

# Depositors Disciplining Banks: The Impact of Scandals

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# Over 700,000 People Demand Banks Stop Financing the Dakota Access Pipeline

While Trump, Energy Transfer Partners and Sunoco Logistics race to complete the pipeline, over 700,000 people say "No!" to the banks behind the project

Over 700,000 people have signed one of [six petitions](#) demanding that the banks financing the Dakota Access Pipeline (DAPL) remove their support of the project. The figure includes individuals who collectively report having over US\$2.3 billion invested in these banks through checking, mortgage, and credit card accounts, which they are ready to divest if the banks continue financing DAPL. Thousands have already closed their accounts at those banks, removing over US\$55 million and counting.

# Motivation

- Depositors serve a **monitoring and disciplining** role for banks.
- They discipline banks by either **withdrawing deposits** or by **requiring higher interest rates** (*Martinez Peria and Schmukler, 2001; Maechler and McDill, 2006*)
- So far, the attention has concentrated on **bank fundamentals**, such as perceived solvency and probability of default.
- Does this disciplining behavior hold for **other** sources of information?

# Research Questions

- Do depositors react to information beyond financial fundamentals?
  - ▶ Do depositors react to bank scandals?
- If yes, is it because of financial motives or something else, such as altruism?
- Do non-scandalous banks get rewarded by depositors?

# Main Findings

- Banks who financed the highly controversial Dakota Access Pipeline, had significant **decreases** in deposit growth
- Effects are greater for branches located in **pipeline states** as well as **environmentally** and **socially** conscious counties
- **Savings banks** were among the main beneficiaries of this depositor movement
- On a global scale, deposit growth **decreases** when banks are involved in tax evasion, corruption or environmental scandals

# Related Literature

## Environmental, Social & Governance (ESG) Finance

- Extensive literature - Krüger (2015); Dimson et al. (2015); Ferrell et al. (2016); Lins et al. (2017); Liang and Renneboog (2017); Servaes and Tamayo (2017); Kitzmueller and Shimshack (2012)...
- **Contribution:** Real ESG & Real Bottomline
- Hart and Zingales (2017) - Re-evaluate the purpose of the firm
  - ① Individual puts some weight on doing the right or socially efficient thing
  - ② But only if he feels responsible for the action in question

# Dakota Access Pipeline (DAPL)

- Grassroots movements in reaction to an approved pipeline project
- Pipeline begins in the **Bakken shale oil fields** in northwest North Dakota
- Continues to South Dakota, Iowa and ending in Illinois.
- Pipeline intended to cross ancient burial grounds and both the Missouri and Mississippi Rivers
- Movement drew in native americans (Standing Rock Sioux tribe), environmentalists and U.S. army veterans





# Dakota Access Pipeline (DAPL)

- Project Financing: 17 banks
- Banks with significant US branch level presence:

- 1) Bank of Tokyo Mitsubishi UFJ
- 2) BBVA
- 3) BNP Paribas
- 4) Citigroup
- 5) SunTrust Robinson Humphrey
- 6) TD Bank
- 7) Wells Fargo
- 8) Mizuho Bank
- 9) SMBC

- Data: *FDIC Summary of Deposits*

- Years: 2012 - 2017

- Branches: Approximately 100,000

Detailed Controls

Controls

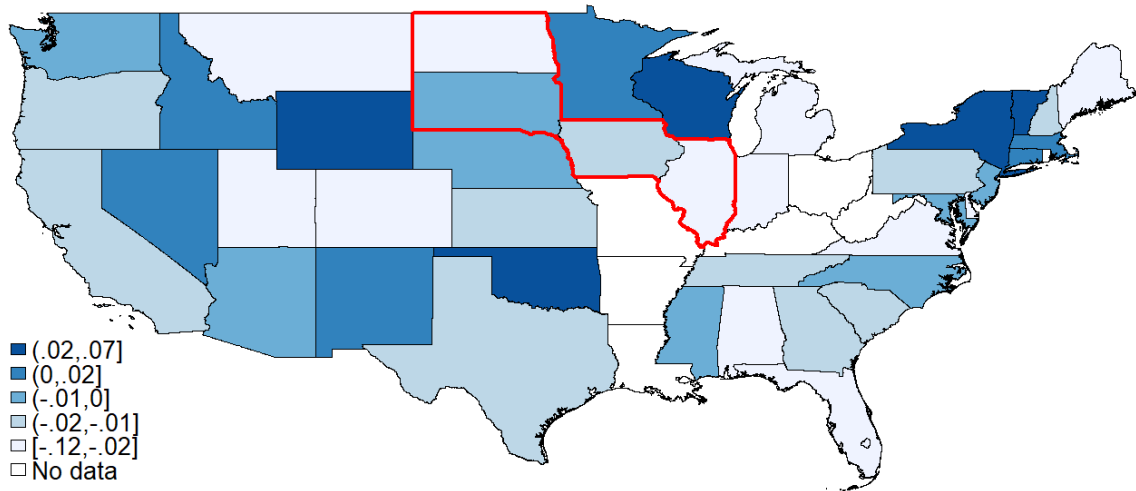


# Dakota Access Pipeline - Timeline of Events

- 
- |            |   |   |
|------------|---|---|
| 2016 ..... | ● | <b>April</b> - Protests begin.  |
| 2016 ..... | ● | <b>July</b> - FDIC Data for 2016.   |
| 2016 ..... | ● | <b>September</b> - Banks are targeted.  |
| 2016 ..... | ● | <b>December</b> - 1st Signforgood petition starts targeting DAPL project financing Banks.       |
| 2017 ..... | ● | <b>February</b> - Petitions reach 700,000 people.   |
| 2017 ..... | ● | <b>June</b> - 2nd Signforgood petition starts further targeting DAPL corporate financing banks. |
| 2017 ..... | ● | <b>July</b> - FDIC Data for 2017.   |
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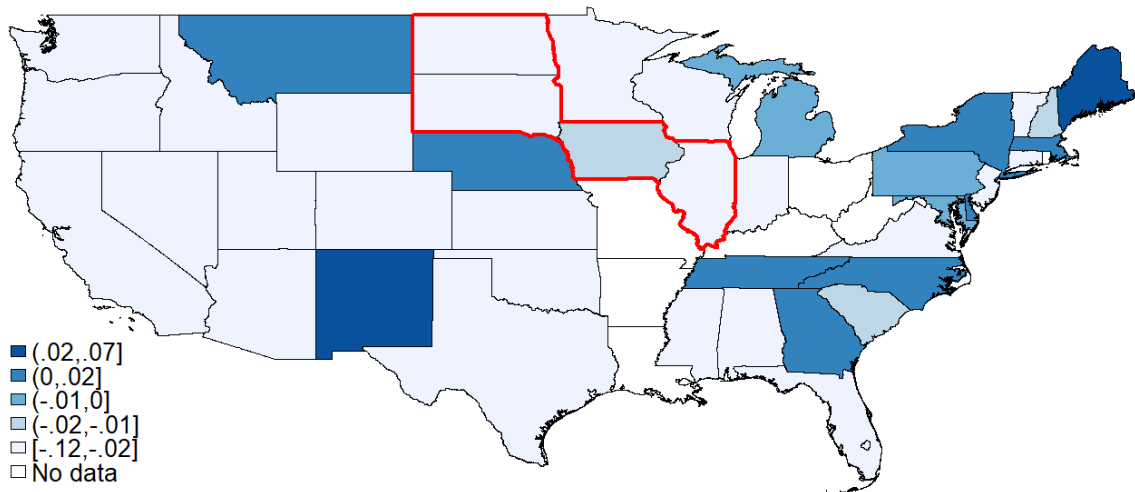
# Heat Maps - DAPL

Figure: 2016 State-Average Adjusted Deposit Growth Rates for Treated Banks



## Heat Maps - DAPL

Figure: 2017 State-Average Adjusted Deposit Growth Rates for Treated Banks



# Total Deposit Growth - Full Sample

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)	(3) Branch Total Deposit Growth (Wnsor. 01)
Financed DAPL * 2017	-0.018*** (0.002)	-0.022*** (0.003)	-0.015*** (0.003)
Financed DAPL	-0.022*** (0.002)		
Observations	416,594	416,513	411,930
Controls	Yes	Yes	Yes
Branch FE	No	No	Yes
Bank FE	No	Yes	No
State*Year	Yes	Yes	No
County*Year	No	No	Yes
Years	All	All	All
Cluster	Branch	Branch	Branch
States	All	All	All

**Economic Effect:** 10,902 (treated branches) x 101\$ Mil. (average deposits per branch in 2016) x -0.015 (or -0.020) = **16.5\$ Bil.**(or 22.0)

## Total Deposit Growth - DAPL States

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)
Financed DAPL * 2017 * DAPL State	-0.026** (0.012)	-0.023* (0.012)
Observations	416,594	416,513
Controls	Yes	Yes
Bank FE	No	Yes
State*Year	Yes	Yes
Years	All	All
Cluster	Branch	Branch
States	All	All

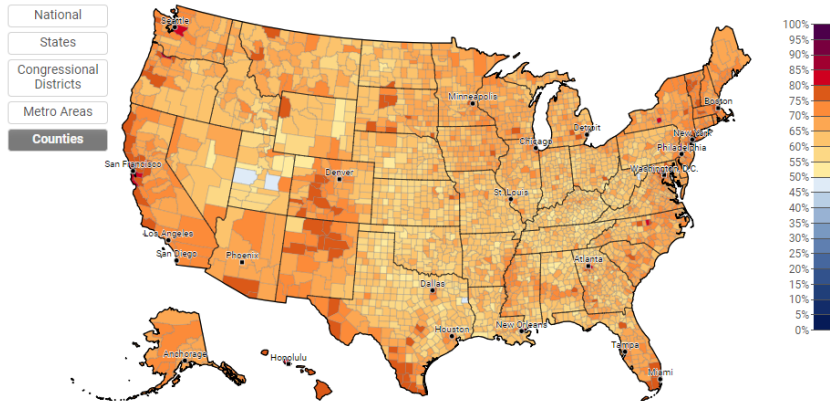
# Yale Program on Climate Change Communication

## Estimated % of adults who think global warming is happening, 2016

Display model output:

[Permalink](#)

Click on map to select geography, or:



# Yale Program on Climate Change Communication

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)
Happening 70 * Financed DAPL * 2017	-0.013*** (0.005)	-0.019*** (0.005)
Observations	398,980	395,158
Controls	Yes	Yes
Bank Fe	Yes	No
Branch FE	No	Yes
Year FE	Yes	No
State*Year	No	Yes
Cluster	Branch	Branch
States	All	All



# Yale Program on Climate Change Communication

Estimated % of adults who think global warming is mostly caused by human activities, 2016

Display model output: 

Global warming is caused mostly by human activities

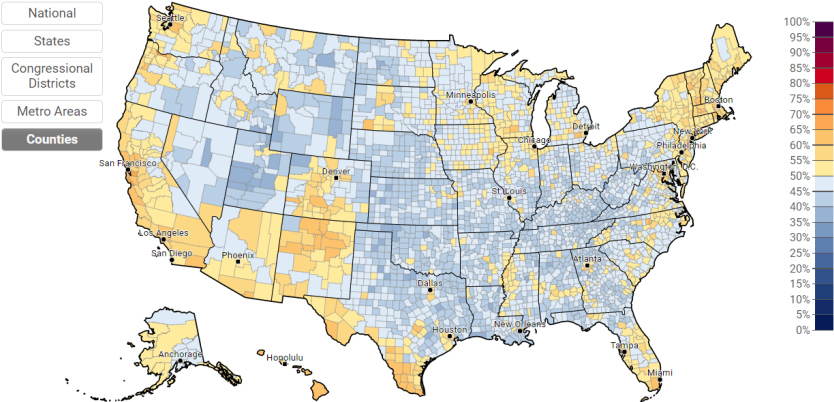
Absolute Value

Permalink

Click on map to select geography, or: 

Select a State

Select a County



# Yale Program on Climate Change Communication

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(3) Branch Total Deposit Growth (Wnsor. 01)
Human 55 * Financed DAPL * 2017	-0.010** (0.005)	-0.016*** (0.005)
Observations	398,980	395,158
Controls	Yes	Yes
Bank Fe	Yes	No
Branch FE	No	Yes
Year FE	Yes	No
State*Year	No	Yes
Cluster	Branch	Branch
States	All	All

# Social Capital

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)
Ln(Number of Non-Profits) * Financed DAPL * 2017	-0.005*** (0.002)	-0.006*** (0.002)
Observations	400,026	396,187
Controls	Yes	Yes
Bank Fe	Yes	No
Branch FE	No	Yes
Year FE	Yes	No
State*Year	No	Yes
Years	All	All
Cluster	Branch	Branch
States	All	All

## About this action



The Seeding Sovereignty Project, born at Standing Rock to fight the Dakota Access Pipeline, empowers the Indigenous youth movement for an environmentally just future everywhere.

The Seeding Sovereignty Project is launching the "Own It" Campaign:

- Water is scarce
- Money is scarce
- Climate change is real and time is running out.

If you care about the planet you have to ask yourself:

What do you stand for?

Who do you stand with?

The Own It Campaign empowers young people everywhere to use their green capital to drive the change from fossil fuel to clean energy.

## PLEDGE TO DIVEST

The banks below are currently investing in the Dakota Access Pipeline. Is your bank on the list?

Your Bank

MAKE THE PLEDGE

## PREPARE TO TRANSFER YOUR MONEY

Find a bank or local credit union that will use your money for causes you can be proud of.

Find a Credit Union

Zip Code

5 Miles

SEARCH

Or

Move your money to one of these ethical financial institutions:

- [List of Ethical Banks](#)
- [Better World Handbook - Socially Responsible Banks - US](#)
- [Green America Guide to Socially Responsible Investing](#)
- [Ethical Bank Comparison - UK](#)
- [Ethical Banking Advice UK](#)

# Savings Banks

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)	(3) Branch Total Deposit Growth (Wnsor. 01)
Savings Bank * 2017 * Proportion of DAPL Banks	0.077* (0.042)	0.135*** (0.051)	0.140** (0.071)
Observations	416,513	411,930	408,123
Controls	Yes	Yes	Yes
Branch FE	No	Yes	No
Bank FE	Yes	No	No
State*Year	Yes	No	No
Year*County	No	Yes	Yes
Bank*Year	No	No	Yes
Years	All	All	All
Cluster	Branch	Branch	Branch
States	All	All	All

- **Wells Fargo** - *Wells Fargo was going through a series of corruption **scandals** unrelated to the **DAPL** incident. The bank had created (without customer's permission) millions of **fraudulent** accounts as sales staff desperately tried to hit unreasonable sales targets. Furthermore, thousands of auto loan customers were charged for **car insurance** that they did not need (Fox and Duren, 2017).*

## Wells Fargo's 11 months of scandals

**WELLS FARGO**

**Aug. 2**  
New York state's banking regulator subpoenas two Wells Fargo units for its contracts and agreements with New York borrowers, auto dealers and insurers.

**July 27**  
Wells Fargo agrees to refund 570,000 auto loan customers over faulty collateral protection insurance for an estimated total of \$80 million in remediation.

**July 12**  
PIMCO sues Wells Fargo for holding more than \$90 million in funds from bond investors to cover legal costs related to the financial crisis.

**June-July**  
News reports in June show Wells Fargo faces seven lawsuits regarding unsolicited changes to home loans of customers in bankruptcy; in July, a whistleblower files a suit claiming the bank falsified records so it could charge customers for delays in processing mortgage applications.

**April 21**  
Fake accounts settlement raised to \$142 million from \$110 million to include customers who had unauthorized accounts going back to May 2002.

**March 15**  
Wells settles for a combined \$165 million (along with Royal Bank of Scotland and Deutsche Bank AG) with a pension fund over RMBS issued by NovaStar.

**Aug. 1**  
Rep. Maxine Waters, D.-Calif., along with other Democrats, calls for hearing over unnecessary car insurance violations.

**July 21**  
Wells Fargo accidentally releases confidential information for at least 50,000 clients after a small part of the information was subpoenaed as part of a defamation lawsuit.

**July 19**  
Sen. Elizabeth Warren, D.-Mass., calls for the Federal Reserve Board to remove 12 directors from Wells Fargo's board who were on the board during the fake accounts scandal.

**May 15**  
City of Philadelphia sues Wells Fargo over alleged discrimination against minority borrowers.

**March 28**  
Wells Fargo settles class-action lawsuit for \$110 million over its fake accounts scandal.

**Feb. 1**

**Jan. 12**  
Sens. Warren and Sherrod Brown, D.-Ohio, lead group of senators in questioning Wells Fargo's disproportionate increase in income from overdraft charges, which grew 7.5% compared to 1.3% for the bank's peers.

**Dec. 2, 2016**  
Senators introduce a bill to nullify Wells Fargo's mandatory arbitration clause in regards to its consumer accounts scandal.

**Oct. 27, 2016**  
Sen. Warren and three other senators send a letter to chairman and CEO of auditor KPMG, regarding the company's failure to "detect and prevent" the fraudulent consumer accounts.

**Oct. 7, 2017**  
Seattle cancels \$100 million bond deal.

**Oct. 1, 2016**  
Illinois suspends business.

**Sept. 29, 2016**  
OCC fines Wells Fargo a \$20 million civil money penalty over failing to provide an interest rate limit to servicemember obligations.

**Sept. 27, 2016**  
John Stumpf agrees to forfeit \$41 million in equity, forgoes salary.

**Sept. 16-29, 2016**  
Wells Fargo involved in six separate lawsuits over consumer accounts scandal.

Senate Banking Committee Democrats call on Wells Fargo to respond to allegations that the bank gave branches warning of regulatory inspections, giving the bank time to covers its tracks by shredding and forging documents.

**Jan. 2**  
Wells Fargo settles a racial discrimination lawsuit for \$35 million.

**Oct. 31, 2016**  
Wells Fargo settles for \$50 million a 2012 lawsuit that accused it of overcharging for appraisals and not clearly disclosing charges to customers.

**Oct. 12, 2016**  
John Stumpf retires early.

**Oct. 5, 2016**  
City of Chicago suspends business.

**Sept. 30, 2016**  
DOJ fines Wells Fargo \$4.1 million over repossessing 413 cars in violation of the Servicemembers Civil Relief Act.

**Sept. 28, 2016**  
State of California suspends business with Wells Fargo.

**Sept. 22, 2016**  
CEO John Stumpf resigns from Fed advisory council.

**Sept. 8, 2016**  
Wells Fargo settles for \$185 million over illegal accounts, with \$100 million going to CFPB, \$35 million to OCC and \$50 million to the City and County of Los Angeles.

Data compiled Aug. 3, 2017.  
This timeline includes select events of note regarding Wells Fargo.  
Source: S&P Global Market Intelligence  
Credit: Zain Ullah



VARIABLES	(1)	(2)
	Branch Total Deposit Growth (Wnsor. 01)	Branch Total Deposit Growth (Wnsor. 01)
Financed DAPL * 2017	-0.031*** (0.004)	-0.021*** (0.005)
Observations	386,975	382,411
Controls	Yes	Yes
Branch FE	No	Yes
Bank FE	Yes	No
State*Year	Yes	No
County*Year	No	Yes
Years	All	All
Cluster	Branch	Branch
States	All	All



# Banks Funding DAPL

The oil companies behind the pipeline are rich, but they aren't rich enough to shell out the whole amount needed to build the pipeline at once.

If Citibank, the Bank of Tokyo-Mitsubishi, Mizuho Bank and TD Securities were to hold back remaining \$1.4 billion the cash for the pipeline could dry up and the project could come grinding to a potentially permanent halt.

**Please contact these  
banks today.**

**Citibank (Citigroup)\***

**TD Securities\***

**The Bank of Tokyo-Mitsubishi UFJ\***

**Mizuho Bank\***

Wells Fargo  
BNP Paribas  
DNB Capital  
BBVA Securities  
SunTrust  
Sumitomo Mitsui Bank  
Credit Agricole  
ABN Amro Capital  
Intesa SanPaolo  
ING Bank  
Natixis  
BayernLB  
ICBC London  
Societe General

Scotiabank  
Citizens Bank  
Comerica Bank  
U.S. Bank  
PNC Bank  
Barclays  
JPMorgan Chase  
Bank of America  
Deutsche Bank  
Compass Bank

Credit Suisse  
DNB Capital/ASA  
Royal Bank of  
Canada  
UBS  
Goldman Sachs  
Morgan Stanley  
Origin Bank  
(formerly  
Community Trust)  
HSBC Bank

\*primary leaders of the key DAPL loan

# Further Protests - Corporate Financing Banks

VARIABLES	(1)	(2)
	Branch Total	Branch Total
	Deposit Growth	Deposit Growth
	(Wnsor. 01)	(Wnsor. 01)

Financed DAPL * 2017	-0.008*** (0.002)	-0.008*** (0.002)
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Observations	416,594	416,513
Controls	Yes	Yes
Bank FE	No	Yes
State*Year	Yes	Yes

VARIABLES	(1)	(2)
	Branch Total	Branch Total
	Deposit Growth	Deposit Growth
	(Wnsor. 01)	(Wnsor. 01)

Financed DAPL * 2017 * DAPL State	-0.030*** (0.007)	-0.041*** (0.009)
Financed DAPL * 2016 * DAPL State	-0.027*** (0.007)	-0.035*** (0.009)

Observations	416,513	411,930
Controls	Yes	Yes
Branch FE	No	Yes
Bank FE	Yes	No
State*Year	Yes	No
County*Year	No	Yes

VARIABLES	(1)	(2)
	Branch Total	Branch Total
	Deposit Growth	Deposit Growth
	(Wnsor. 01)	(Wnsor. 01)

Happening 70 * Financed DAPL * 2017	-0.002 (0.004)	-0.001 (0.004)
-------------------------------------	-------------------	-------------------

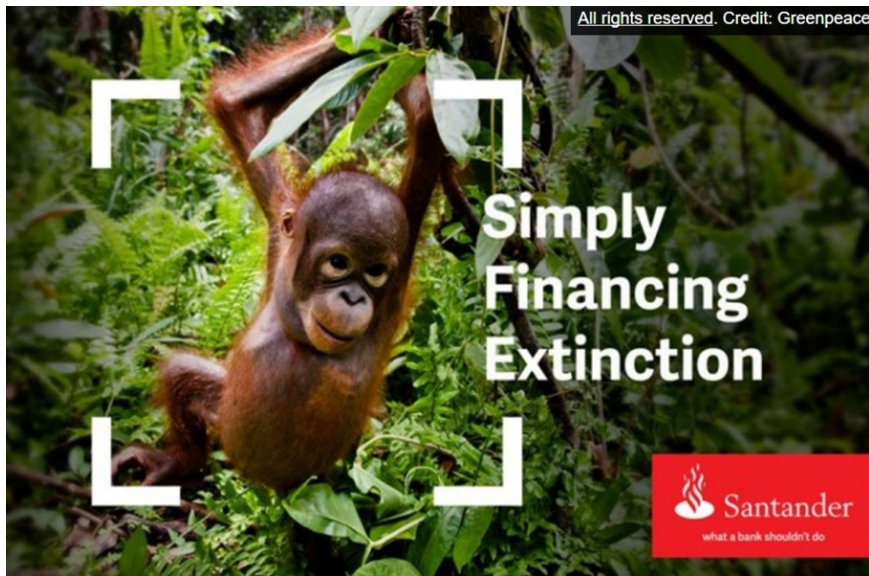
Observations	395,158	395,158
Controls	Yes	Yes
Bank FE	No	No
Branch FE	Yes	Yes
Year FE	Yes	Yes
State*Year	No	Yes

VARIABLES	(1)	(2)
	Branch Total	Branch Total
	Deposit Growth	Deposit Growth
	(Wnsor. 01)	(Wnsor. 01)

Ln(Number of Non-Profits) * Financed DAPL * 2017	-0.003** (0.001)	-0.003** (0.002)
--	---------------------	---------------------

Observations	400,026	392,560
Controls	Yes	Yes
Bank FE	Yes	No
State FE	No	No
State*Year	No	Yes
Bank*Year	No	Yes

- 2017 ..... ● **February** - Seattle cuts ties with Wells Fargo [BanksTalking.org](#).
- 2017 ..... ● **February** - ABN Amro and ING re-evaluate commitment.
- 2017 ..... ● **February** - Nordea excludes three companies behind DAPL.
- 2017 ..... ● **March** - ING sells stake in the DAPL loan.
- 2017 ..... ● **March** - DNB & BNP Paribas sell their stakes.
- 2017 ..... ● **March** - San Francisco moves to divest from DAPL companies.
- 2017 ..... ● **March** - Norwegian pension funds divested from DAPL companies.
- 2017 ..... ● **May** - U.S. Bank stops financing pipeline construction (later retracts).
- 2017 ..... ● **June** - L.A. moves to divest from Wells Fargo.
- 2017 ..... ● **November** - Norway's Wealth fund begins divesting from oil shares.
- 2018 ..... ● **March** - Citizens Bank sell their stakes.



## ① Scandals

- ▶ Tax Evasion - *Tax Justice Network, ICIJ*
- ▶ Environment - *BankTrack, Global Witness, Greenpeace, Oxfam*
- ▶ Corruption - *BankTrack, Global Witness*

## ② Banks

- ▶ Deposits and Controls - *SNL Financial*

## ① Scandals

- ▶ Tax Evasion - *Tax Justice Network, ICIJ*
- ▶ Environment - *BankTrack, Global Witness, Greenpeace, Oxfam*
- ▶ Corruption - *BankTrack, Global Witness*

## Globally significant scandals

- ▶ 26 unique scandals
- ▶ Approximately 140 bank-scandals
- ▶ 150 quarter-bank-scandals

- Baseline regression

$$Deposits_{it} = \alpha_0 + \beta Scandal_{it} + \gamma_1 Controls_{it} + \gamma_2 FixedEffects$$

- RE & FE model with varying fixed effects (Year, Country, Country\*Year, Bank, Quarter Number).  
Standard Errors clustered at the bank level

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max	(6) p25	(7) p50	(8) p75
Total Deposit Growth (Winsor .01)	36,431	0.0139	0.0672	-0.196	0.486	-0.0156	0.00753	0.0339
Total Assets (Winsor .01)	36,431	2.102e+07	7.271e+07	36,885	4.717e+08	301,862	856,106	4.824e+06
Total Equity / Total Assets (Winsor .01)	36,431	10.12	3.865	2.510	35.14	8.029	9.805	11.76
NPLS / Total Loans (Winsor .01)	36,431	3.500	3.648	0	17.62	1.106	2.334	4.470
ROAA (Winsor .01)	36,431	0.469	1.176	-6.183	3.897	0.261	0.633	0.963

# Main Results - Total Deposit Growth

VARIABLES	(1) Total Deposit Growth (Winsor .01)	(2) Total Deposit Growth (Winsor .01)	(3) Total Deposit Growth (Winsor .01)	(4) Total Deposit Growth (Winsor .01)	(5) Total Deposit Growth (Winsor .01)	(6) Total Deposit Growth (Winsor .01)
Scandal Start	-0.003 (0.007)	-0.004 (0.007)				
L. Scandal Start			-0.021*** (0.007)	-0.015** (0.006)		
L2. Scandal Start					-0.005 (0.009)	-0.002 (0.010)
Observations	36,431	36,431	36,431	36,431	36,087	36,087
Number of Banks	2,110	2,110	2,110	2,110	2,102	2,102
Country	OECD	OECD	OECD	OECD	OECD	OECD
Bank Controls	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	No	Yes	No	Yes	No
Year FE	Yes	No	Yes	No	Yes	No
Country x Year	No	Yes	No	Yes	No	Yes
Quarter Num FE	Yes	Yes	Yes	Yes	Yes	Yes
Years	>2009	>2009	>2009	>2009	>2009	>2009
Cluster	Bank	Bank	Bank	Bank	Bank	Bank

Standard errors are in parentheses and clustered at the bank level

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1



# Main Results - Total Deposit Growth

VARIABLES	(1) Total Deposit Growth (Winsor .01)	(2) Total Deposit Growth (Winsor .01)	(3) Total Deposit Growth (Winsor .01)	(4) Total Deposit Growth (Winsor .01)
L. Tax Evasion Start	-0.018* (0.010)			-0.022** (0.011)
L. Corruption Start		0.014 (0.011)		0.016 (0.012)
L. Environment Start			-0.027*** (0.010)	-0.026*** (0.010)
Observations	36,431	36,431	36,431	36,431
Number of Banks	2,110	2,110	2,110	2,110
Country	OECD	OECD	OECD	OECD
Bank Controls	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Quarter Num FE	Yes	Yes	Yes	Yes
Years	>2009	>2009	>2009	>2009
Cluster	Bank	Bank	Bank	Bank

Standard errors are in parentheses and clustered at the bank level

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

# Conclusion

- Banks who financed the DAPL, had significant **decreases** in deposit growth for branches located closest to the pipeline.
- Effects are greater for branches located in **environmentally and socially conscious** counties and **savings banks** were among the main beneficiaries of this depositor movement
- On a global scale, deposit growth **decreases** when banks are involved in tax evasion, corruption or environmental scandals
- This is consistent with the disciplining and monitoring role of depositors, while extending to **non-financial** conditions
- The results show new and surprising, **yet important disciplinary channel for bank behavior**

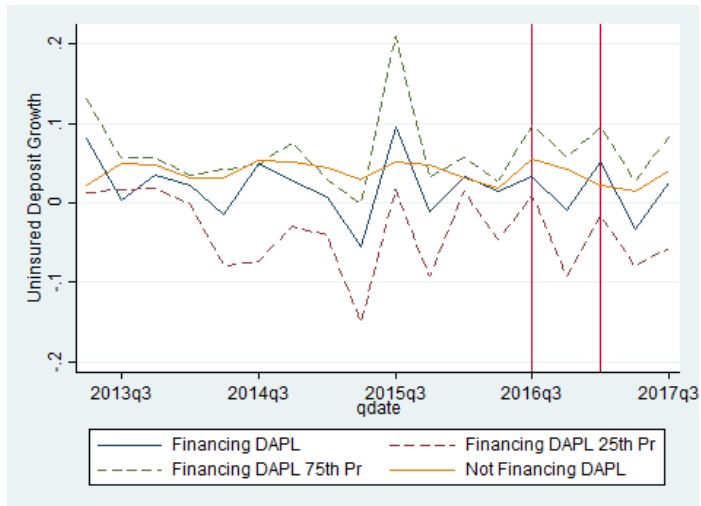
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Thank You

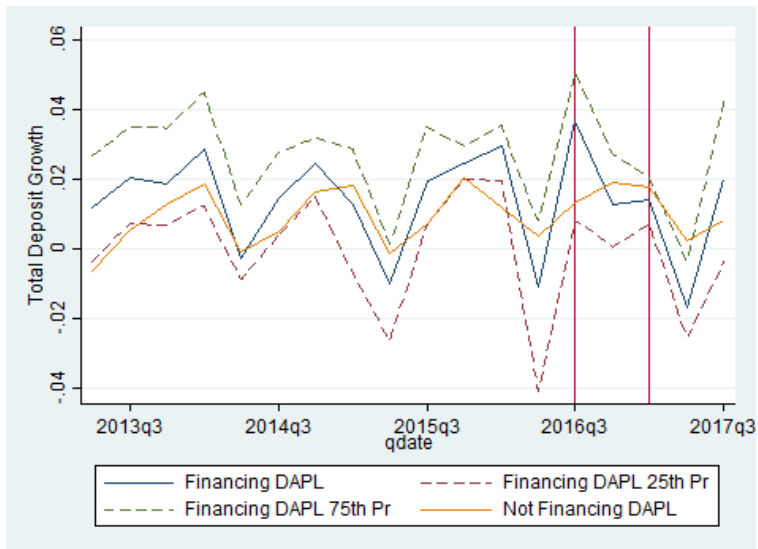
# Is this a financial story? - Quarterly Uninsured Deposit Growth

Financial Story



# Is this a financial story? - Quarterly Deposit Growth

Financial Story



# Total Deposit Growth - Yearly Interactions Financial Story

VARIABLES	(1) Branch Total Deposit Growth (Wnsor. 01)	(2) Branch Total Deposit Growth (Wnsor. 01)	(3) Branch Total Deposit Growth (Wnsor. 01)	(4) Branch Total Deposit Growth (Wnsor. 01)
Financed DAPL * 2016	0.024*** (0.003)	0.020*** (0.003)	0.019*** (0.003)	0.015*** (0.003)
Financed DAPL * 2015	0.024*** (0.003)	0.023*** (0.003)	0.022*** (0.003)	0.014*** (0.004)
Financed DAPL * 2014	0.006** (0.003)	0.009*** (0.003)	0.018*** (0.003)	0.008** (0.004)
Financed DAPL * 2013	0.022*** (0.003)	0.026*** (0.003)	0.036*** (0.004)	0.022*** (0.004)
Financed DAPL	-0.033*** (0.002)	-0.041*** (0.002)		
Observations	416,598	416,594	416,513	411,930
Controls	No	Yes	Yes	Yes
Years	All	All	All	All
Branch FE	No	No	No	Yes
Bank FE	No	No	Yes	No
State FE	Yes	Yes	No	No
Year FE	Yes	Yes	No	No
State*Year	No	No	Yes	No
County*Year	No	No	No	Yes
Cluster	Branch	Branch	Branch	Branch
States	All	All	All	All

# FDIC Variables

VARIABLES	(1) N	(2) mean	(3) sd
<b>Branch Data and Controls</b>			
Annual branch level deposit growth, winsorized at the 1st and 99th percentile	416,594	0.0862	0.230
Factor variable that defines the type of service the branch office provides	416,594	11.18	1.254
Industry classification grouping which indicates the institution's primary asset specialization	416,594	4.853	2.399
Factor variable that indicates major groupings of the institution	416,594	2.330	1.810
Total assets of the institution	416,594	3.930e+08	6.689e+08
Total deposits of the institution	416,594	2.543e+08	4.229e+08
<b>Treatment Variables</b>			
Equal to one if the branch financed the Dakota Access Pipeline	416,594	0.131	0.337
Equal to one if the branch financed the Dakota Access Pipeline and the year is 2016	416,594	0.0260	0.159
Equal to one if the branch financed the Dakota Access Pipeline and the year is 2017	416,594	0.0253	0.157
<b>County Level Information</b>			
Percentage of the county that thinks global warming is happening	415,533	69.43	6.287
Percentage of the county that thinks global warming is caused mostly by human activities	415,533	52.62	6.006
Number of non-profit organizations (without including those with an international approach)	416,578	3,853	6,533
Percent of adults with a bachelor's degree or higher, 2012-2016	416,578	30.16	11.32
Percentage of the county that voted for Barack Obama in the 2012 presidential elections	400,110	47.44	16.84
Population 2014	416,578	898,249	1.649e+06



## Correlations

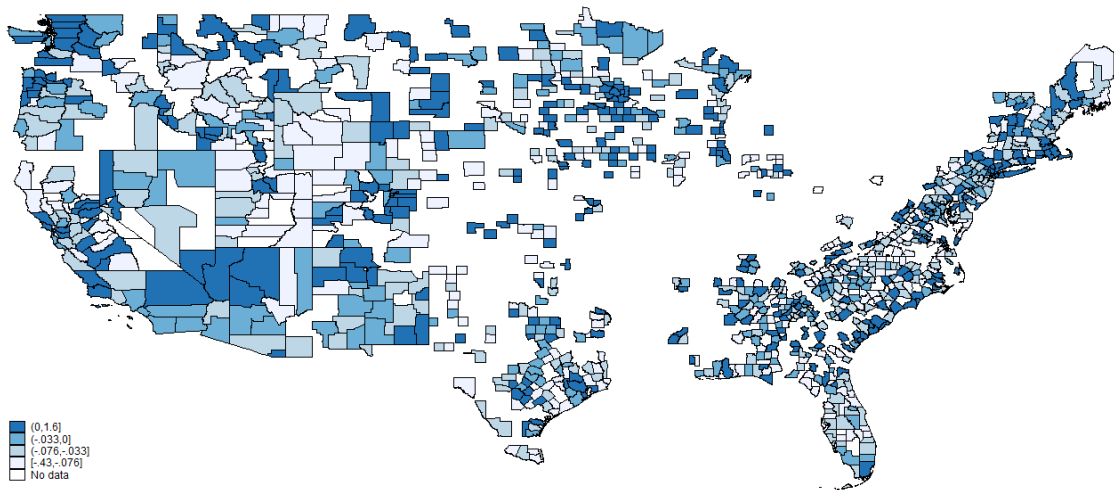
	(1)				
	Total Deposit Growth	Total Assets	Total Equity / Total Assets	NPLS / Total Loans	ROAA
Total Deposit Growth	1				
Total Assets	-0.0385***	1			
Total Equity / Total Assets	0.141***	-0.203***	1		
NPLS / Total Loans	-0.155***	0.0149**	-0.144***	1	
ROAA	0.0868***	0.00963	0.208***	-0.391***	1

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

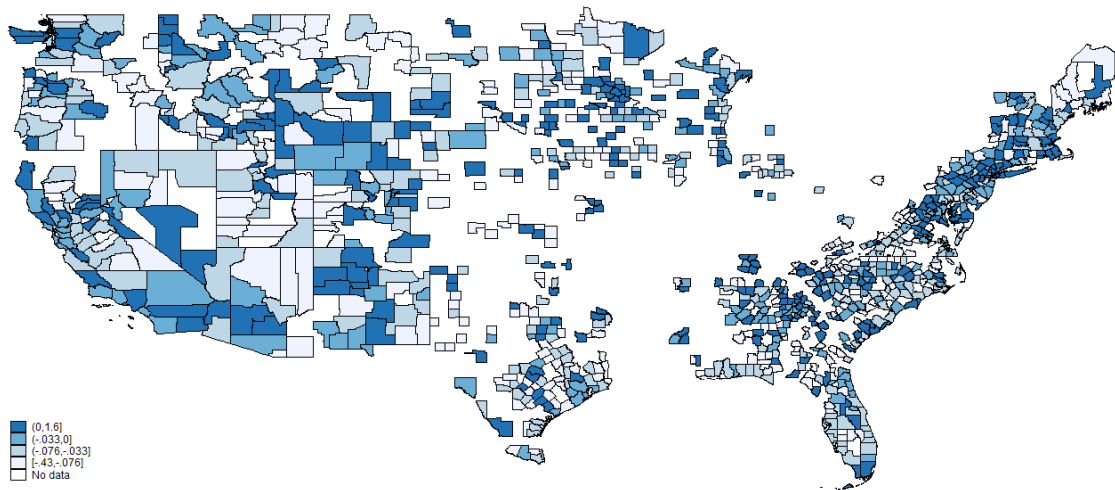
# Summary Statistics

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max	(6) p25	(7) p50	(8) p75
Total Deposit Growth (Winsor .01)	36,431	0.0139	0.0672	-0.196	0.486	-0.0156	0.00753	0.0339
Total Assets (Winsor .01)	36,431	2.102e+07	7.271e+07	36,885	4.717e+08	301,862	856,106	4.824e+06
Total Equity / Total Assets (Winsor .01)	36,431	10.12	3.865	2.510	35.14	8.029	9.805	11.76
NPLS / Total Loans (Winsor .01)	36,431	3.500	3.648	0	17.62	1.106	2.334	4.470
ROAA (Winsor .01)	36,431	0.469	1.176	-6.183	3.897	0.261	0.633	0.963

# County Level Heat Map - 2015



# County Level Heat Map - 2016



## ● SNL Financial Controls

- ▶ *Total Deposits* are total deposits from customers. For US banks, this is the total deposits from customers and banks.
- ▶ *Retail Deposits* are total customer deposits due to retail clients.
- ▶ *Corporate Deposits* are total customer deposits due to corporate and government clients.
- ▶ *Savings Accounts* are principal amounts in non money-market savings accounts in U.S. offices.
- ▶ *Total Assets* are all assets owned by the company as of the date indicated, as carried on the balance sheet and defined under the indicated accounting principles.
- ▶ *Total Equity / Total Assets* is equal to equity as a percent of assets.
- ▶ *NPLS / Loans* is nonperforming loans, net of guaranteed loans, as a percent of loans before reserves
- ▶ *ROAA* is the return on average assets; net income as a percent of average assets.

## ● FDIC Controls

- ▶ **Total assets** are total assets of the institution,
- ▶ **Total deposits** are total deposits of the institution,
- ▶ **Asset specialization** (international, agricultural, credit-card, commercial lending, mortgage lending, consumer lending and other)
- ▶ **Branch service** (brick and mortar, retail, cyber, administrative, military, drive through, loan production, consumer credit, contractual, messenger, retail, mobile/seasonal and trust)
- ▶ **Major institution grouping** (national member bank, state member bank, state nonmember bank, stock and mutual savings, savings banks and savings and loans, state stock savings and loans, savings associations, other insured institutions, noninsured institutions, noninsured institutions, noninsured savings institutions and insurance co. and credit unions)

# Related Literature

## Depositor Discipline - Fundamentals

- **Schnabel (2009)**: Deposit withdrawals related to bank liquidity positions
- **Goldberg and Hudgins (2002)** Market discipline and uninsured deposits
- **Schumacher (2000)**: Bank runs are triggered by informed-based theories
- **Saunders and Wilson (1996)** Depositors leave failing banks

## Depositor Discipline - Other Sources

- **Oliveira et al. (2014)**: Perception of too-big-to-fail
- **Hasan et al. (2013)**: Negative press rumors
- **Correa et al. (2013)**: Euro-area affiliation
- **Iyer et al. (2013)**: Regulatory signals
- **Iyer and Puria (2012)**: Banking relationships and social networks
- **Brown et al. (2017)**: Switching costs in deterring deposit withdrawals was independent of deposit insurance. Deposit withdrawals were at least partly driven by disagreement with the bank's corporate policy, rather than by fear about losing savings.

# Related Literature

## ESG and Banking

- **Goss and Roberts (2011):** "Bad" firms incur higher loan spreads
- **Hasan et al. (2014):** Tax evading firms incur higher loan spreads
- **Chava (2014):** Investors demand higher expected returns and lenders charge higher interest rates for firms with environmental concerns
- **Cheng et al. (2014):** "Good" firms face lower capital constraints
- **Kleimeier and Viehs (2016):** Cost of bank loans decrease for those who voluntarily disclose carbon emissions
- **Halan et al. (2016):** Private sector banks recommend high commission products, while public sector banks, recommend fixed deposits. Banks rarely make voluntary disclosures on product features and when requested, information is inaccurate or incomplete.

## Tax Evasion

- **Johannesen (2014):** Depositors react to reforms
- **Johannesen and Zucman (2014):** Tax evaders react to bilateral treaties
- **Chernykh and Mityakov (2016):** Off-shore active banks operate differently

## Is this a financial story?

- Unlikely
- Quarterly **uninsured deposit growth** rates show no changes Uninsured Deposits
- Quarterly **deposit growth** rates reveal differential changes Total Deposits  
Yearly Interactions
- Bank level **analyst reports** rarely mention the DAPL incident
- Focus on **established branches** <sup>1</sup>
- Depositors are insured by the FDIC up to at least **\$250,000**

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<sup>1</sup>all entities with over 1\$ billion in deposits, less than 100,000\$ in deposits or had been recently acquired, were removed from the analysis



# Credit Unions

VARIABLES	(1)	(2)	(3)	(4)
	Branch Total Deposit Growth (Wnsor. 01)	Branch Total Deposit Growth (Wnsor. 01)	Branch Total Deposit Growth (Wnsor. 01)	Branch Total Deposit Growth (Wnsor. 01)
	With Credit Unions		Without Credit Unions	
Financed DAPL * 2017	-0.014*** (0.003)	-0.013*** (0.003)	-0.012*** (0.003)	-0.011*** (0.003)
Financed DAPL	0.002 (0.043)	-0.032 (0.048)	0.000 (0.043)	-0.035 (0.048)
Observations	443,145	442,521	412,562	411,935
Branch FE	Yes	Yes	Yes	Yes
State*Year	Yes	No	Yes	No
County*Year	No	Yes	No	Yes
Years	All	All	All	All
Cluster	Branch	Branch	Branch	Branch
States	All	All	All	All

# Main Results - Total Deposit Growth

VARIABLES	(1) Total Deposit Growth (Winsor .01)	(2) Total Deposit Growth (Winsor .01)	(3) Total Deposit Growth (Winsor .01)	(4) Total Deposit Growth (Winsor .01)
Corruption Peak	-0.007 (0.008)			-0.001 (0.012)
L. Corruption Peak		0.003 (0.010)		-0.008 (0.009)
L2. Corruption Peak			-0.030** (0.014)	-0.031** (0.015)
Observations	36,431	36,431	36,087	36,087
Number of Banks	2,110	2,110	2,102	2,102
Country	OECD	OECD	OECD	OECD
Bank Controls	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Quarter Num FE	Yes	Yes	Yes	Yes
Years	>2009	>2009	>2009	>2009
Cluster	Bank	Bank	Bank	Bank

Standard errors are in parentheses and clustered at the bank level

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

# Competitor Deposits

VARIABLES	(1) Total Deposit Growth (Winsor .01)	(2) Total Deposit Growth (Winsor .01)	(3) Total Deposit Growth (Winsor .01)	(4) Total Deposit t Growth (Winsor .01)
Largest Non-Scandalous Bank	0.031*** (0.009)	0.025*** (0.009)		
Largest Non-Scandalous Bank (not SIB)			0.028*** (0.009)	0.022** (0.009)
L. TA (W.01)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)
L. TE / TA (W.01)	0.005*** (0.000)	0.005*** (0.000)	0.005*** (0.000)	0.005*** (0.000)
L. NPLs / TL (W.01)	-0.003*** (0.000)	-0.002*** (0.000)	-0.003*** (0.000)	-0.002*** (0.000)
L. ROAA (W.01)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Observations	36,431	36,431	36,431	36,431
Number of Banks	2,110	2,110	2,110	2,110
Country	OECD	OECD	OECD	OECD
Bank FE	Yes	Yes	Yes	Yes
Country FE	No	No	No	No
Year FE	Yes	No	Yes	No
Country x Year	No	Yes	No	Yes
Quarter Num FE	Yes	Yes	Yes	Yes
Years	> 2009	> 2009	> 2009	> 2009
Cluster	Bank	Bank	Bank	Bank

Standard errors are in parentheses and clustered at the bank level

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

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