

Speaker:

Darius Palia (Rutgers Business School)

Date and Time:

August 18th, 2023 (Wednesday); 11:00 AM

Venue:

Econometrics lab (room no 402), Fourth floor, Department of Economics, Rahul Bajaj Technology Innovation Centre

**Title:** Impact of Dodd-Frank on CEO pay and bank risk

Abstract: We examine how bank equity risk is impacted by changes in the structure of bank CEO compensation from the enactment of the Dodd-Frank Act. We use a generalized diff-in-diff model and find significant differences between high and low pay-risk sensitivity banks. Specifically, we find differences in performance-vesting restricted stock awards, LTIPs, and anti-hedging provisions increased after Dodd-Frank, and time-vesting options grants and annual bonuses decreased. Instrumenting for these differences in compensation structure, we find that bank equity risk went down in the post-Dodd-Frank period, and this reduction is driven by high pay-risk banks. No significant effect is found for differences in bank equity performance.

About the speaker: Professor Palia is an internationally renowned scholar in law and economics, banking, and corporate governance. He earned a PhD in Finance from the Stern School of Business at New York University, and he has been on the faculty of Princeton University, Columbia Business School, the University of Chicago, and UCLA. Dr. Palia has published extensively in the top finance journals (e.g., *J. of Finance*, *J. of Financial Economics*, *RAND J.*, and *Review of F. Studies*), as well as in the top law and economics journals (e.g., *American Law & Econ. Review*, *Harvard Business Law Review*, *J. of Corporation Law*, *J. of Empirical Legal Studies*, and *J. of Law & Economics*). His work is extensively cited by other scholars and he is the Associate Editor of the *J. of Financial and Quantitative Analysis*. He is often quoted in newspaper articles and magazines. He continues to be invited to present his research to the faculty of top Universities, at the major academic meetings, and at the prestigious National Bureau of Economic Research conferences. He has worked as an expert in both federal and state courts. As Founding Director of the Financial Institutions Center, he organizes and participates in panels that include CEOs and other senior executives of financial institutions as well as senior regulators.