This paper investigates the probability for banks of facing a financial penalty for misconduct, as well as the size of these sanctions. Adopting a political economy perspective, the paper focuses on how the structural prominence of (1) individual banks, (2) the banking industry, and (3) states affect the stringency with which regulators punish banks. Fines by 40 banking and financial regulators against a sample of around 1,000 banks during the period 2010-2020 are empirically investigated. The study adopts a global approach by covering banks and regulators from 34 advanced and emerging economies.

The Political Economy of Bank Fines: An empirical analysis of enforcement risk

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