

Do depositors monitor banks using accounting information?

Evidence from the EDGAR log file

Isabella Brancaccio

Department of Accounting, Bocconi University

Motivation

- **Depositors** are crucial for financial stability.
- The literature shows that depositors' decisions hinge on **information**, in particular on **accounting disclosures** [1].
- Accounting rules are often blamed for exacerbating crises (GFC 2007–08, U.S. 2023) and regulators debate about changes in accounting regimes (e.g., fair value vs. amortized cost).
- But we know little about whether **depositors actually use accounting information**.
- For example, SVB's large unrealized losses were publicly disclosed months before its failure: did depositors know?

Research Questions

- 1 Do **depositors** use **accounting information**?
- 2 If so, does this affect their decision to **move** uninsured **deposits**?

Data

I use data on the **downloads of SEC filings** from the EDGAR log file. For each download, the EDGAR log file tracks:

- masked IP address of the user
- precise timestamp
- firm identifier (CIK)
- filing identifier (accession)

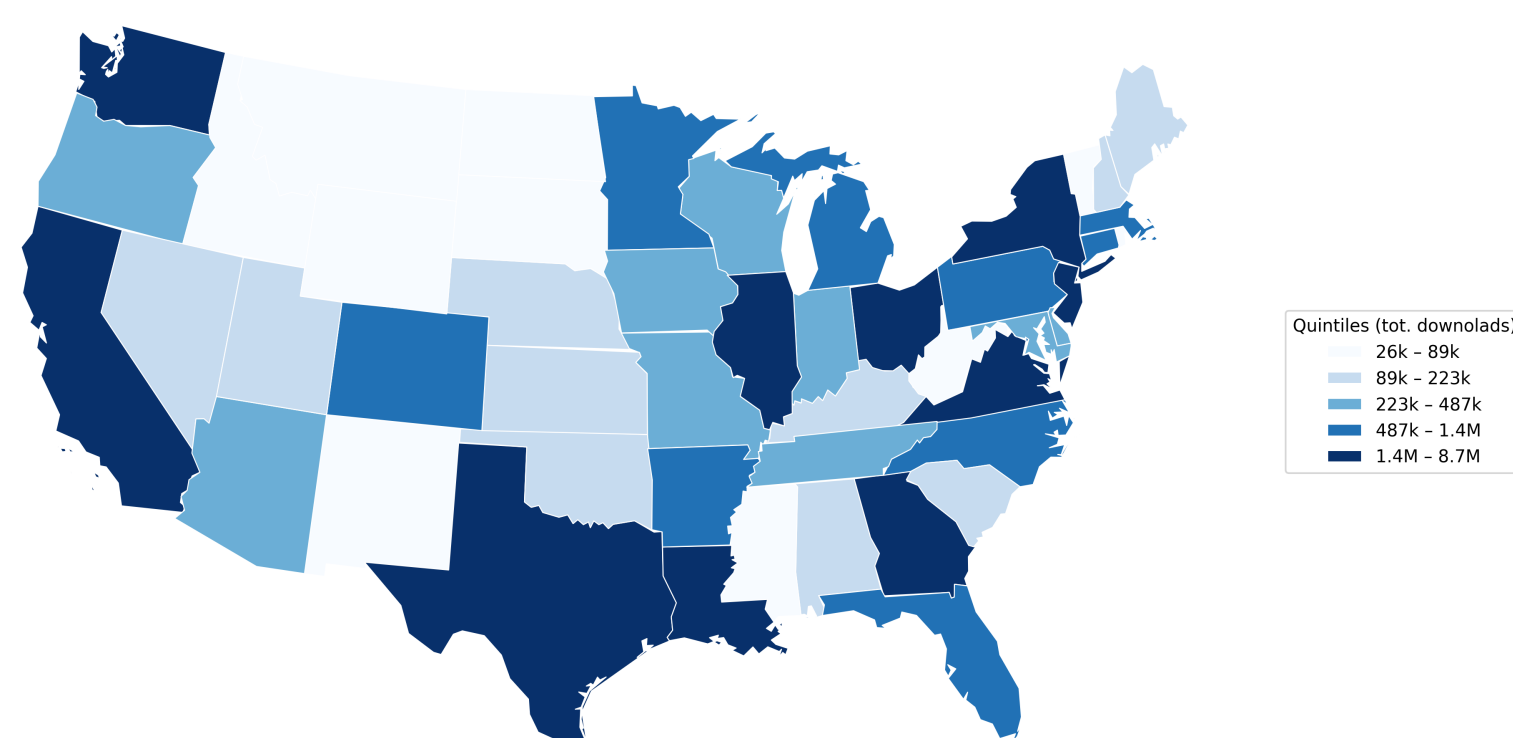


Figure 1:Downloads of banks' SEC filings by U.S. state

Main Findings

- 1 Depositors represent the **largest user group** of banks' accounting information.
- 2 Depositor downloads of accounting information are **negatively** related to future uninsured deposit flows, but only when there is **negative information** about **bank fundamentals**.

Measuring depositors' information acquisition

In the literature, there is no direct measure of depositor information acquisition. I develop a new measure based on **downloads of SEC filings** from **EDGAR**, as follows:

- 1 First, I identify ownership of IP addresses through administrative registries (*IPWhoIs*)
- 2 Then, I rely on a proxy to identify depositors:
 $\text{Depositors} \approx \text{telco} + \text{non fin. companies}$

- Rationale:
 - Telco provide internet services \rightarrow *retail/small corporate depositors* (who don't own IP ranges)
 - Non-financial companies \rightarrow *corporate depositors*

Depositors' EDGAR downloads

- I manually classify IP addresses based on the name of their owners, and find that depositors are the **main users** (49%) of banks' filings:

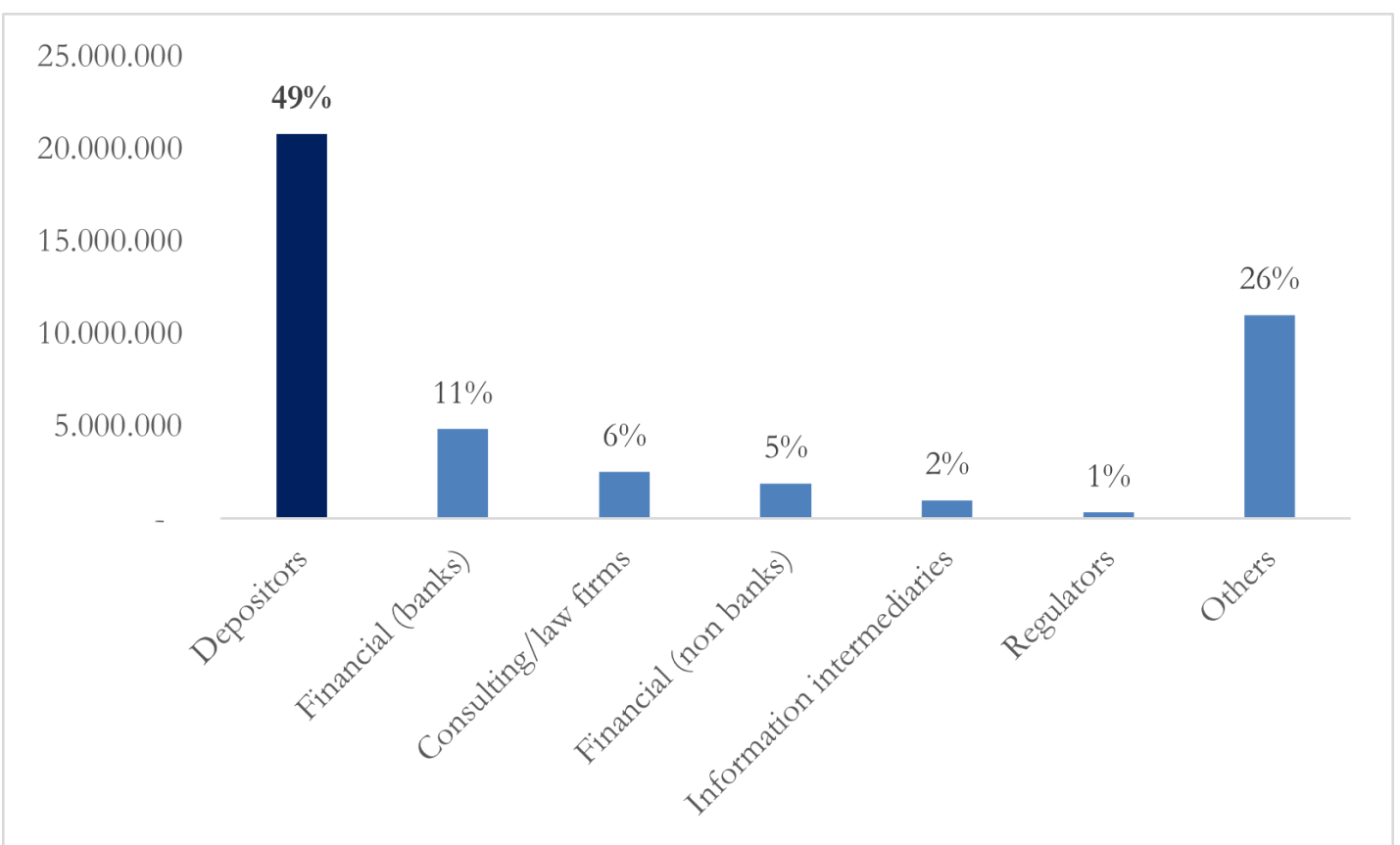


Figure 2:Downloads of banks' SEC filings by user

- Moreover, **26%** of depositors' downloads relate to **bank fundamentals** (10-K and 10-Q)

Depositors' EDGAR downloads and uninsured deposit flows

Using this new measure, I study the changes in uninsured deposit flows [2]:

- **Dependent variable**: $\Delta \text{Uninsured Deposits}$
 - **Main regressor**: depositor downloads of bank fundamentals (10-K and 10-Q)
 - **Controls**: total bank downloads + lagged bank characteristics + Bank FE + Year-quarter FE
- \Rightarrow Result: **negative** relation, but only in the presence of **negative information about fundamentals**

	(1)	(2)	(3)
	Full Sample	$\Delta Dep_{i,t+1}^U$	ΔROE
$\text{Ln}(\text{downloads})_{USdep,10K+10Q}$	-0.257* (0.057)	0.057 (0.757)	-0.529*** (0.001)
Control variables	Yes	Yes	Yes
Observations	19,871	8,726	11,095
Adj. R-squared	0.339	0.364	0.315
Bank FE + Year-quarter FE	Yes	Yes	Yes

Conclusion

- The literature shows a relation between banks' accounting information and depositors' decisions.
- This paper contributes by attempting to **quantify** depositor information acquisition, thereby providing a **credible mechanism** in support of previous findings.
- Evidence from downloads of banks' SEC filing suggests that **depositors do use accounting information** to monitor banks, and that this leads to **negative deposit flows** but only in the presence of bad fundamentals, consistent with depositors being concerned mainly with **downside risks**.
- More research is needed to understand better how bank stakeholders acquire and use information from various sources.

References

- [1] Qi Chen, Itay Goldstein, Zeqiong Huang, and Rahul Vashishtha. Bank transparency and deposit flows. *Journal of Financial Economics*, 146(2):475–501, 2022.
- [2] Mark Egan, Ali Hortaçsu, and Gregor Matvos. Deposit competition and financial fragility: Evidence from the US banking sector. *American Economic Review*, 107(1):169–216, 2017.

Contact Information

- Isabella Brancaccio
- Email: isabella.brancaccio@phd.unibocconi.it

Bocconi

