Supra(National) Supervision (with Shikhar Singla and Vikrant Vig)

Abstract

We show that differences exist between banking supervisors and these differences can have potential consequences for financial stability and real economics outcomes. We exploit the shift in supervisory responsibility of banks larger than € 30 billion in assets from National Competent Authorities (NCA) to the Single Supervisory Mechanism (SSM) under the ECB. Supervision of banks smaller than € 30 billion in assets remained with the NCAs. As a consequence of higher RWs, SSM banks reduce their lending and security holdings. Firms receiving loans only from SSM banks exhibit reduced employment, sales and investment compared to other firms.