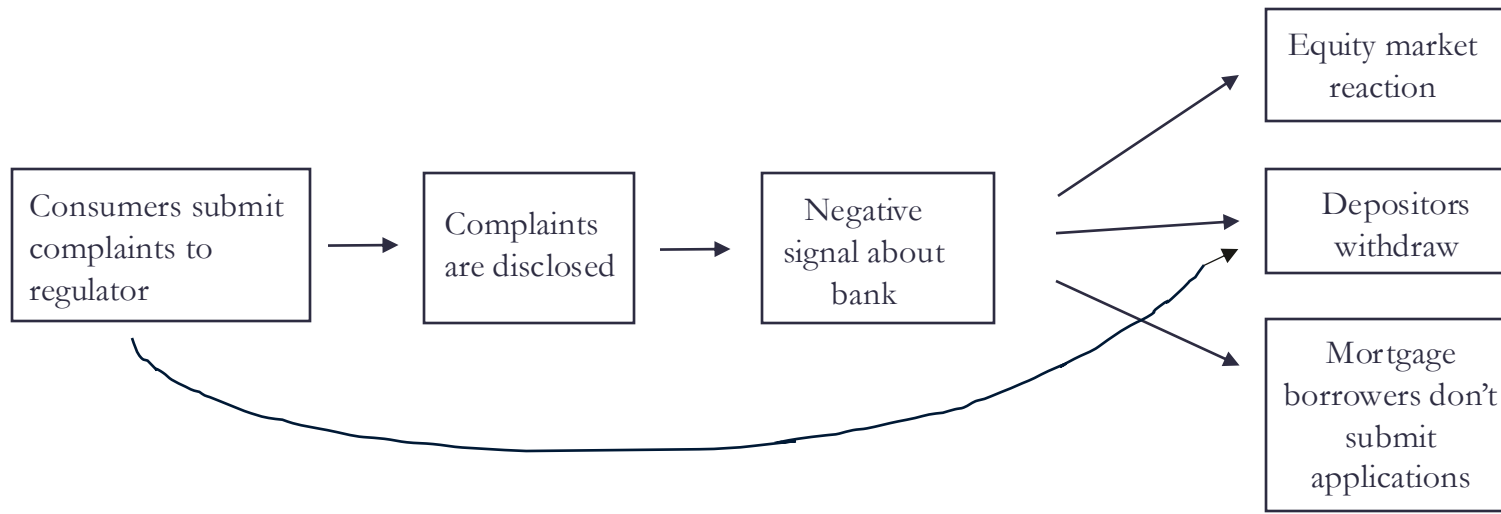
- What do consumer complaints signal about the bank?
  - Do the results hold for banks that are relatively better performers?
  - Are the results different for insured vs. uninsured depositors?

# Paper 3: JKPSV



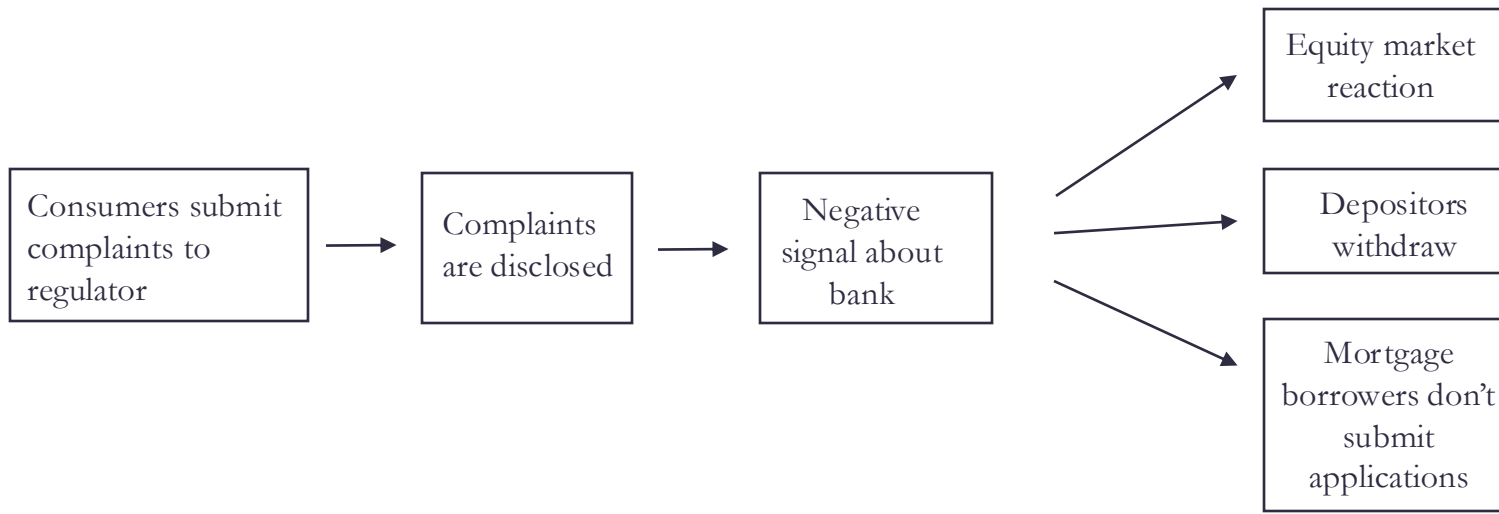
- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?

# Paper 3: JKPSV



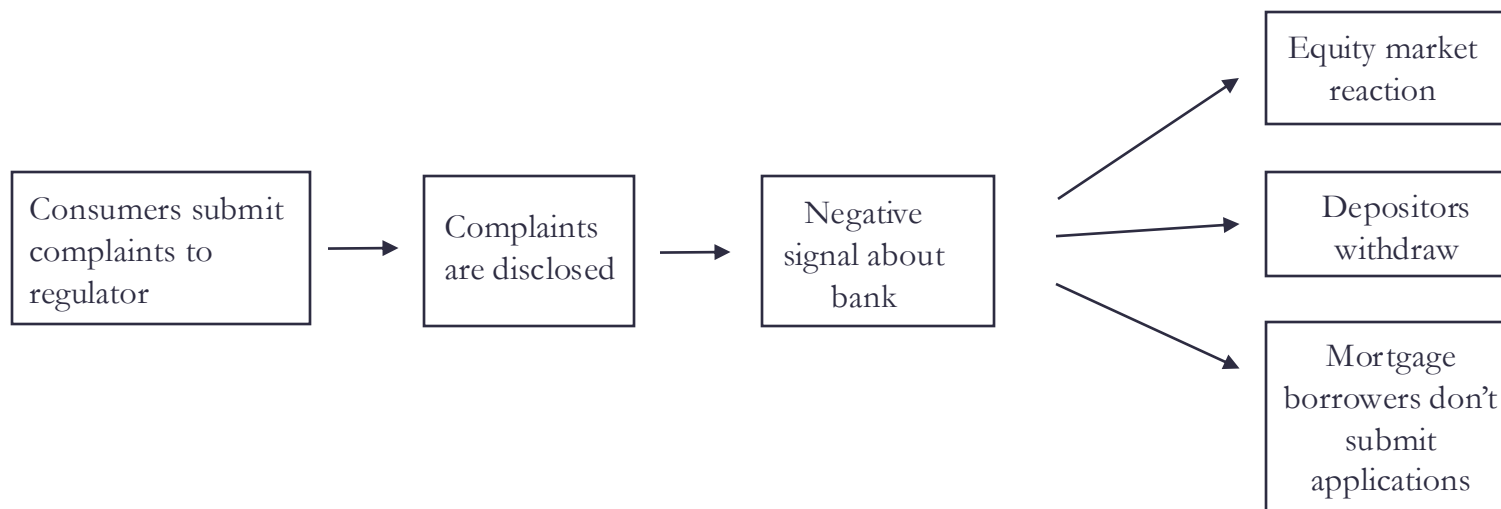
- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?

# Paper 3: JKPSV



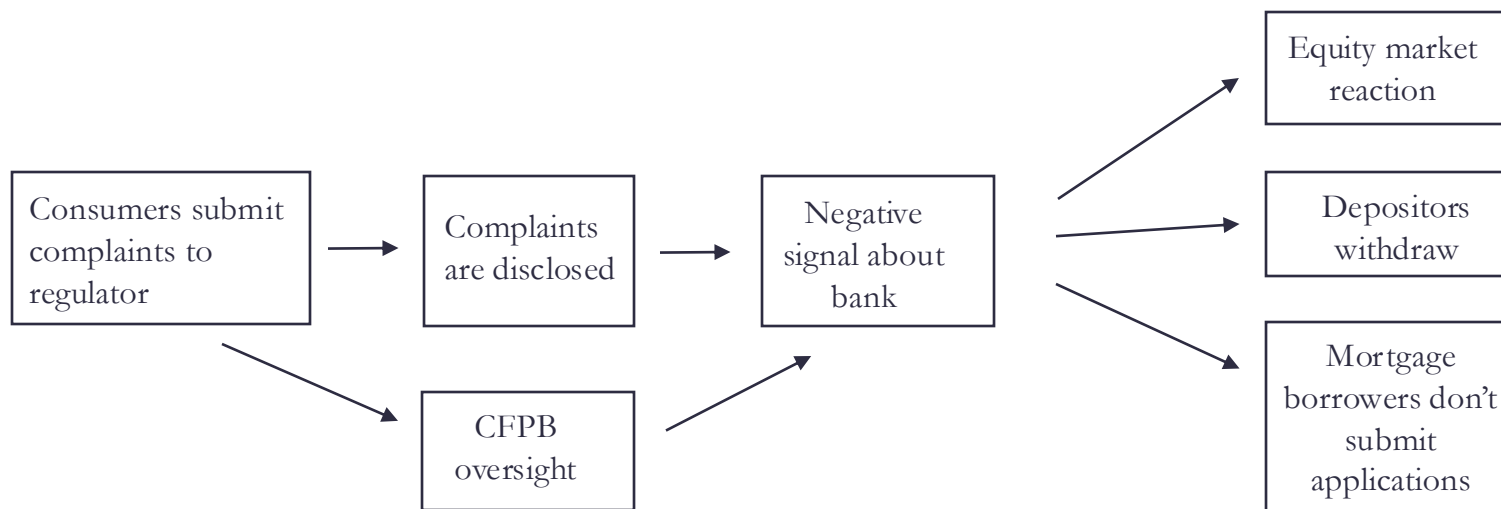
- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?
  - Can you observe complaints in the absence of disclosure?

# Paper 3: JKPSV



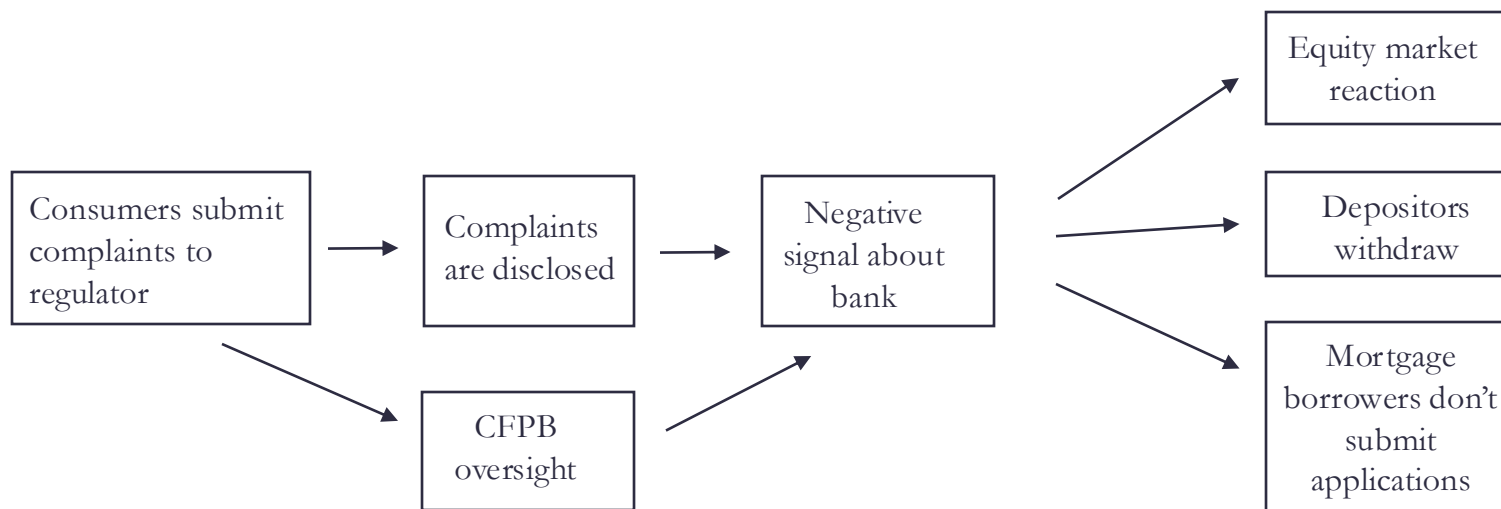
- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?
  - Can you observe complaints in the absence of disclosure?
- What is the role of CFPB enforcement?

# Paper 3: JKPSV



- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?
  - Can you observe complaints in the absence of disclosure?
- What is the role of CFPB enforcement?

# Paper 3: JKPSV



- Is it the disclosure of complaints that matters or is the disclosure of complaints a proxy for consumer dissatisfaction?
  - Can you observe complaints in the absence of disclosure?
- What is the role of CFPB enforcement?
  - Do the results hold for banks that don't simultaneously receive an enforcement action?

Best of luck with the papers!



Wharton  
UNIVERSITY *of* PENNSYLVANIA