

# When Supervision Becomes Lived Authority: Governance Under Continuous Oversight in European Banking

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## ABSTRACT

Contemporary organizations increasingly operate under external scrutiny, as authorities monitor, assess, and influence decision-making on an ongoing basis. While prior research has examined the structural features of such oversight, little is known about how it is experienced and negotiated by those responsible for governance. This study addresses that gap in a revealing setting: post-crisis European banking supervision. Drawing on fifty-eight interviews with directors and senior managers of Spanish credit institutions, using phenomenology and thematic analysis, it examines how supervisory scrutiny becomes subjectively experienced authority in everyday governance work.

The analysis identifies four experiential structures. Financial stability emerges as the dominant organizing principle shaping institutional purpose, strategic discretion, and professional identity. Supervision transforms corporate governance from within, as anticipated supervisory scrutiny becomes embedded in deliberation and decision-making. Supervisory risk emerges as a distinct uncertainty embedded in governance judgment. Sustained oversight reshapes the supervisor–supervisee relationship through behavioral and strategic responses, including signaling, impression management, and anticipatory compliance.

The study shows that supervision’s most important consequences arise not only from formal rules or episodic intervention, but from how supervisory scrutiny is internalized, anticipated, and enacted in governance decision-making, reshaping authority, judgment, and professional identity in what we coin institutionalized evaluative authority.

**Keywords:** institutionalized evaluative authority; phenomenology; corporate governance; professional identity; supervisory risk; supervisor-supervisee relationships; continuous institutional evaluation; lived experience; European banking

## **1. Introduction**

Contemporary organizations increasingly operate under conditions of continuous institutional oversight, in which external authorities monitor, assess, and influence organizational decision-making on an ongoing basis. Few empirical settings make the organizational consequences of this trend more visible than contemporary banking supervision.

The regulatory and supervisory landscape of European banking has been profoundly transformed over the past fifteen years. In response to systemic failures revealed by the Global Financial Crisis, European authorities redesigned the prudential and supervisory architecture governing financial institutions, expanding the scope and intensity of ongoing oversight. These reforms sought to correct structural weaknesses and ensure that no institution could again jeopardize financial stability.

Post-crisis banking supervision provides a critical case for examining how continuous external oversight becomes embedded in governance work. As a socially foundational sector that underpins investment, payments, savings, and credit allocation, banking occupies a distinctive position in modern economies. It is also one of the sectors most deeply reshaped by post-crisis regulation and supervision. As a result, concerns have grown regarding how dense and sustained supervision may reshape innovation, strategic capacity, and ultimately competitiveness. Recent policy reports (Letta, 2024; Draghi, 2024a, 2024b; KPMG, 2024) warn that administrative burdens and regulatory fragmentation may constrain Europe's global positioning. EU institutions have correspondingly emphasized simplification and competitiveness (EBA, 2025; European Commission, 2024; European Council, 2024; Economic Governance and EMU Scrutiny Unit, 2025).

This combination makes banking an analytically powerful site for understanding how sustained external supervision becomes embedded in governance life. At the same time, the dynamics examined here are unlikely to be confined to banking alone. Similar patterns have been documented across other socially essential and highly regulated sectors, such as pharmaceuticals, energy, healthcare, and education, where organizations operate under sustained institutional scrutiny (Bevan and Hood, 2006; May and Winter, 2011; Gilad, 2012). In these settings, oversight extends beyond episodic compliance checks and becomes embedded in organizational routines and decision processes. External scrutiny shapes how decisions are framed, justified, and anticipated in everyday governance. Authority therefore operates not only through formal rules but also through ongoing supervisory scrutiny that actors interpret, internalize, and anticipate in their daily work (Meyer and Rowan, 1977; Power, 1997; Espeland and Sauder, 2007; Sauder and Espeland, 2009; Espeland and Stevens, 2008).

Within banking, regulation and supervision have traditionally been portrayed as sources of external discipline that complement corporate governance by shaping risk-taking and stability (Barth et al., 2004; Laeven and Levine, 2009; Anginer et al., 2018). Existing research has therefore largely focused on aggregate, structural, and quantitative assessments of regulatory frameworks and their effects, such as capital adequacy, liquidity buffers, ownership structures, risk-taking incentives, and institutional reforms (Behn et al., 2025). This view treats supervision largely as an external constraint imposed on banks, even though its effects are mediated by internal governance structures, managerial incentives, and control arrangements (Laeven & Levine, 2009).

Yet practitioners' accounts reveal a qualitative shift in how oversight is experienced. Supervisory expectations increasingly shape board agendas, narrow managerial

discretion, and introduce interpretive uncertainty into governance processes, as directors and senior managers must make sense of ambiguous supervisory signals and expectations (Weick et al., 2005). Rather than operating solely from outside the organization, oversight is translated into internal routines, control systems, and risk-governance practices (Aebi et al., 2012; Palermo et al., 2017). More broadly, accounting and organization studies show how governance, risk, and auditability become embedded in organizational practices through formal metrics, models, documentation, and anticipatory forms of control (Gendron and Bédard, 2006; Bhimani, 2009; Power, 2007, 2021). Oversight therefore becomes not merely an external constraint but an increasingly internalized presence embedded in routines, judgments, and anticipatory practices.

Despite the importance of these experiential dynamics, we are not aware of systematic qualitative research examining how continuous banking supervision is experienced by those responsible for governance. In particular, we lack systematic qualitative evidence on how directors and senior managers interpret supervisory signals, and how intensified scrutiny reshapes authority, autonomy, and judgment in practice, and how supervisory expectations become embedded in everyday governance work. This gap is especially significant in settings where supervisory authorities exercise continuous and discretionary influence over organizational behavior. Understanding these experiential dynamics is therefore essential for explaining how supervisory regimes become embedded in organizational life.

This study addresses that gap by providing in-depth qualitative evidence on how the post-crisis supervisory environment is experienced within Spanish banking governance. Drawing on fifty-eight in-depth interviews with directors and senior managers, and employing a phenomenological approach combined with thematic analysis, the study

investigates how institutionalized evaluative authority becomes subjectively experienced authority—that is, how supervisory scrutiny is internalized, anticipated, and negotiated within governance decision-making.

The analysis identifies recurring experiential patterns across institutions and roles. Participants describe constrained autonomy, heightened responsibility, and pervasive interpretive uncertainty, particularly regarding how decisions may be assessed *ex post*. Supervision is thus experienced not only through formal rules but also through shared anticipations and relational adjustments that reorganize governance practice. These patterns are synthesized into four overarching experiential structures: (1) financial stability vis-à-vis social function, institutional purpose, strategy, and competitiveness; (2) regulation and supervision as transformative elements of corporate governance; (3) regulatory and supervisory risk as an emergent dimension of organizational uncertainty; and (4) behavioral and strategic dynamics in the supervisor–supervisee relationship. Together, these structures provide an integrated lens for understanding how governance actors navigate continuous oversight.

Spain offers an informative empirical setting for examining these dynamics. Its banking system combines systemic institutions, regional and cooperative banks, and niche entities operating within the layered supervisory framework of the European Banking Union.<sup>1</sup> Spanish banks interact intensively with supervisory authorities, giving governance actors direct exposure to how supervisory expectations are communicated, interpreted, and incorporated into organizational practice.

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<sup>1</sup> Specifically, Spanish banking system combines Global Systemically Important Banks (G-SIBs), Domestic Systemically Important Banks (D-SIBs), regional and cooperative banks, former savings banks, medium-sized and niche institutions.

The findings suggest that post-crisis supervision represents not only a technical recalibration of the regulatory architecture but a structural and experiential reconfiguration of governance. Supervisory engagement becomes embedded in strategic deliberation, organizational processes, and risk assessment, shaping both formal governance arrangements and informal practices. Maintaining an effective balance between robust oversight and institutional autonomy therefore requires attention to how supervision is lived by those charged with governing complex financial institutions.

This study contributes in three ways. First, it advances organizational theory by conceptualizing contemporary supervision as institutionalized evaluative authority and by showing how continuous external evaluation reorganizes governance work through interpretive, relational, and behavioral dynamics rather than through structural mechanisms alone. Second, by integrating thematic findings into four overarching experiential structures, it clarifies how authority, judgment, and professional identity are reconfigured in practice. Third, the study provides qualitative evidence on how senior governance actors experience sustained external scrutiny within a socially essential and highly regulated sector, offering insights that extend to other organizational settings characterized by continuous institutional oversight.

The remainder of the paper proceeds as follows. Section 2 develops the theoretical framework. Section 3 outlines the research design and methodology. Section 4 presents the empirical findings. Section 5 discusses implications for organizational governance under evaluative regimes. Section 6 concludes.

## **2. Literature Review and Theoretical Framing**

Research in organizational theory highlights how externally imposed frameworks are not simply adopted but actively interpreted and enacted by organizational actors in situated practice. Studies of legal environments show how organizations translate ambiguous external expectations into internal structures and practices (Edelman, 1992; Kaufman and Englander, 2005), while work on inhabited institutions emphasizes how institutional arrangements are experienced and enacted through everyday interactions (Hallett and Ventresca, 2006). These perspectives draw attention to the interpretive and relational processes through which external authority becomes embedded within organizational life. Related work on sensemaking, governance, risk, and auditability further shows how such authority is translated into control practices, documentation, and risk-governance routines (Weick et al., 2005; Gendron and Bédard, 2006; Bhimani, 2009; Power, 2007, 2021). This argument also resonates with research on identity in organization studies, which shows how organizational actors construct, stabilize, or question their self-understandings when organizational settings are ambiguous, pressured, or control-intensive (Alvesson, 2010).

Taken together, these perspectives suggest that external supervision operates not merely as a mechanism of control but as an ongoing, interpretive process through which authority is enacted, experienced, and internalized within organizational life—yet how this occurs in contexts of sustained and discretionary oversight remains insufficiently understood. Building on this insight, this study conceptualizes contemporary supervision as institutionalized evaluative authority. Institutionalized evaluative authority refers to forms of oversight in which formal regulatory authority is coupled with continuous assessment, interpretive discretion, and ongoing judgment. Under these conditions,

authority is exercised not only through explicit rules or episodic intervention but also through the anticipation and internalization of supervisory scrutiny, as organizations orient practices toward future evaluation, documentation, and auditability (Power, 2007, 2021). Organizational actors orient decisions toward how they may be interpreted and judged by external authorities, embedding supervisory expectations within routine governance processes, risk controls, and formalized practices of accountability (Bhimani, 2009; Palermo et al., 2017). This concept extends research on evaluative infrastructures, audit regimes, and risk-governance practices by showing how continuous oversight becomes embedded in governance work and reshapes how authority, responsibility, and judgment are enacted within organizations (Power, 2007, 2021; Espeland and Sauder, 2007; Alvesson and Willmott, 2002).

Banking provides a particularly revealing empirical setting for examining institutionalized evaluative authority. As a socially essential sector responsible for credit allocation, savings intermediation, and payment infrastructures, banking plays a central role in modern economies. It is also one of the sectors most extensively transformed by post-crisis changes in its oversight architecture. While the underlying dynamics may extend to other regulated sectors, banking offers a critical case in which external evaluation is deeply embedded in governance processes.

The literature on banking regulation and supervision and corporate governance has evolved substantially since the Global Financial Crisis (GFC). Before the crisis, regulation and internal governance were often treated as alternative mechanisms for constraining risk-taking and mitigating moral hazard (Barth et al., 2004; Laeven and Levine, 2009). Post-crisis reforms shifted this framing toward complementarity, as scholars increasingly recognize that neither governance nor supervision can secure

financial stability in isolation (Anginer et al., 2018; Adams et al., 2022; Glinavos, 2022). The crisis exposed the limits of self-regulation and fragmented oversight, foregrounding the institutional interdependence of regulatory regimes and internal governance structures.

Empirical research supports this complementarity perspective. Adams et al. (2022) show that high-quality regulation amplifies the risk-reducing effects of strong governance, extending earlier work by Adams and Ferreira (2008, 2012) and Becher and Frye (2011), who demonstrate that regulatory pressure can reinforce internal monitoring when embedded in robust institutional environments. Related banking studies further show that governance, ownership structures, and regulatory environments jointly shape risk-taking and stability (Laeven and Levine, 2009; Anginer et al., 2018; Aebi et al., 2012). Yet complementarity at the institutional level does not eliminate tension in governance practice. Bruner (2018) highlights frictions between capital requirements and shareholder incentives under stress conditions, while Marchionne and Pisicoli (2017) show that regulatory effectiveness depends on institutional quality. Regulation thus enters board deliberations not only as a constraint or enabling condition, but as an evaluative supervisory presence that reshapes expectations, judgment, and responsibility within governance work.

Normative scholarship further complicates this picture by highlighting the broader societal role of banking and the tensions embedded in supervisory regimes. Baradaran (2014) conceptualizes banking as operating under a distinctive social contract that requires continuous oversight to sustain legitimacy, while Quintás (2012) emphasizes that supervision itself entails risks, including misalignment with the public interest, technical deficiencies, disproportionate intervention, and excessive cost. These perspectives

suggest that supervision should not be understood solely as a technical regulatory instrument but also as an institutionalized source of authority, discretion, and interpretation , consistent with organization-theoretic accounts of power as operating through both visible control and more diffuse forms of subjectification and discipline (Fleming and Spicer, 2014).

Seen through the lens of institutionalized evaluative authority, post-crisis supervision can therefore be understood as a regime of continuous external assessment. Supervisory bodies do not merely enforce compliance; they also assess, interpret, prioritize, and judge organizational conduct on an ongoing basis. In doing so, they embed evaluative expectations within governance routines and strategic deliberation. Banking thus offers a particularly revealing case for examining how external authority becomes internalized, anticipated, and negotiated within governance work.

This framing highlights an important gap in existing research. While regulation–governance complementarity has been widely examined at the structural level, less attention has been devoted to how supervisory regimes are interpreted, internalized, and experienced by governance actors themselves. In particular, we know relatively little about how intensified supervision reshapes the balance between financial stability and broader institutional purpose, how it reconfigures governance internally, what forms of uncertainty it generates for decision makers, and how actors respond relationally and strategically to continuous supervisory scrutiny. To address this gap, the analysis is organized around four interrelated dimensions that capture how institutionalized evaluative authority reshapes governance work in banking practice.

The first dimension centers on financial stability as the dominant organizing principle of post-crisis reform and on the reconfigured banking social contract that this shift has

helped produce. While this reordering has strengthened resilience, it may also reshape institutional purpose, strategic autonomy, competitiveness, innovation capacity, and talent attraction within banking organizations. Stability thus introduces tensions between prudential protection and broader institutional objectives, reshaping how governance actors balance resilience, competitiveness, and organizational purpose within a reconfigured banking social contract.

The second dimension conceptualizes regulation and supervision as transformative elements of corporate governance. Under conditions of discretionary supervisory assessment, supervision becomes embedded in decision-making processes, governance reviews, and strategic deliberation. Supervision does not merely constrain governance from the outside; it reconfigures it from within by reshaping responsibilities, expectations, and patterns of interaction among governance actors. Anticipation of supervisory scrutiny, heightened oversight, and expanded governance expectations may alter how directors and senior executives relate to one another, how authority is exercised, and how judgment is coordinated in practice. Governance thus becomes a relational accomplishment shaped not only by internal structures, but also by the continuous presence of evaluative authority.

The third dimension concerns the emergence of regulatory and supervisory risk as a distinct form of organizational uncertainty. Under conditions of interpretive discretion, retrospective reassessment, operational strain, and reputational exposure, governance actors must navigate uncertainty not only about business outcomes, but also about how decisions may later be interpreted and evaluated by supervisory authorities. Regulatory and supervisory risk therefore becomes embedded in governance judgment itself, introducing a distinctive layer of uncertainty into strategic deliberation and organizational

conduct. Although closely related to the broader transformation of governance, the empirical material suggests that actors experience this form of risk as a distinct dimension of practice, which the analysis therefore treats separately.

The fourth dimension foregrounds behavioral and strategic dynamics in supervisor–supervisee relationships. Under conditions of evaluative uncertainty and asymmetric authority, governance actors may engage in signaling, impression management, anticipatory adaptation, and strategic framing in response to continuous scrutiny. Insights from behavioral research (Simon, 1955; March and Simon, 1958; Kahneman, 2011) and studies of strategic representation in high-stakes environments (Cyert and March, 1963; Ocasio, 1999; Zahra and Filatotchev, 2004; Ees et al., 2009; Flyvbjerg, 2021) illuminate how supervisory encounters are not merely technical exchanges, but interpretive and strategic interactions structured by risk perception, asymmetric authority relations, and evaluative anticipation.

These dynamics intersect with longstanding governance debates on board independence, managerial influence, and power asymmetries (Berle & Means, 1930; Donaldson & Davis, 1991; Zahra & Pearce, 1989; Hillman & Dalziel, 2003). Formal independence does not dissolve embedded hierarchies of expertise and authority (Morck, 2004; Knyazeva et al., 2013; Kress, 2018; Huse, 2023; Huse & Gabrielson, 2012). Under discretionary supervisory regimes, such asymmetries may be reconfigured rather than eliminated. Supervisory authority does not replace internal governance; it reshapes how discretion is exercised and justified.

Against this backdrop, lived tension emerges as the relational manifestation of intensified complementarity. Directors and senior managers may experience compressed autonomy, heightened responsibility without commensurate control, and the internalization of

supervisory expectations as they navigate tensions between external demands and self-understandings under conditions of uncertainty (Collinson, 2003; Watson, 2008). Regulatory and supervisory risk becomes embedded in decision-making, while behavioral adaptations arise as pragmatic responses to sustained supervisory oversight.

The conceptual architecture therefore delineates the key structural and relational conditions while remaining open to how they are enacted and interpreted in practice. The empirical analysis that follows examines how institutionalized evaluative authority becomes subjectively experienced authority—how formal supervisory architecture is translated into lived experience, decision-making, and professional conduct.

### **3. Methodology and Research Design**

#### *3.1. Methodology*

To examine how institutionalized evaluative authority becomes subjectively experienced authority in practice, this study adopts a qualitative methodology. Rather than assessing supervisory effectiveness at a structural level, the research focuses on how continuous supervisory oversight reshapes governance work as it is lived and interpreted by senior banking actors. Because the phenomenon concerns subjective meaning, professional identity, emotional experience, and relational configurations of authority rather than measurable organizational outcomes, an interpretive design is particularly appropriate. Quantitative approaches may relate governance characteristics to financial indicators (Huse, 2023), but they cannot capture how supervisory scrutiny is lived or how discretion is recalibrated in everyday decision-making processes.

The study follows an inductive and humanistic orientation (Taylor and Bogdan, 1987). Participants are approached as governance actors navigating the complex and often

emotionally charged realities of what has been described as a regulatory “tsunami” and an intensifying supervisory presence. Their accounts are analyzed contextually, acknowledging that interpretations of supervision vary by institutional role (e.g., chair, CEO, independent director, CRO), institutional model, and professional trajectory. Such contextual grounding helps illuminate how supervisory authority reshapes responsibility, discretion, and strategic action in the Spanish banking sector.

Reflexivity also informed the research design. Directors and senior managers may hesitate to express critical views due to reputational concerns and ongoing supervisory relationships. Particular care was therefore taken to ensure confidentiality and create a nonjudgmental interview setting, enabling candid reflections on supervisory dynamics and governance tensions.

Among qualitative approaches to lived experience (Álvarez-Gayou, 2003), phenomenology is particularly suited to the study’s objectives. It seeks to understand experience in natural contexts (Symon and Cassell, 1998) and privileges participants’ lived realities over externally imposed categories (Collis and Hussey, 2003). Rooted in Husserl’s (1970) notion of the life-world, phenomenology emphasizes human experience prior to conceptualization. Subsequent scholarship highlights that meaning emerges through lived engagement and intentional interpretation (Laverty, 2003; Polkinghorne, 1983; Polkinghorne, 1989; Valle et al., 1989; Morse and Richards, 2002). These assumptions align with the study’s aim of examining how supervisory authority is experienced and interpreted by governance actors.

Supervisory pressure operates across emotional (e.g., anxiety, vigilance, frustration), cognitive (e.g., perceptions of fairness, proportionality, or predictability), and identity dimensions (e.g., shifts in perceived autonomy or professional boundaries). It unfolds

through repeated supervisory interactions that shape anticipation and response. Directors and senior managers operate under legal accountability that exceeds practical control—a tension closely linked to institutionalized evaluative authority. A phenomenological approach therefore enables the exploration of how these tensions are interpreted and negotiated in practice.

Epistemologically, the study is informed by hermeneutic phenomenology. Rather than attempting to bracket all prior assumptions, the research engages them reflexively in a dialogical interpretive process. Drawing on Patton (1990, 2015), Van Manen (1997), and Gibson (2004), the analysis seeks to understand how participants construct meaning from their experiences through interaction between interviewer and interviewee. The objective is to identify shared experiential structures—recurring patterns of meaning across cases—while preserving the distinctiveness of each narrative

This approach is particularly appropriate for examining complex and professionally consequential experiences, such as how directors internalize supervisory expectations, navigate constrained autonomy, or perceive supervisory interventions as sources of operational or reputational risk. Its emphasis on meaning-making aligns closely with the study's central objective: to understand how senior banking leaders construct and interpret their lived experience of expanding regulation and intensified supervision.

Consistent with this orientation, data were collected through semi-structured interviews with individuals directly engaged in supervisory interactions (Ryan and Bernard, 2000; Fernández Núñez, 2006). This format allowed detailed, context-rich accounts grounded in participants' interpretive frameworks while leaving space for unanticipated themes related to authority, discretion, risk, and lived complementarity. Rather than examining

the formal institutional design of the supervisory framework, the study focuses on how supervisory authority is experienced, interpreted, and negotiated in everyday governance practice.

While phenomenology provides the interpretive lens, thematic analysis (Braun and Clarke, 2006, 2013) structures the coding process. The phenomenological perspective directs attention to participants' lived experience and meaning-making, while thematic analysis provides a systematic procedure for the coding and integration of data, ideas, and concepts, as well as their interpretation and sense-making within the data analysis phase. That is, for identifying recurring patterns across narratives. This combination enables movement from detailed narratives to overarching experiential structures while maintaining a close connection to participants' lived accounts. In this sense, thematic analysis functions as an analytical tool for organizing experiential material rather than as a substitute for phenomenological interpretation.

Spain offers a compelling empirical setting. As of September 2025,<sup>2</sup> ten Spanish banking groups are designated as Significant Institutions under direct European Central Bank (ECB) supervision, representing approximately 94 percent of domestic banking assets (excluding foreign subsidiaries). The sector combines systemic relevance with institutional diversity (it also includes medium-sized and niche institutions, as well as regional and cooperative banks), embedding Spanish banks deeply within the ECB - Single Supervisory Mechanism while preserving heterogeneity in governance configurations.<sup>3</sup> Spain's economy, with nominal GDP close to US\$1.9 trillion, ranks among the largest in the European Union, making its banking system comparable to those

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<sup>2</sup> <https://www.bankingsupervision.europa.eu/framework/supervised-banks/html/index.en.html>.

<sup>3</sup> In total 184 deposit institutions are registered in Spain, 108 of which are Spanish banks plus 76 foreign branches.

of other major EU economies.<sup>4</sup> This institutional context provides a rich setting for exploring how supervisory expectations are interpreted, internalized, and experienced by governance actors operating under conditions of continuous external supervisory scrutiny.

### *3.2. Sample and Participants*

Consistent with the interpretive orientation, the study employed purposive sampling to capture variation in supervisory experience across institutional contexts. Sampling was guided by theoretical relevance and experiential diversity rather than statistical representativeness.

The ECB's distinction between Significant Institutions and Less Significant Institutions served as a reference point, ensuring representation of the Banking Union's layered supervisory structure. Variation in business models, size, geographic scope, and legal form (banks, savings banks, cooperatives) further enhanced the diversity of experiential perspectives (see Table 1). All interviews were analyzed as a unified corpus to identify shared experiential patterns across roles and institutions.

[Insert Table 1 around here]

Two senior managers were invited from each of 35 institutions included in the targeted frame. Participants were required to hold senior roles (e.g., Chair, CEO, independent director, CRO, CFO, general counsel), possess sustained and direct exposure to supervisory interactions under the Banking Union, and have at least three years of post-crisis experience in a governance or senior management role. These criteria ensured that

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<sup>4</sup> <https://www.bde.es/f/webbe/GAP/Secciones/SalaPrensa/IntervencionesPublicas/Subgobernador/Arc/Fic/IIPP-2025-04-01-nunez-en-tr.pdf>

interviewees operated at the interface between internal governance and external oversight.

The final sample comprises 58 in-depth interviews. Of 70 eligible individuals contacted, 76.3 percent participated (six declined; three of these proposed alternative participants due to scheduling conflicts. A further nine individuals did not respond).<sup>5</sup> This final sample includes directors or senior managers performing their roles in thirty-three different institutions, with dual participation in 23 cases (70 percent). Interviewees serve in institutions accounting for 90.1 percent of total Spanish banking assets as of December 2024.<sup>6</sup> The sample spans six global or multi-market banks, seven national banks, ten regional institutions, and ten niche entities. Twenty-six participants are supervised directly by the SSM, and 32 by the Bank of Spain (see Table 2), reflecting the sector’s supervisory layering. The governance and managerial roles represented in the sample include Chair, CEO, independent non-executive director, general counsel, CRO, CFO, Head of Supervisory Relations, and Head of Public Policy.

[Insert Table 2 around here]

Contextual attributes—including governance or managerial role, institutional business model, participant profile, years of experience, prior banking management experience, and previous service within a regulatory or supervisory authority—were documented to enhance interpretive depth while preserving anonymity of both individuals and

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<sup>5</sup> This high level of engagement underscores both the perceived relevance of the research question and the willingness of senior banking leaders to reflect critically on their supervisory experiences. Participation was voluntary and conducted under conditions of confidentiality.

<sup>6</sup> The figure of 90.1 percent of total assets in the Spanish banking system is calculated using individual balance sheets. The graph, however, presents consolidated assets in euros for the institutions in which the interviewees serve, in order to reflect their relevance within the Banking Union. Based on consolidated Banking Union assets, this sample of institutions represents more than 14.4 percent as of December 2024.

institutions. The dataset comprises nearly 110 hours of interviews and more than 1,250 transcript pages.

Participants were reminded that they spoke in a personal capacity rather than representing their institutions. This clarification reinforced the subjective focus of the inquiry and reduced pressure to defend institutional positions. Although not formal representatives, interviewees' seniority and experience afforded them deeply informed perspectives. Many expressed appreciations for the opportunity to reflect on supervisory influence—conversations they described as rare in daily practice—underscoring both the authenticity and relevance of the narratives collected.

### *3.3. Interview Design*

Interviews were designed to elicit rich accounts of how institutionalized evaluative authority is experienced and negotiated in governance practice. Following Smith and Osborn (2003), the aim was to create dialogical conditions enabling reflective and emotionally textured narration.

Fieldwork took place over eighteen months (mid-2024 to early 2025). Interviews were conducted in person or via secure video conference and lasted approximately ninety minutes. This format provided sufficient space for sustained, in-depth exploration of participants' experiences of supervisory scrutiny while maintaining procedural consistency across cases.

Prior to participation, interviewees received information about the study and provided informed consent for the interview, audio recording, transcription, and analysis. To safeguard confidentiality, participants were assigned anonymized alphanumeric identifiers used throughout the analytical process.

A semi-structured format aligned the data collection process with the study's interpretive orientation. Rather than relying on a standardized questionnaire, the interviews were organized around broad themes informed by the conceptual architecture developed in Section 2. These themes functioned as sensitizing devices rather than prescriptive categories. As Qu and Dumay (2011) note, semi-structured interviews enable the exploration of latent human, managerial and relational dynamics within evolving configurations of authority. For phenomenological analysis, semi-structured interviewing is especially suitable because it enables an interactive exchange in which questions can evolve in light of participants' responses and significant experiential threads can be explored as they arise (Smith and Osborn, 2003). In practice, themes were introduced neutrally, participants were encouraged to narrate their experiences in their own terms, and the interviewer gently maintained focus on the phenomenon under study without constraining participants within predetermined explanatory frames. In doing so, the aim was to elicit the subjective meanings, emotional responses, and interpretive reflections that constitute the core of phenomenological inquiry.

The interview guide underwent a multi-stage development process, including expert review and pilot testing with three senior managers. Two closely aligned versions—adapted for directors and senior managers—were then finalized, differing only in minor linguistic adjustments relevant to their respective role.

The final guide comprised seven thematic areas that translated the study's conceptual concerns into open-ended prompts suited to phenomenological interviewing. These areas did not reproduce the four dimensions developed in Section 2 in a one-to-one manner; rather, they were designed as broader narrative entry points through which participants could articulate their experiences in their own terms. They addressed participants'

understanding of the research context, particularly the regulatory and supervisory transformation; behaviors and consequences for decision-making; lived experiences of supervisory interactions; lived experiences of responsibility; emotional, perceptual, and attitudinal responses; suggestions for improving the framework; and reflections on whether regulation and supervision complement or substitute internal governance. Collectively, these themes enabled exploration of the four broader dimensions developed in Section 2: financial stability and the reconfigured banking social contract; the

Although the interview guide provided conceptual direction, interviews remained flexible and adaptive. Emerging issues were pursued when they deepened understanding of participants' experiences without altering the overall thematic orientation. This balance between focus and openness preserved phenomenological depth while enabling systematic cross-case analysis.<sup>7</sup>

The resulting corpus of narratives forms the empirical basis for the experiential patterns and four overarching structures presented in Section 2. A selection of anonymized excerpts illustrating the depth and range of participants' narratives collected is included in Appendix VI.

### *3.4. Analytical Procedures and Data Analysis Approach*

The analysis followed an iterative process combining phenomenological interpretation with thematic coding. Phenomenology guided attention to how participants experienced supervisory scrutiny, while thematic analysis (Braun and Clarke, 2006) provided a systematic framework for moving from repeated engagement with the interview material,

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<sup>7</sup> Following the external cross-checking review and pilot phase, we shared the interview guide in advance to facilitate participants' reflection and improve the depth and reliability of their narratives.

through successive stages of coding and pattern development, to the construction of the four overarching experiential structures that organize the findings. The analytic process unfolded in six interconnected phases, summarized in Figure 1.

[Insert Figure 1 around here]

First, each audio recording was reviewed to verify transcription accuracy. Transcripts were then read in full, prepared in analytic form, and anonymized to enable interpretive abstraction while safeguarding confidentiality. This stage supported sustained engagement with participants' accounts and generated initial analytic insights, while treating the corpus as a coherent experiential field structured by relational configurations of authority.

Second, open coding was conducted inductively. Meaningful ideas, perceptions, emotional expressions, and interpretive fragments were identified and labeled across transcripts, using participants' own language where possible. This stage remained intentionally granular, capturing the richness and diversity of how supervisory authority was experienced, interpreted, and negotiated within governance practice. The result was a comprehensive set of first-order codes representing an initial analytic decomposition of the corpus.

Third, axial coding grouped first-order codes into more abstract categories reflecting conceptual affinities and relational dynamics. This stage linked experiential fragments into broader interpretive patterns and laid the groundwork for the construction of more integrated thematic groupings.

Fourth, initial themes were developed from patterns identified during axial coding. These themes captured recurring experiential dynamics across participants and remained

provisional and deliberately expansive at this stage, reflecting the exploratory character of early thematic synthesis. The focus was on how clusters of meaning addressed the research question and illuminated common experiential threads.

Fifth, the initial themes were systematically reviewed and refined, with attention to their internal coherence, distinctiveness, and evidentiary support within the dataset. Some themes were merged to reflect shared meaning; others were subdivided or discarded. For each validated theme, its core meaning—what story the theme tells—and its role within the broader interpretive narrative was articulated. Through this process, recurring patterns were consolidated into seven analytical pillars capturing the principal domains through which governance actors interpreted and negotiated supervisory authority.. These pillars served as an intermediate interpretive layer between the interview material and the final theoretical integration. They did not replicate the seven interview thematic areas in Appendix I, nor did they correspond directly to the four overarching experiential structures; rather, they emerged through analysis as broader interpretive constellations linking coded material across themes, participants, and cases.

Sixth, writing functioned as an integral component of the analysis rather than mere reporting. Within a phenomenological approach, writing constitutes interpretive work: it transforms coded material and emerging patterns into a coherent account grounded in participants' language and situated within the broader conceptual architecture. Once a stable thematic structure had emerged, writing enabled the seven analytical pillars to be integrated into the four overarching experiential structures that organize the interpretation of findings and connect the empirical material back to Section 2. Illustrative excerpts were selected to convey the experiential texture of supervisory life and the relational configurations of authority in which it unfolds.

Appendix II details the progression from 152 open codes to 57 axial codes, from these to recurring experiential patterns, and from those patterns to the seven analytical pillars summarized in Table AII.1. This layered analytic process provides an audit trail showing how experiential material was progressively interpreted and theoretically situated, while avoiding the deductive imposition of the conceptual framework developed in Section 2.

From the stage of axial coding onward, NVivo 14 supported data organization, retrieval, and hierarchical coding. The software solely facilitated systematic management of the corpus and visualization of coding relationships (word maps), but it did not automate interpretation. Consistent with the study's phenomenological orientation, no natural language processing or machine-learning techniques were employed. Such computational approaches rely on statistical pattern recognition and are epistemologically misaligned with hermeneutic analysis, which prioritizes contextualized and relational meaning-making.

By combining phenomenological interpretation with the procedural rigor of thematic analysis —and by supporting but not delegating analytic labor to NVivo—, the study seeks to ensure methodological transparency, conceptual coherence, and fidelity to participants' lived experience.

## 4. Empirical Findings

The empirical analysis builds directly on the inductive and interpretive process outlined in Section 3.4. Open coding and axial coding generated recurring experiential patterns in how governance actors experienced, interpreted, and negotiated intensified supervisory oversight under conditions of continuous external scrutiny. For clarity, these patterns are presented through seven analytical pillars that capture the principal domains through which supervisory authority was lived and made sense of in practice. These pillars constitute an intermediate interpretive layer between the interview thematic areas introduced in Appendix I and the four overarching experiential structures that give empirical depth to the conceptual architecture developed in Section 2. While the conceptual dimensions developed in Section 2 inform the interpretation of the material, they did not structure the coding process deductively.

### *4.1. Pillar 1: Stability–Competitiveness Tensions in the Post-Crisis Supervisory Regime*

This pillar captures how governance actors experience the organizational consequences of operating under conditions of intensified supervisory scrutiny. Participants broadly acknowledge that the regulatory and supervisory framework introduced after the Global Financial Crisis has strengthened the resilience and prudential solidity of the banking system (see Tables 3 and 4). At the same time, they describe growing tensions between the pursuit of stability and banks' strategic, innovative, and competitive capacity. Stability is thus experienced not only as a collective institutional achievement, but also as an organizing principle that reorders governance priorities and managerial attention.

Participants frequently portray the framework as simultaneously stabilizing and constraining. While it enhances institutional solidity, it also demands continuous adaptation to an expanding and increasingly intrusive architecture. Interviewees

emphasize the pace and density of reforms, the operational burden of compliance, the scope of supervisory expectations, and the emotional strain generated by persistent scrutiny. Stability therefore appears not as a neutral technical outcome, but as a demanding organizational condition that redistributes attention, narrows discretionary space, and reshapes governance work.

[Insert Tables 3 and 4 around here]

Participants describe opportunity costs associated with this transformation. Regulatory and supervisory demands absorb financial and human resources, redirecting managerial attention away from long-term development toward regulatory alignment. Several interviewees characterize this shift as moving from building “the bank of tomorrow” to managing the legacy of “the bank of yesterday.” They also point to competitive asymmetries vis-à-vis less regulated competitors, particularly FinTech firms and institutions operating under more flexible regimes. In their accounts, cumulative prescriptiveness may discourage lending to dynamic or higher-risk sectors, reduce flexibility in credit allocation, and reinforce structural market asymmetries.

Some participants further question whether the cumulative costs imposed by the framework generate proportional gains in social welfare. Appendix III (Table AIII.1) summarizes thirty-two structural tensions identified in the analysis. Beyond structural concerns, interviewees consistently describe an emotional layer shaping their experience of the stability regime. Organizational pressures can generate vulnerability and heightened insecurity in how actors experience their roles (Sims, 2003). Although they often recognize the framework’s technical legitimacy, many associate it with frustration, fatigue, resignation, and diminished agency (see Appendix IV, Figure 2). They depict an environment marked by overload, vigilance, and reduced control. A minority offer more

positive interpretations—such as opportunity, reassurance, or proactive adaptation—suggesting that some actors are able to integrate the regime more constructively into their professional identity.

These accounts coalesce into four recurring experiential patterns: depletion, struggle, disaffection, and adaptation.<sup>8</sup> Together, they reveal a polarized emotional field shaping executive posture and relational positioning under supervision. Recurring references to unease, misunderstanding, vulnerability, and injustice further signal pressures that may encourage defensive or over-compliant behaviors. Governance actors thus experience the stability regime as both a source of institutional resilience and a demanding organizational condition that generates strain and invites recalibration.

#### *4.2. Pillar 2: Paradoxes and Vulnerabilities of the New Stability Architecture*

This pillar captures how governance actors experience the internal paradoxes and vulnerabilities of a dense stability-oriented regulatory framework (see Table 5). Participants frequently portray this framework as continuously expanding, procedurally dense, and increasingly difficult to interpret—often likening it to a “spider’s web.” Three interrelated dynamics structure this experience. First, ongoing regulatory expansion produces what some describe as an “excess” of stability-oriented regulation, experienced as compliance overload and procedural artificiality. Second, frequent amendments and iterative refinements create instability within the regulatory corpus itself, reducing predictability and complicating long-term planning. Third, the widening scope of expectations shifts managerial attention toward formal adherence, as directors and senior

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<sup>8</sup> The findings therefore do not evaluate the technical adequacy of the supervisory model. Rather, they describe how governance actors make sense of intensified prudential oversight, highlighting how stability, authority, responsibility, uncertainty, and strategic adaptation unfold in practice.

managers devote increasing time and resources to documentation, alignment, and procedural defensibility.

[Insert Table 5 around here]

These dynamics generate lived paradoxes. While the framework is intended to reduce systemic fragility, its complexity is experienced as diverting attention from material risk assessment toward conformity. Participants suggest that regulation can at times become an end in itself, driven by institutional momentum rather than by clearly articulated necessity. In this setting, formal compliance does not always translate into substantive risk mitigation, raising concern that procedural robustness may coexist with a sense of “false security.”

A further paradox emerges from the coexistence of granular prescription and interpretive ambiguity. Certain domains are governed by detailed rules, while others remain open to supervisory interpretation. Participants experience this combination of precision and opacity as a source of legal uncertainty and uneven application. Anxiety about unintended non-compliance and potential sanction risk becomes recurrent, particularly where supervisory expectations evolve without explicit clarification.

Interviewees also note asymmetries across jurisdictions and between regulated banks and less-regulated providers. Rather than framing these differences as evidence of outright systemic failure, they describe them as reinforcing caution and strategic hesitation in governance practice. Word-map analysis (Appendix IV, Figure 3) highlights four interconnected experiential domains associated with these paradoxes: economic–operational strain, strategic–competitive constraint, institutional–relational tension, and pressures on organizational efficiency.

Importantly, interviewees do not reject supervision as such. Rather, they describe procedural intensity and interpretive opacity as embedding uncertainty and continuous interpretive work into governance practice.

#### *4.3. Pillar 3: Reconfiguring the Banking Social Contract under Supervisory Oversight*

This pillar examines how governance actors experience the reconfiguration of the banking social contract under conditions of intensified supervisory oversight. Participants describe a shift in how responsibility, authority, and professional judgment are distributed and enacted within contemporary banking governance roles. Rather than operating as a distant safety mechanism, supervision is experienced as an institutional presence that increasingly shapes how governance roles are understood and exercised.

Participants portray the supervisory framework as a form of continuous preventive intervention. Supervision is experienced less as episodic oversight and more as an ongoing presence shaping expectations in advance. This orientation alters the relational balance between supervisors and governance actors. Several directors note that prescriptive standards and predefined expectations partially absorb the burden of individual judgment. Supervision therefore both guides and constrains decision-making: it offers reassurance and procedural clarity while narrowing the space for autonomous discretion.

Many interviewees emphasize heightened personal exposure. A preventive and interventionist posture expands formal accountability while intensifying legal, reputational, and professional risk. Directors report broader responsibilities without corresponding control over the conditions shaping outcomes. This imbalance encourages

caution and, in some cases, fatigue, as governance decisions are increasingly filtered through considerations of exposure alongside strategic priorities.

Participants also express ambivalence about whether the revised social contract's redistribution of responsibility fully materializes in practice. While they recognize the intention that banks absorb failure costs, doubts about bail-in credibility and recent episodes of public intervention reinforce a perceived gap between formal design and lived experience.

Finally, interviewees describe a transformation of governance roles. Several observe that these roles have become more routinized and compliance-intensive, with consequences for professional attractiveness and identity. Others point to a subtler trade-off: embedding decisions within prescribed supervisory frameworks can provide a degree of procedural protection, yet it comes at the cost of reduced discretion and strategic agency. Across accounts, the banking social contract appears as an evolving relational arrangement through which authority, exposure, and professional identity are reconfigured within contemporary supervisory regimes.

#### *4.4. Pillar 4: Synchronization Challenges Between Boards and Executives*

This pillar captures how intensified supervision reshapes internal governance relationships. Participants consistently describe a growing need for synchronization between non-executive directors and senior executives as supervisory expectations expand and accountability pressures intensify.

Interviewees report that heightened scrutiny of board responsibility channels more issues upward. Agendas expand, technical complexity increases, and directors become more involved in matters traditionally associated with executive management. At the same

time, directors face escalating fiduciary duties, limited time, and continued reliance on filtered or mediated information. These dynamics blur the boundary between oversight and management, generating ambiguity about role integrity and the allocation of responsibility.

Participants stress the importance of preserving what some call the “double independence” of directors—both from management and from undue supervisory influence. Yet supervisory interactions, even when regarded as constructive, are at times experienced as intrusive. Several interviewees describe a shift in board priorities toward compliance vigilance rather than strategic deliberation, altering the tone of internal interactions and straining trust between boards and executives.

Actors describe an emerging asynchrony in governance work. Decision-making becomes slower, more cautious, and less cohesive as accountability pressures intensify. When responsibilities expand without corresponding adjustments in authority, information symmetry, or remuneration, directors may adopt defensive postures. Executives, in turn, may experience board oversight as increasingly risk-driven rather than strategy-oriented. Under these conditions, synchronization between boards and senior managers becomes a practical requirement for navigating evaluative exposure.

#### *4.5. Pillar 5: Supervisory Extension into Strategic, Organizational, and Cultural Domains*

This pillar reflects the perceived extension of supervision beyond prudential metrics into strategic, organizational, and cultural domains. Participants describe supervisory influence reaching into product design, capital allocation, governance architecture, business models, and risk culture.

For some interviewees, this expansion strengthens discipline and reinforces long-term resilience. For many others, however, it blurs functional boundaries. Supervisory expectations increasingly shape internal priorities without always being formally codified. Strategic decisions incorporate anticipated supervisory reactions alongside market and business considerations, even where no explicit directive has been issued.

Several participants describe this dynamic as a form of “implicit steering.” Organizations adjust timing, risk appetite, and internal processes preemptively to avoid supervisory friction. This anticipatory adaptation narrows the perceived space for autonomous strategic judgment and redistributes authority within governance structures.

Participants also describe a reduced space for bidirectional and context-sensitive dialogue. Interviewees report diminished recognition of professional judgment and fewer opportunities to construct customized or jointly elaborated solutions. Under these conditions, governance actors speak of “supervision in the shadows”: expectations are carried into organizational practice even when not formally prescribed, and procedural assurance may prevail over contextual deliberation. The result is a compression of the relational space in which authority, discretion, and responsibility are negotiated.

#### *4.6. Pillar 6: Regulatory and Supervisory Risk as a New Category of Uncertainty*

This pillar captures the emergence of regulatory and supervisory risk as a pervasive feature of the decision environment. Participants describe this risk as shaped by evolving supervisory expectations, interpretive discretion, and the possibility of retrospective reassessment.

Interviewees emphasize unpredictability. Rules evolve, interpretations shift, and supervisory judgments may be recalibrated over time. Directors worry that decisions

regarded as reasonable under one set of expectations may later be evaluated differently. Interpretive discretion and the prospect of ex post assessment create strong incentives for anticipatory caution, as strategic initiatives are evaluated not only through financial and market criteria, but also through their potential supervisory interpretation.

Many participants perceive that supervisory authorities—mindful of their own legal and reputational exposure—shift substantial responsibility toward supervised institutions. Mechanisms such as influencing risk appetite, promoting standardized governance templates, requiring extensive documentation, and assigning explicit board accountability embed supervisory risk within everyday governance decisions. Regulatory and supervisory risk thus becomes intertwined with how authority and responsibility are exercised inside banks.

Although most interviewees interpret these dynamics as manifestations of institutional risk aversion, a minority adopt a more nuanced view. Some suggest that supervisors themselves operate under heightened legal and reputational constraints and may therefore require greater capacity to assume legal risk and adopt more flexible, context-sensitive approaches. Phenomenologically, however, the dominant experience remains one of heightened legal awareness and constrained autonomy. Across accounts, regulatory and supervisory risk emerges not simply as a technical category but as a lived condition that reshapes how authority, responsibility, and trust are negotiated.

#### *4.7. Pillar 7: Behavioral Adaptation and Strategic Dynamics in the Supervisor–Supervisee Relationship*

This pillar captures the behavioral and strategic dynamics that emerge within the supervisor–supervisee relationship under sustained evaluative authority. Participants

describe patterns resembling signaling, impression management, strategic compliance, and anticipatory adaptation. Interviewees recount instances of “theatrical compliance,” selective emphasis, and narrative framing designed to shape supervisory perception. Many attribute these behaviors to perceived supervisory skepticism and residual mistrust rooted in the financial crisis. Under such conditions, governance actors sometimes operate according to parallel logics: one oriented toward substantive business judgment and another toward anticipated supervisory scrutiny.

Across interviews, these behavioral patterns coalesce into recurring ways in which governance actors interpret and respond to sustained supervisory scrutiny. These responses can be synthesized into five behavioral archetypes that illustrate how organizational actors navigate institutionalized evaluative authority in practice. Rather than representing fixed individual traits, these archetypes capture interpretive repertoires through which governance actors reconcile external supervisory pressure with organizational responsibility and professional judgment. They build on Alvesson’s (2010) view of identity as captured through multiple images, showing how actors construct and position themselves under organizational pressure, while also reflecting the dialogic and situated nature of identity work in organizational relationships (Beech, 2008).

The Active Skeptic engages critically with supervisory expectations while maintaining a strong commitment to institutional resilience. Actors exhibiting this orientation openly question supervisory interpretations and seek dialogue, yet ultimately continue to operate within the framework of oversight.

The Constructive Critic similarly recognizes the legitimacy of supervision, but emphasizes contextual judgment and proportionality. This orientation involves

collaborative engagement with supervisors while advocating for interpretations that better reflect institutional realities.

The Institutional Collaborator adopts a cooperative stance toward supervisory authority, viewing oversight as an integral component of responsible governance. For these actors, alignment with supervisory expectations is perceived as reinforcing institutional credibility and stability.

The Resigned Complier experiences supervision primarily as a constraint, but responds through pragmatic accommodation. Rather than actively contesting supervisory expectations, these actors prioritize procedural alignment and risk minimization.

Finally, the Strategic Adapter approaches supervision as a strategic environment requiring careful calibration of communication, documentation, and organizational behavior in order to manage supervisory exposure.

These archetypal responses unfold within a relational environment characterized by continuous mutual adjustment between supervisors and supervised institutions. Supervisors may interpret cautious communication as indicative of deeper risk, intensify scrutiny, and thereby prompt further strategic signaling from banks. Internally, organizations adjust documentation practices, board minutes, agenda-setting, and deliberations to align with perceived supervisory sensitivities.

From a phenomenological perspective, participants experience these dynamics as reshaping the relational fabric of oversight. Several describe what might be termed a presumption of structural guilt—a background expectation that hidden risk or non-compliance may exist, thereby conditioning the tone of interaction. This perception forms the experiential backdrop against which governance actors interpret supervisory

encounters and calibrate their responses. In this context, behavioral patterns take on a strategic character: perceptions become asymmetrical, and anticipatory reactions reflect logics of personal and institutional self-protection.

Supervision therefore operates not only at the level of regulation and procedure, but also at the micro-level of perception, trust, and strategic adaptation. Governance actors live this relationship as a continuous negotiation of meaning, credibility, and exposure within a field structured by institutionalized evaluative authority.

## **5. Discussion**

From participants' accounts, a coherent experiential landscape takes shape: post-crisis supervision is experienced not simply as a more demanding regulatory framework, but as a form of institutionalized evaluative authority that reorganizes governance work under conditions of continuous external scrutiny. What emerges, therefore, is not only a narrative of burden or constraint, but a reconfiguration of how institutional purpose, authority, uncertainty, and relational conduct are lived and negotiated in practice. Across the seven analytical pillars, this experiential landscape consolidates into four overarching experiential structures that give empirical depth to the conceptual architecture developed in Section 2.

First, the findings indicate a reordering of institutional purpose around the primacy of financial stability. While participants broadly accept stability as legitimate and necessary, it increasingly becomes the dominant organizing principle through which governance is framed and evaluated. Stability thus shifts from a prudential boundary condition to a central logic shaping strategic deliberation, institutional priorities, and professional identity. In this sense, the findings give empirical depth to the first experiential structure

identified in Section 2: financial stability is experienced not merely as an external objective of regulation, but as a principle that redefines what responsible governance means. The opportunity costs described by participants—reduced strategic bandwidth, constrained innovation, and diminished competitive flexibility—suggest that prudential defensibility increasingly displaces other institutional purposes rather than simply coexisting with them, thereby implying a recalibration of the banking social contract.

Second, the findings show that supervision transforms corporate governance from within. Authority operates not only through rules and formal intervention, but through anticipation, internalization, and organizational adjustment. Accountability expands more rapidly than practical control, generating what might be termed a governance squeeze, while boundaries between oversight and management become more difficult to sustain in practice. The result is not simply complementarity between governance and supervision, but a more consequential reorganization of governance roles, responsibilities, and coordination, including a growing practical need for synchronization between boards and senior management. This gives empirical depth to the second experiential structure developed in Section 2 by showing that supervision is lived less as an external constraint on governance than as a force that reconfigures governance internally. Governance becomes increasingly oriented toward interpretive defensibility, and, even without explicit directives, supervisory expectations are translated into organizational adjustments—captured in participants’ expressions such as “implicit steering” and “supervision in the shadows.”

Third, the study shows that regulatory and supervisory risk emerges as a distinct dimension of uncertainty embedded in routine judgment. Participants describe a decision environment shaped by interpretive discretion, evolving expectations, and the possibility

of retrospective reassessment. What is at stake is not only compliance in a narrow sense, but uncertainty about how action will later be interpreted by an external authority whose supervisory expectations may shift over time. Regulatory and supervisory risk therefore appears as more than a technical or legal category: it becomes part of the lived conditions under which governance actors exercise judgment. This gives empirical depth to the third structure developed in Section 2 by showing that supervisory risk is embedded not at the margins of governance, but in its everyday enactment. Many participants further suggest that this uncertainty is intensified by the redistribution of responsibility toward supervised entities through documentation requirements and formal accountability mechanisms, so that what is formally framed as collaborative oversight may at times be experienced as precautionary distancing oriented toward legal defensibility. This interpretation resonates with recent reflections within the European supervisory community on the need to strengthen supervisory judgment and risk tolerance in the exercise of oversight (ECB, 2023). The issue, therefore, is not whether supervision is necessary, but how legal exposure and evaluative responsibility are distributed across the supervisory field.

Finally, the findings indicate that sustained evaluative authority generates patterned behavioral and strategic responses within the supervisor–supervisee relationship. Signaling, impression management, anticipatory compliance, and selective framing are not experienced as opportunistic departures from governance, but as pragmatic responses to an environment characterized by uncertainty, asymmetry, and exposure. In this sense, behavioral adaptation is not a secondary effect of supervision; it is one of the mechanisms through which evaluative authority is reproduced in practice. The relational field described by participants is one of continuous mutual adjustment, in which supervisory caution and managerial defensiveness can reinforce one another. The behavioral archetypes identified in the analysis, ranging from more critical and dialogical

orientations to more accommodative and strategic ones, are therefore best understood not as fixed individual types, but as repertoires through which actors navigate continuous supervisory scrutiny (Alvesson, 2010). These repertoires are sustained not only cognitively and strategically, but also affectively, through recurrent feelings of vigilance, frustration, resignation, and adaptive accommodation.

Taken together, these four experiential structures give empirical depth to the conceptual architecture developed in Section 2. Institutionalized evaluative authority does not merely constrain conduct; it reorganizes institutional purpose, redistributes authority within governance, embeds supervisory risk into everyday judgment, and reshapes relational interaction between supervisors and supervised institutions. The contribution of the study is therefore not simply to show that supervision matters, but to explain how continuous external supervision becomes an internal and anticipatory condition of governance work. More broadly, the findings suggest that sustained discretionary oversight can reorganize organizational life not only through formal rules, but through the evaluative conditions under which actors make sense of responsibility, uncertainty, and legitimate action.

## **6. Conclusion**

This study examined how senior banking leaders in Spanish credit institutions experience and interpret the post-crisis regulatory and supervisory environment. Drawing on fifty-eight in-depth interviews and employing a phenomenological approach combined with thematic analysis, the research investigated how institutionalized evaluative authority is lived, interpreted, negotiated, and internalized in everyday governance practice.

The analysis shows that contemporary supervision is experienced not simply as a more demanding regulatory framework, but as a form of institutionalized evaluative authority

embedded in everyday governance practice. Through four overarching experiential structures, the study demonstrates how post-crisis supervision reorders institutional purpose around the primacy of financial stability, transforms corporate governance from within, embeds regulatory and supervisory risk into routine judgment, and generates patterned behavioral and strategic responses within the supervisor–supervisee relationship.

The paper’s main theoretical contribution is therefore not simply to show that supervision matters, but to explain how continuous external supervisory scrutiny becomes an internal and anticipatory condition of governance work. By conceptualizing contemporary supervision as institutionalized evaluative authority, the study shows that supervision operates not only through formal rules or episodic intervention, but through the evaluative conditions under which actors make sense of responsibility, uncertainty, and legitimate action. In this sense, the contribution extends beyond banking governance to broader organizational scholarship on how sustained discretionary oversight reshapes judgment, professional identity, and relational conduct in practice.

Although the empirical setting is banking supervision, the study’s broader relevance lies in the mechanism it identifies. Where organizations operate under continuous external supervision, interpretive discretion, and sustained accountability pressures, institutionalized evaluative authority may similarly become embedded in everyday judgment, responsibility, and relational conduct.

Several limitations warrant acknowledgment. The qualitative design and focus on Spanish credit institutions limit generalizability. The analysis reflects the perspectives of supervised entities and does not incorporate supervisors’ accounts. Future research could extend this work through comparative cross-jurisdictional analysis, incorporation of

supervisory perspectives, mixed-methods designs examining organizational outcomes, and longitudinal approaches tracing how experiential structures evolve over time.

Ultimately, the consequences of supervisory regimes cannot be understood through prudential metrics alone. Their effectiveness also depends on how they are interpreted, negotiated, and enacted within governance practice. Attending to these experiential dynamics is therefore essential for understanding how contemporary systems of continuous institutional oversight reshape organizational authority, professional identity, and governance work in practice.

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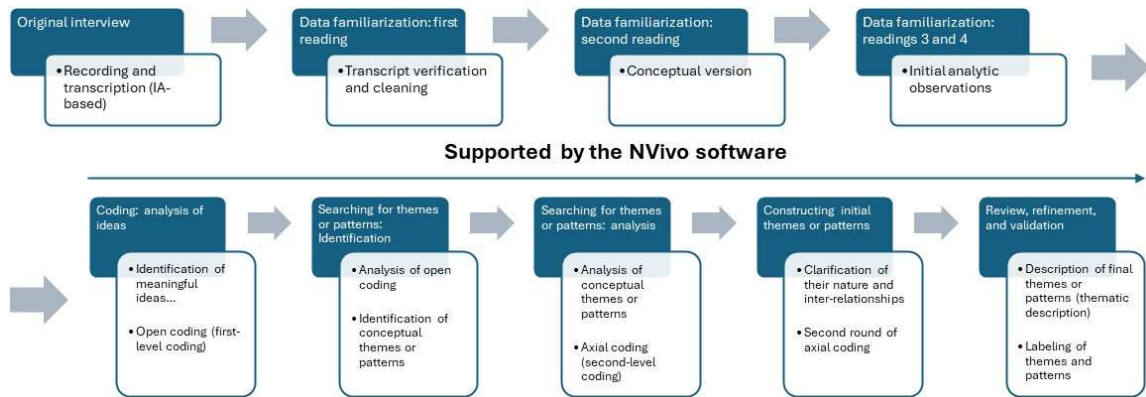
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Figure 1: Application of thematic analysis to this research



The figure depicts the iterative progression from transcript familiarization to first-order coding, second-level coding, pattern development, and final thematic refinement. NVivo was used to support data organization, retrieval, and hierarchical coding.

Table 1: Segmentation of the institutions represented by the potential research interviewees

|                                                            |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Group 1. Significant Institutions (universal banks)</b> | <ul style="list-style-type: none"> <li>• <b>Subgroup 1.1.</b><br/><i>Global or multi-market banks</i></li> </ul>                                                                       | <ul style="list-style-type: none"> <li>– Banco Sabadell</li> <li>– BBVA</li> <li>– BNP Paribas</li> <li>– CaixaBank</li> <li>– Santander</li> <li>– Deutsche Bank Spain</li> <li>– ING, Spanish Branch</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                            | <ul style="list-style-type: none"> <li>• <b>Subgroup 1.2.</b><br/><i>National banks: remaining Significant Institutions with a primarily Spanish (or Iberian) footprint</i></li> </ul> | <ul style="list-style-type: none"> <li>– Abanca</li> <li>– Bankinter</li> <li>– Banco de Crédito Cooperativo (Cajamar Group)</li> <li>– Ibercaja</li> <li>– ICO</li> <li>– Kutxabank</li> <li>– Unicaja Banco</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Group 2. Less Significant Institutions</b>              | <ul style="list-style-type: none"> <li>• <b>Subgroup 2.1.</b><br/><i>Community banking</i></li> </ul>                                                                                  | <ul style="list-style-type: none"> <li>– Banca Pueyo</li> <li>– Caja de Ahorros de Onteniente</li> <li>– Caja de Ahorros de Poyensa-Colonya</li> <li>– Cooperative banks of the Spanish Association of Rural Credit Unions (Asociación Española de Cajas Rurales, AECR): <ul style="list-style-type: none"> <li>○ Caja Rural de Asturias</li> <li>○ Caja Rural de Navarra</li> <li>○ Caja Rural de Granada</li> <li>○ Caja Rural del Sur</li> <li>○ Globalcaja...</li> </ul> </li> <li>– Credit unions that are members of the Solventia Group: <ul style="list-style-type: none"> <li>○ Caja Rural de Almendralejo...</li> </ul> </li> <li>– Eurocaja Rural</li> <li>– Laboral Kutxa...</li> </ul> |
|                                                            | <ul style="list-style-type: none"> <li>• <b>Subgroup 2.2.</b><br/><i>Niche institutions</i></li> </ul>                                                                                 | <ul style="list-style-type: none"> <li>– A&amp;G</li> <li>– Arquia Banca</li> <li>– Banca March</li> <li>– CBNK</li> <li>– Banco Mediolanum</li> <li>– Banco Pichincha</li> <li>– Caja de Ingenieros</li> <li>– EBN</li> <li>– Renta 4</li> <li>– Singular Bank</li> <li>– WiZink...</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                     |

The table shows the institutional categories used to structure the interviewee pool, reflecting variation in size, market scope, and organizational type across Spanish credit institutions.

Table 2: Composition of the final interview sample

| External cross-checking review & pilot phase                           |    |     |     |
|------------------------------------------------------------------------|----|-----|-----|
| Interviews                                                             | 9  |     |     |
| External cross-checking                                                |    |     |     |
| Of whom university professors or researchers                           | 1  | 11% |     |
| Of whom members of the SSM                                             | 2  | 22% |     |
| Of whom members of the banking industry associations                   | 1  | 11% |     |
| Of whom consultants with deep experience in regulation and supervision | 2  | 22% |     |
| Pilot interviews                                                       |    |     |     |
| Professionals with experience in dealing with supervisory authorities  | 3  | 33% |     |
| Main research interviews                                               |    |     |     |
| Individuals invited to participate in the study                        | 76 |     |     |
| Individuals final sample                                               | 58 | 76% |     |
| Board members (directors)                                              | 33 | 57% |     |
| Chair                                                                  |    | 11  | 19% |
| CEO                                                                    |    | 7   | 21% |
| Senior managers (no board members)                                     | 25 | 43% |     |
| Women                                                                  | 15 | 26% |     |
| Board members (directors)                                              |    | 10  | 30% |
| Senior managers (no board members)                                     |    | 5   | 20% |
| Institutions in which the invited individual performs their role       | 35 |     |     |
| Institutions final sample                                              | 33 | 94% |     |
| Per business model                                                     |    |     |     |
| Interviewee's experience in global or multi-market banks               | 6  | 18% |     |
| Its parent company is located outside Spain                            |    | 2   | 33% |
| Interviewee's experience in national banks                             | 7  | 21% |     |
| Interviewee's experience in community banks                            | 10 | 30% |     |
| Interviewee's experience in niche institutions                         | 10 | 30% |     |
| Per authority of supervision                                           |    |     |     |
| Supervised directly by the Single Supervisory Mechanism                | 26 | 45% |     |
| Supervised by the Bank of Spain                                        | 32 | 55% |     |
| Institutions where board member and senior manager are combined        | 23 | 70% |     |

The table presents the composition of the interview sample across the external cross-checking and pilot phase and the main research interviews, including participants' roles, gender, institutional setting, supervisory authority, and institutional coverage.

Table 3: Illustrative positive participant assessments of the post-crisis regulatory and supervisory framework.

| <b><i>The new regulatory and supervisory framework has been a positive catalyst...</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>A “necessary” process reflecting the need for structural change.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <i>A process that is “well grounded within the framework of the Banking Union” and “reasonable” in terms of its approach, degree of formalization, and expected impacts.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <i>An initiative perceived as having been implemented effectively and as adding significant value for directors and senior managers.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <i>The development of “stronger regulation and more intensive supervision” was essential, given that pre-crisis regulatory and supervisory arrangements were insufficient to adequately discipline the sector, being relatively “superficial” and far less formalized.</i>                                                                                                                                                                                                                                                                                                                                        |
| <i>A process that required a high degree of intentionality, aimed at preventing future costs to citizens (taxpayers), while simultaneously improving the quality of governance and management within credit institutions.</i>                                                                                                                                                                                                                                                                                                                                                                                     |
| <i>The supervisor constitutes one of the “key” stakeholder groups to which each institution must give due consideration.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <i>This new framework fosters a substantially stronger awareness of institutions’ role in society, as well as heightened sensitivity to risk.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <i>A stronger regulatory and supervisory framework, and the necessity of its existence in order to ensure that a financial crisis with its epicenter in the banking sector “does not occur again.”</i>                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>Strengthening and improvements in financial stability and resilience, corporate governance, and the “sophistication” of institutional management (including clearer allocation of responsibilities, enhanced systems of checks and balances, greater diversity, and an appropriate balance between executive, proprietary, and independent directors), as well as more robust risk control frameworks (particularly with regard to non-financial risks), increased internal deliberation and challenge of decisions, and a clearer understanding of the responsibilities of directors and senior managers.</i> |
| <i>Owing to certain levels of regulation and supervision, the banking sector benefits from the confidence of markets and customers, enabling banks to perform the essential role in economic development and trade recognized by the banking social contract.</i>                                                                                                                                                                                                                                                                                                                                                 |
| <i>An opportunity for symbiotic or mutually reinforcing interaction between supervisors and supervised institutions, as well as for the transformation of the banking sector itself.</i>                                                                                                                                                                                                                                                                                                                                                                                                                          |

The table summarizes illustrative interview statements portraying the post-crisis regulatory and supervisory framework as a constructive force in strengthening financial stability, governance, risk awareness, and institutional legitimacy.

Table 4: Illustrative critical assessments of the post-crisis regulatory and supervisory framework.

| <i>...albeit with nuances and uncertainties</i>                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Views were generally expressed by the interviewees</b>                                                                                                                                                                                                                                                                                |
| <i>An excess of regulation and unnecessary complexity, which in some cases renders the framework incomprehensible even to regulators and supervisors themselves.</i>                                                                                                                                                                     |
| <i>Fragmentation, difficulties in maintaining a comprehensive and up-to-date overview, instability or transitory regulatory arrangements, and asymmetries arising from unregulated firms performing functions similar to those of entities, as well as asymmetries across jurisdictions.</i>                                             |
| <i>Discretion and subjectivity in the application of supervisory practices.</i>                                                                                                                                                                                                                                                          |
| <i>A lack of coordination among supervisory teams, insufficient prioritization of supervisory requirements, lack of proportionality in supervisory application, insufficient tailoring to entities' specific circumstances, the absence of genuine dialogue between supervisors and supervised entities, and a lack of transparency.</i> |
| <i>An excessive level of micro-detail, coupled with an overabundance of procedures, documentation requirements, and verification lists or forms ("checklists").</i>                                                                                                                                                                      |
| <i>A lack of adjustments or improvements in solvency requirements once the conditions that originally gave rise to such requirements in previous periods have been remedied.</i>                                                                                                                                                         |
| <i>An imbalance between the emphasis on financial stability and the competitiveness and growth of the banking sector.</i>                                                                                                                                                                                                                |
| <b>Occasionally mentioned by the interviewees</b>                                                                                                                                                                                                                                                                                        |
| <i>A lack of coordination among authorities.</i>                                                                                                                                                                                                                                                                                         |
| <i>Episodes in which regulation is antagonistic or mutually incompatible, or inconsistent with other regulatory frameworks.</i>                                                                                                                                                                                                          |
| <i>The use, by some supervisors, of imprecise or poorly calibrated language that fails to take into account the message conveyed and its intended audience.</i>                                                                                                                                                                          |
| <i>The frequent transmission of messages of distrust toward supervised institutions that are not supported by the entities' economic and financial data.</i>                                                                                                                                                                             |

The table summarizes representative interview statements pointing to complexities, ambiguities, and unintended consequences associated with the framework, particularly in relation to proportionality, coordination, transparency, and competitiveness.

Table 5: Identified paradoxes in the post-crisis regulatory and supervisory framework.

| <i><b>Identified paradoxes</b></i>                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>The continuous growth of regulation is perceived as an 'excess' of financial stability, which in turn introduces a high degree of artificiality.</i>                            |
| <i>The lack of stability in the regulatory framework.</i>                                                                                                                          |
| <i>The regulatory framework lacks simplicity while at the same time providing room for interpretation.</i>                                                                         |
| <i>The presence of regulatory asymmetries between jurisdictions and across activities.</i>                                                                                         |
| <i>In practice, compliance with the regulatory and supervisory framework is the function to which directors and senior managers devote the greatest amount of time and effort.</i> |
| <i>The influence of the regulatory and supervisory framework on the allocation of human and material resources, as well as on cost efficiency.</i>                                 |

The table condenses key paradoxes emerging from the interviews, showing how the expansion of regulation and supervision is experienced simultaneously as a source of stability and as a producer of complexity, instability, procedural intensity, and organizational constraint.

## **Appendix I. Thematic Structure of the Interview Guide**

The semi-structured interview guide employed in this study was developed through an iterative process combining conceptual grounding, external expert review, and pilot testing. Given the study's interpretive and phenomenological orientation, the guide was organized around broad thematic domains rather than standardized questions. This structure enabled participants to articulate their experiences in their own terms while ensuring consistent coverage of the study's central analytical concerns. Themes were introduced flexibly, and sequencing and probing were adapted to each participant's narrative trajectory. The seven thematic areas framing the interviews are summarized below.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Context of the Research</b></p> <p>The opening theme introduced the purpose of the study and invited participants to reflect on key contextual elements, including the perceived scale and quality of post-crisis regulatory reform, the character of the current supervisory model, the meaning of intrusive supervision, the evolving banking social contract, and the role of proportionality within the supervisory framework. The aim was to situate participants' accounts within the broader transformation of the regulatory and supervisory environment while facilitating a gradual transition into more reflective and experiential narration.</p>                                                                                                                                                                                                                                                                                                       |
| <p><b>2. Behaviors and Consequences for Decision-Making</b></p> <p>This theme explored the behavioral and decision-making consequences of the new regulatory and supervisory framework. It addressed perceived narrowing of decision space, the extent to which business and risk-profile decisions were shaped by supervisory expectations, and the influence of supervisory review processes—including scrutiny of board and management committee minutes and interactions with supervisors—on day-to-day conduct. It also examined perceived autonomy and decision-making capacity, including whether these dynamics cascaded through the wider organization, as well as their perceived implications for initiative, innovation, competitiveness, profitability, and related outcomes.</p>                                                                                                                                                                               |
| <p><b>3. Interactions with Supervisors</b></p> <p>This domain examined how participants understood the substance and quality of supervisory engagement. It addressed perceived alignment or tension between institutional and supervisory objectives, the meaning and reciprocity of “supervisory dialogue,” and the extent to which supervisory decisions—particularly capital decisions—were experienced as intelligible, discretionary, or difficult to interpret. Collectively, these prompts elicited material on how evaluative authority was encountered and made sense of in practice.</p>                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>4. Lived Experience of Responsibility</b></p> <p>Recognizing responsibility as both structural and personal, this theme explored how participants experienced responsibility under the post-crisis regulatory and supervisory framework. It addressed heightened awareness of personal accountability, the extent to which the framework was perceived to provide a secure basis for decision-making, and concerns about possible exposure to forms of liability that might be unclear, evolving, or difficult to anticipate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p><b>5. Emotional, Perceptual, and Attitudinal Responses</b></p> <p>This theme focused on the emotional, perceptual, and attitudinal dimensions of intensified supervision. Participants were invited to reflect on their emotional and professional reactions to the new regulatory and supervisory environment, including the effects of heightened expectations that directors continuously challenge senior management decisions and the recurrent identification of governance weaknesses through supervisory assessment. The theme also explored perceptions of supervisory or regulatory bias, the extent to which participants felt their professional standing was recognized and valued, and whether they experienced their role as increasingly shaped by supervisory priorities to the point of feeling like an extension of supervision. Collectively, these prompts elicited material on the affective and identity consequences of evaluative authority.</p> |
| <p><b>6. Suggestions for Improving the Framework</b></p> <p>This theme explored whether participants perceived regulators and supervisors as responsive to the current situation and whether they detected any shift in supervisory tone or approach. It also invited reflection on possible alternatives that might restore greater autonomy to directors and senior managers, including more principles-based forms of oversight, enhanced dialogue, and more substantive exchange between banking leaders and supervisory authorities. Collectively, these prompts elicited material on how participants understood the possible recalibration of evaluative authority and its implications for governance autonomy and supervisory relations.</p>                                                                                                                                                                                                                        |
| <p><b>7. Complementarity or Substitutability of Internal Governance</b></p> <p>Finally, participants were invited to reflect on whether the new regulatory and supervisory framework was experienced as broadly complementary to their responsibilities as directors or senior managers, or as substituting for them in practice. This theme also explored whether regulatory and supervisory demands were perceived to relax board-level control standards and whether supervision was seen as implicitly promoting a single business model across institutions. Collectively, these prompts elicited material on how evaluative authority may reconfigure the boundary between internal governance and external oversight, while also shaping perceptions of strategic discretion and institutional autonomy.</p>                                                                                                                                                          |

## Appendix I. Thematic Structure of Interview Guide

Table AI.1 presents the thematic structure of the semi-structured interview guide used in the study. For each theme, it specifies the focus of inquiry, the purpose of the theme, and the corresponding interview prompts, thereby showing how the interview design was aligned with the study's analytical concerns.

**Table AI.1: Thematic Structure of the Interview Guide**

| Theme                      | Focus of Inquiry                                                                                                       | Purpose                                                                                                                 | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Research Context</b> | Participants' understanding of regulatory reforms, supervisory changes, and the evolving "social contract" in banking. | To introduce the study and assess how participants interpret the objectives and rationale of the post-crisis framework. | <p><b>1. Assessment of post-crisis regulatory reform</b><br/> a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis? b. Do you believe financial stability objectives could have been achieved with less regulation? c. Do you think the current volume of regulation ensures the attainment of financial stability goals?</p> <p><i>Implicit question:</i> Does the sector understand and share the needs, objectives, and ambitions of the new regulatory framework?</p> <p><b>2. Assessment of the supervisory model</b><br/> a. What is your assessment of the current supervisory model? b. How would you describe the notion of "intrusive supervision"? c. What is your view of supervisory priorities and supervisory expectations?</p> <p><i>Implicit question:</i> Does the sector understand and share the needs, objectives, and ambitions of the new supervisory model?</p> <p><b>3. The banking social contract</b><br/> The banking social contract implies a balance between stringent regulation and supervision in exchange for public support in times of crisis. Do you believe that this balance may currently be misaligned?</p> <p><i>Implicit question:</i> Is it necessary to rebalance the social contract?</p> |

|  |  |  |                                                                                                                                                                                                                                                                                                                                              |
|--|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  |  | <p><b>4. Proportionality</b></p> <p>What is your perception of the principle of proportionality? Is proportionality possible without supervisory tailoring?</p> <p><i>Implicit question: Do directors and senior managers feel that more effort should be made to apply proportionality and to personalize supervision to each case?</i></p> |
|--|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Table AI.1: Thematic Structure of the Interview Guide (Cont.)**

| Theme                                   | Focus of Inquiry                                                                                              | Purpose                                                                                                                                | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2. Behaviors and Decision-Making</b> | Effects of regulation and supervision on autonomy, decision processes, routines, and organizational dynamics. | To explore perceived constraints, changes in daily practice, and implications for competitiveness, initiative, innovation, and talent. | <p><b>5. Behaviors arising from the new regulatory and supervisory framework</b><br/> What day-to-day behaviors have emerged because of the new regulatory and supervisory environment? In particular: a. Do you believe that the areas in which decisions can be taken have narrowed as a result of the new regulatory framework? b. To what extent are business decisions, risk-profile decisions, and similar matters conditioned by supervision? c. To what extent do supervisory reviews of board/management committee minutes influence the decision-making dynamics of these bodies? d. To what extent has meeting with supervisors—or the possibility of their occasional presence at board meetings—shaped your behavior?</p> <p><i>Implicit question:</i> What behaviors have the new regulatory and supervisory framework induced?</p> <p><b>6. Perceived autonomy and decision-making capacity</b><br/> a. How do you perceive your autonomy and your ability to make decisions as a director/senior manager?<br/> b. Has this situation cascaded through the rest of the organization?</p> <p><i>Implicit question:</i> Do directors and senior managers feel that they manage with sufficient autonomy, or do they feel like channels through which the regulatory avalanche and supervisory priorities, expectations, instructions, recommendations, and guidelines are transmitted?</p> <p><b>7. Impacts on initiative, innovation, competitiveness, and profitability</b><br/> What impacts—in terms of initiative, innovation, competitiveness, profitability, and similar dimensions—do you believe arise from the new regulatory and supervisory framework?</p> <p><i>Implicit question:</i> Is there a perception that the new regulatory and supervisory environment has reduced vulnerabilities and improved the competitive capacity of credit institutions?</p> |

**Table AI.1: Thematic Structure of the Interview Guide (Cont.)**

| Theme                                        | Focus of Inquiry                                                                                                  | Purpose                                                                                                                          | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3. Interactions with Supervisors</b>      | Formal and informal supervisory relationships, communication patterns, tone, and perceived quality of engagement. | To understand how participants experience supervisory presence and whether relationships feel constructive or tension-filled.    | <p><b>8. Alignment of institutional and supervisory objectives</b><br/>To what extent do the objectives of directors/senior managers (competitiveness, efficiency, profitability—in short, value creation for shareholders) coexist harmoniously with the objectives of the new regulatory and supervisory framework (solvency, liquidity, internal recapitalization—in short, financial stability)?</p> <p><i>Implicit question:</i> Do the objectives of the new regulatory and supervisory framework occupy the space that should correspond to business objectives?</p> <p><b>9. Meaning of “supervisory dialogue”</b><br/>What does the concept of “supervisory dialogue” suggest to you?</p> <p><i>Implicit question:</i> Is there genuine dialogue between institutions and regulators/supervisors, or is what is presented as dialogue effectively a monologue?</p> <p><b>10. Understanding supervisory capital decisions</b><br/>Do you understand the supervisor’s rationale when a capital decision is communicated?</p> <p><i>Implicit question:</i> Do directors and senior managers feel that capital decisions involve subjectivity or discretion?</p> |
| <b>4. Lived Experience of Responsibility</b> | Subjective and structural dimensions of responsibility under intensified regulation and supervision.              | To examine how directors and senior managers perceive, internalize, and manage responsibility in the new governance environment. | <p><b>11. Lived experience of responsibility</b><br/>How do you feel, or how do you experience, responsibility as a director/senior manager under the new regulatory and supervisory framework?</p> <p><i>Implicit question:</i> Are directors and senior managers now more aware of their personal responsibility?</p> <p><b>12. Perceived safety of the responsibility framework</b><br/>In what ways, and to what extent, do you feel that the new regulatory and supervisory framework provides a secure responsibility framework for decision-making?</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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|  |  |  | <i>Implicit question:</i> Do you feel confident that you are not exposed to forms of liability you may unknowingly infringe, or that may evolve in ways that differ from how responsibility is currently understood? |
|--|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Table AL.1: Thematic Structure of the Interview Guide (Cont.)**

| Theme                                        | Focus of Inquiry                                                                                                | Purpose                                                                                                   | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>5. Emotional and Perceptual Responses</b> | Feelings, attitudes, reactions, and interpretive judgments associated with supervisory and regulatory pressure. | To capture the emotional and subjective impact of the framework, beyond its technical and formal effects. | <p><b>13. Emotional, perceptual, and attitudinal responses</b></p> <p>a. How would you describe your emotional and professional reactions to the new regulatory and supervisory environment? b. How has the framework’s increasing emphasis on directors continuously challenging senior manager decisions influenced these feelings? c. To what extent are these emotional responses affected by the fact that the ECB-SSM’s annual SREP assessments recurrently identify weaknesses in governance models?</p> <p><i>Implicit question:</i> Do directors and senior managers feel that, despite sustained efforts to strengthen governance, the supervisor never appears fully satisfied?</p> <p><b>14. Perceptions of supervisory or regulatory bias</b></p> <p>Do you perceive that regulation or supervision exhibit biases that go beyond what is reasonable, generating a degree of mistrust toward the judgment or work of directors and senior managers?</p> <p><i>Implicit question:</i> Do directors and senior managers feel that their professional standing is sufficiently recognized and valued?</p> <p><b>15. Perception of becoming an extension of supervision</b></p> <p>a. To what extent do you feel that regulation or supervision extend into your own role as a director or senior manager—for example, to the point of feeling like a first line of defense for the supervisor? b. To what extent might Internal Audit also experience itself as an extension of supervisory activity rather than as part of the entity’s own internal control system?</p> <p><i>Implicit question:</i> Do directors and senior managers feel that their role is losing part of its meaning and becoming directed—explicitly or implicitly—by regulators and supervisors?</p> |

**Table AI.1: Thematic Structure of the Interview Guide (Cont.)**

| Theme                                      | Focus of Inquiry                                                                                 | Purpose                                                                                                                        | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            |                                                                                                  |                                                                                                                                | <p><b>16. Substitution of governance responsibilities</b><br/> a. Do you feel that regulation or supervision may be replacing, or attempting to replace, directors and senior managers de facto (even if not de iure)? b. Do you interpret this as evidence of regulatory or supervisory risk?</p> <p>Implicit question: How do directors and senior managers understand their role under the new framework, and how do they interpret the intended role of supervisors?</p> <p><b>17. Reflections on the Global Financial Crisis</b><br/> a. To what extent do you believe that understanding the origins and consequences of the Global Financial Crisis has been sufficiently instructive to justify a less prolific regulatory framework and a less intensive or intrusive supervisory model? b. How do you think directors and senior managers would respond to a less prolific regulatory framework and a less intensive or intrusive supervisory model?</p> <p>Implicit question: To what extent is the Global Financial Crisis perceived as a catalyst for improving governance and management in credit institutions?</p> |
| <b>6. Sector Proposals for Improvement</b> | Perceptions of needed adjustments or improvements in supervisory practices or regulatory design. | To identify practitioner-informed proposals and assess whether participants perceive shifts in supervisory tone or priorities. | <p><b>18. Perceptions of supervisory and regulatory responsiveness</b><br/> Do you perceive any sensitivity or awareness on the part of regulators and supervisors regarding the current situation or any indication of a shift in their approach?</p> <p><b>19. Potential improvements and alternative approaches</b><br/> What alternatives do you believe could be proposed to regulators and supervisors to encourage greater autonomy for directors and senior managers? To what extent might principles-based approaches, enhanced dialogue, or more substantive debate between banking leaders and supervisory authorities help reframe the feelings, reactions, and attitudes described earlier?</p> <p><i>Implicit question:</i> Are there meaningful ways in which this situation could be improved?</p>                                                                                                                                                                                                                                                                                                                 |

**Table AI.1: Thematic Structure of the Interview Guide (Cont.)**

| Theme                                                        | Focus of Inquiry                                                                                    | Purpose                                                                                                                                          | Interview Script                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>7. Complementarity vs. Substitutability of Governance</b> | Perceptions of whether supervision complements or substitutes internal governance responsibilities. | To evaluate whether participants believe external oversight strengthens or weakens their role, and whether it imposes uniform managerial models. | <p><b>20. Complementarity or substitutability of supervision and regulation</b></p> <p>a. Do you perceive the new regulatory and supervisory framework as largely complementary to—or as largely substituting for (never de jure)—your responsibilities as a director or senior manager? b. Do you feel that board-level control standards have relaxed as a result of regulatory and supervisory demands? c. And to what extent do you sense that regulation or supervision implicitly seeks to impose a single business model?</p> <p><i>Implicit question:</i> Do directors and senior managers today experience regulation and supervision as complementing, or as substituting for, internal corporate governance?</p> |

## Appendix II. Relationship between Open Coding, Axial Coding, Emergent Patterns, Analytical Pillars, and Overarching Experiential Structures

Table AII.1 summarizes the analytical progression from open coding and axial coding to emergent patterns, analytical pillars, and the four overarching experiential structures. Organized by pillar, it clarifies how the coding process informed the final interpretive structure of the findings.

**Table AII.1: Relationship between open coding, axial coding, emergent patterns, analytical pillars, and overarching experiential structures.**

### Panel A. Pillar 1: Stability–Competitiveness Tensions in the Post-Crisis Supervisory Regime

| Interview Script                                                                                                                                                                                                                                          | Files | Ref.          | Open Coding                                                                                                                                                                                                                                                                   | Axial Coding                                                                                                                                                                                                                      | Patterns or Themes                                                                                                                    | Experiential Structures                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 17.a. To what extent do you believe that understanding the origins and consequences of the Global Financial Crisis has been sufficiently instructive to justify a less prolific regulatory framework and a less intensive or intrusive supervisory model? | 49    | 33<br>16      | Maintaining strong regulation and supervision is essential, as collective memory of past crises tends to fade rapidly.<br>The mistakes of the past would not be repeated—lessons have been learned, and change should follow.                                                 |                                                                                                                                                                                                                                   |                                                                                                                                       |                                                                                                         |
| 1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?                                                                                                                              | 45    | 45            | Stronger regulation was necessary, although areas for improvement are acknowledged.                                                                                                                                                                                           | The new regulatory and supervisory framework has acted as a positive catalyst in the strengthening of the banking sector                                                                                                          |                                                                                                                                       |                                                                                                         |
| 2.a. What is your assessment of the current supervisory model?                                                                                                                                                                                            | 46    | 46            | Change was necessary, as was a new supervisory approach, although areas for improvement are acknowledged.                                                                                                                                                                     |                                                                                                                                                                                                                                   |                                                                                                                                       |                                                                                                         |
| 1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?                                                                                                                              | 56    | 44<br>12      | Areas for improvement are acknowledged.<br>Unfavorable opinion.                                                                                                                                                                                                               | Albeit with nuances and uncertainties that should be noted regarding this strengthening process                                                                                                                                   |                                                                                                                                       |                                                                                                         |
| 2.a. What is your assessment of the current supervisory model?                                                                                                                                                                                            | 41    | 30<br>11      | Areas for improvement are acknowledged.<br>Unfavorable opinion.                                                                                                                                                                                                               |                                                                                                                                                                                                                                   |                                                                                                                                       |                                                                                                         |
| 2.b. How would you describe the notion of “intrusive supervision”?                                                                                                                                                                                        | 56    | 30<br>26      | Inappropriate, lacking rationale, and going beyond what is reasonable.<br>Recognition of the objective value of supervision and of supervisory professionals.                                                                                                                 | For most directors and senior managers in the Spanish banking sector, intrusive supervision is not perceived as a positive experience                                                                                             | The new regulatory and supervisory framework has been a positive catalyst, albeit with nuances and uncertainties that should be noted | Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness |
| 2.c. What is your view of supervisory priorities and supervisory expectations?                                                                                                                                                                            | 38    | 14<br>16<br>8 | Positive, as it provides guidance for the work of board members and senior managers.<br>Another means of exerting pressure on institutions; soft law instruments that have effectively become hard law.<br>They do not add sufficient value, as they are excessively generic. | Although, in general, supervisory priorities are perceived positively                                                                                                                                                             |                                                                                                                                       |                                                                                                         |
| 1.b. Do you believe financial stability objectives could have been achieved with less regulation?                                                                                                                                                         | 38    | 35<br>3       | Undoubtedly, clearer, more coherent, and risk-focused regulation may be more effective than an extensive and fragmented regulatory framework.<br>No; in both quantity and quality, it is considered appropriate to the current environment.                                   | On the other hand, the ‘less is more’ principle of simplification, focus, and efficiency                                                                                                                                          |                                                                                                                                       |                                                                                                         |
| 13.a. How would you describe your emotional and professional reactions to the new regulatory and supervisory environment?                                                                                                                                 | 58    | 160           | Word map.                                                                                                                                                                                                                                                                     | This phenomenon is characterized by a dominant negative emotional core, with a degree of polarization, and is underpinned by tension in the relationship between the regulatory and supervisory framework and supervised entities |                                                                                                                                       |                                                                                                         |

## Panel A. Pillar 1: Stability–Competitiveness Tensions in the Post-Crisis Supervisory Regime (Cont.)

| Interview Script                                                                                                                                                                   | Files | Ref. | Open Coding                                                                                                                                                        | Axial Coding                                                                                                                                                                                                                             | Patterns or Themes                                                                                                                                                                            | Experiential Structures                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 7. What impacts—in terms of initiative, innovation, competitiveness, profitability, and similar dimensions—do you believe arise from the new regulatory and supervisory framework? | 18    | 18   | The regulatory and supervisory framework constrains, discourages, and dampens initiative and innovation.                                                           | These opportunity costs do not favor the banking sector's ability to support the process of modernization and innovation of the Spanish and European economy.                                                                            |                                                                                                                                                                                               |                                                                                                         |
| 5.a. a. Do you believe that the areas in which decisions can be taken have narrowed as a result of the new regulatory framework?                                                   | 51    | 35   | Standardization and the reduction of complexity significantly narrow managerial discretion, serving as the rationale for the current wave of regulatory expansion. | In light of the foregoing, the question arises as to the extent to which interviewees perceive that the scope for decision-making has been reduced as a consequence of the current regulatory environment.                               | As a consequence of the new regulatory and supervisory framework, opportunity costs arise that hinder banks' support for the modernization and innovation of the Spanish and European economy | Financial stability vis-à-vis the Social Function, Institutional Purpose, Strategy, and Competitiveness |
|                                                                                                                                                                                    |       | 11   | The regulatory wave has complicated decision-making processes, highlighting the need to deliver greater value through regulation and supervision.                  |                                                                                                                                                                                                                                          |                                                                                                                                                                                               |                                                                                                         |
|                                                                                                                                                                                    |       | 5    | Despite these constraints, there remains substantial scope for action within institutions' decision-making autonomy.                                               |                                                                                                                                                                                                                                          |                                                                                                                                                                                               |                                                                                                         |
| 7. What impacts—in terms of initiative, innovation, competitiveness, profitability, and similar dimensions—do you believe arise from the new regulatory and supervisory framework? | 58    | 172  | Word map.                                                                                                                                                          | "Economic costs" and "distraction costs" affecting board members and senior managers emerge as the primary manifestations of this phenomenon, followed by "reduced innovation," "declining competitiveness," and "regulatory asymmetry." |                                                                                                                                                                                               |                                                                                                         |

## Panel B. Pillar 2: Paradoxes and Vulnerabilities of the New Stability Architecture

| Interview Script                                                                                                                                                                          | Files | Ref.     | Open Coding                                                                                                                                                                                                                                                                               | Axial Coding                                                                                                                                            | Patterns or Themes                                                                                                                  | Experiential Structures                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 14    | 14       | <i>A pendular dynamic and regulatory inflation.</i>                                                                                                                                                                                                                                       |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?</i>                                                       | 57    | 45<br>12 | <i>Stronger regulation was necessary, although areas for improvement are acknowledged.</i><br><i>Unfavorable opinion.</i>                                                                                                                                                                 | <i>The continuous growth of regulation is perceived as an 'excess' of financial stability, which in turn introduces a high degree of artificiality.</i> |                                                                                                                                     |                                                                                                                |
| <i>1.b. Do you believe financial stability objectives could have been achieved with less regulation?</i>                                                                                  | 38    | 35<br>3  | <i>Undoubtedly, clearer, more coherent, and risk-focused regulation may be more effective than an extensive and fragmented regulatory framework.</i><br><i>No; in both quantity and quality, it is considered appropriate to the current environment.</i>                                 |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>1.c. Do you think the current volume of regulation ensures the attainment of financial stability goals?</i>                                                                            | 31    | 23<br>8  | <i>Overall, no.</i><br><i>Overall, yes, although areas for improvement are acknowledged.</i>                                                                                                                                                                                              |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 15    | 15       | <i>Contingent nature.</i>                                                                                                                                                                                                                                                                 |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?</i>                                                       | 57    | 45<br>12 | <i>Stronger regulation was necessary, although areas for improvement are acknowledged.</i><br><i>Unfavorable opinion.</i>                                                                                                                                                                 | <i>The lack of stability in the regulatory framework.</i>                                                                                               |                                                                                                                                     |                                                                                                                |
| <i>2.a. What is your assessment of the current supervisory model?</i>                                                                                                                     | 57    | 46<br>11 | <i>Change was necessary, as was a new supervisory approach, although areas for improvement are acknowledged.</i><br><i>Unfavorable opinion.</i>                                                                                                                                           |                                                                                                                                                         | <b>The new regulatory and supervisory framework gives rise to paradoxes and potential vulnerabilities within the banking sector</b> | <b>Financial stability vis-à-vis the Social Function, Institutional Purpose, Strategy, and Competitiveness</b> |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 9     | 9        | <i>Insufficient simplicity, lack of simplicity.</i>                                                                                                                                                                                                                                       |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?</i>                                                       | 57    | 45<br>12 | <i>Stronger regulation was necessary, although areas for improvement are acknowledged.</i><br><i>Unfavorable opinion.</i>                                                                                                                                                                 | <i>The regulatory framework lacks simplicity while at the same time providing room for interpretation.</i>                                              |                                                                                                                                     |                                                                                                                |
| <i>12. In what ways, and to what extent, do you feel that the new regulatory and supervisory framework provides a secure responsibility framework for decision-making?</i>                | 45    | 13<br>32 | <i>It is ultimately a matter of workload; institutions adapt to complexity.</i><br><i>There is uncertainty as to whether full compliance is achievable, given the level of complexity, limited capacity to address all requirements, legal uncertainty, and internal inconsistencies.</i> |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 19    | 19       | <i>There is uncertainty as to whether full compliance is achievable, given the level of complexity, limited capacity to address all requirements, legal</i>                                                                                                                               |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |
| <i>1.a. How do you assess the scale and quality of the banking regulatory reforms introduced after the Global Financial Crisis?</i>                                                       | 57    | 45<br>12 | <i>Stronger regulation was necessary, although areas for improvement are acknowledged.</i><br><i>Unfavorable opinion.</i>                                                                                                                                                                 | <i>The presence of regulatory asymmetries between jurisdictions and across activities.</i>                                                              |                                                                                                                                     |                                                                                                                |
| <i>7. What impacts—in terms of initiative, innovation, competitiveness, profitability, and similar dimensions—do you believe arise from the new regulatory and supervisory framework?</i> | 18    | 18       | <i>The regulatory and supervisory framework constrains, discourages, and dampens initiative and innovation.</i>                                                                                                                                                                           |                                                                                                                                                         |                                                                                                                                     |                                                                                                                |

## Panel B. Pillar 2: Paradoxes and Vulnerabilities of the New Stability Architecture (Cont.)

(Cont.)

| Interview Script                                                                                                                                                                          | Files | Ref. | Open Coding                                                                                                                                                   | Axial Coding                                                                                                                                                                             | Patterns or Themes                                                                                                                  | Experiential Structures                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 10    | 10   | <i>The board is able to distinguish between what is material and what is ancillary, albeit at a significant cost in terms of resources, time, and effort.</i> | <i>In practice, compliance with the regulatory and supervisory framework is the function to which board members and senior executives devote the greatest amount of time and effort.</i> | <b>The new regulatory and supervisory framework gives rise to paradoxes and potential vulnerabilities within the banking sector</b> | <b>Financial stability vis-à-vis the Social Function, Institutional Purpose, Strategy, and Competitiveness</b> |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                      | 10    | 10   | <i>An excessive focus on compliance with the regulatory and supervisory framework.</i>                                                                        | <i>The influence of the regulatory and supervisory framework on the allocation of human and material resources, as well as on cost efficiency.</i>                                       |                                                                                                                                     |                                                                                                                |
| <i>7. What impacts—in terms of initiative, innovation, competitiveness, profitability, and similar dimensions—do you believe arise from the new regulatory and supervisory framework?</i> | 58    | 172  | <i>A substantial allocation of human and technical resources is devoted to tasks arising from regulatory and supervisory requirements.</i>                    |                                                                                                                                                                                          |                                                                                                                                     |                                                                                                                |

### Panel C. Pillar 3: Reconfiguring the Banking Social Contract under Supervisory Oversight

| Interview Script                                                                                                                                                                                                      | Files | Ref. | Open Coding                                                                                                                                                                                        | Axial Coding                                                                                                                                                            | Patterns or Themes                                       | Experiential Structures                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <i>1.c. Do you think the current volume of regulation ensures the attainment of financial stability goals?</i>                                                                                                        | 31    | 23   | Overall, no.                                                                                                                                                                                       |                                                                                                                                                                         |                                                          |                                                                                                         |
|                                                                                                                                                                                                                       |       | 8    | Overall, yes, although areas for improvement are acknowledged.                                                                                                                                     |                                                                                                                                                                         |                                                          |                                                                                                         |
|                                                                                                                                                                                                                       |       | 13   | In a sense, it constitutes an early intervention.                                                                                                                                                  |                                                                                                                                                                         |                                                          |                                                                                                         |
| <i>3. The banking social contract implies a balance between stringent regulation and supervision in exchange for public support in times of crisis. Do you believe that this balance may currently be misaligned?</i> | 40    | 6    | "Now allow me to operate and manage independently."                                                                                                                                                | The contradictions inherent in the 'reformulation' of the banking social contract, both in terms of credibility and in its capacity to foster the prestige it deserves. | The erosion and reframing of the banking social contract | Financial stability vis-à-vis the Social Function, Institutional Purpose, Strategy, and Competitiveness |
|                                                                                                                                                                                                                       |       | 12   | That social contract has been completely redefined. At present, the banking sector is perceived as a vulnerable component that should also be afforded protection.                                 |                                                                                                                                                                         |                                                          |                                                                                                         |
|                                                                                                                                                                                                                       |       | 9    | There will be no public financial support.                                                                                                                                                         |                                                                                                                                                                         |                                                          |                                                                                                         |
| <i>17.b. Do you interpret this as evidence of regulatory or supervisory risk?</i>                                                                                                                                     | 4     | 4    | It is in the authorities' best interest to ensure that the banking sector does not fail again; this reflects a combination of limiting their own responsibility and achieving financial stability. |                                                                                                                                                                         |                                                          |                                                                                                         |

## Panel D. Pillar 4: Synchronization Challenges Between Boards and Executives

| Interview Script                                                                                                                                                                                                       | Files | Ref.           | Open Coding                                                                                                                                                                                                                                       | Axial Coding                                                                                                                                                                                   | Patterns or Themes                                                                                                                          | Experiential Structures                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 5     | 5              | <i>A widening gap between senior management and board members.</i>                                                                                                                                                                                | <i>The existence of potential imbalances in the banking profession between directors and senior managers, both in day-to-day operations and in long-term management.</i>                       |                                                                                                                                             |                                                                                                                                                                   |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 6     | 6              | <i>An increasing amount of time devoted to low-value debates and challenges.</i>                                                                                                                                                                  | <i>The level of detail addressed in board meetings, which may divert attention from material and strategically significant management issues.</i>                                              |                                                                                                                                             |                                                                                                                                                                   |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 10    | 10             | <i>Excessive involvement in day-to-day operations may turn a non-executive director into a de facto executive, with the attendant risk of demotivating senior management.</i>                                                                     | <i>The risk of losing independence in the board's control and oversight function by encroaching upon areas of managerial execution that properly fall within the remit of senior managers.</i> | <b><i>There is a need for stronger and more effective alignment between directors and senior managers in the Spanish banking sector</i></b> | <b><i>Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management</i></b> |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 9     | 9              | <i>Supervision makes use of all available levers and "moral suasion," as well as intrusive tools, to influence board members' decisions in its favor.</i>                                                                                         |                                                                                                                                                                                                |                                                                                                                                             |                                                                                                                                                                   |
| <i>5.d. To what extent has meeting with supervisors—or the possibility of their occasional presence at board meetings—shaped your behavior?</i>                                                                        | 40    | 18<br>9<br>13  | <i>Highly constraining.</i><br><i>They attempt to do so; at times there is conditioning, at other times less so—often depending on individual personalities.</i><br><i>I do not perceive it as excessively constraining.</i>                      | <i>The risk of losing the dual independence of independent board members vis-à-vis other stakeholder groups.</i>                                                                               |                                                                                                                                             |                                                                                                                                                                   |
| <i>16.a. To what extent do you feel that regulation or supervision extend into your own role as a director or senior manager—for example, to the point of feeling like a first line of defense for the supervisor?</i> | 53    | 12<br>23<br>18 | <i>No; my role is to serve as the first line of defense for all stakeholder groups.</i><br><i>To some extent, insofar as supervision seeks to channel all decisions through the board; they try, but do not always succeed.</i><br><i>Always.</i> |                                                                                                                                                                                                |                                                                                                                                             |                                                                                                                                                                   |

## Panel D. Pillar 4: Synchronization Challenges Between Boards and Executives (Cont.)

| Interview Script                                                                                                                               | Files | Ref. | Open Coding                                                                                                                                                                    | Axial Coding                                                                                                                                                              | Patterns or Themes                                                                                                            | Experiential Structures                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. How do you feel, or how do you experience, responsibility as a director/senior manager under the new regulatory and supervisory framework? | 58    | 27   | Full awareness of the responsibilities involved and of the value that must be delivered.                                                                                       | The risk of a potential transfer of value between the responsibility borne by board members and the financial compensation they receive for assuming such responsibility. | There is a need for stronger and more effective alignment between directors and senior managers in the Spanish banking sector | Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management |
|                                                                                                                                                |       | 18   | Nevertheless, such responsibility is assumed because there is robust regulation and professional management.                                                                   |                                                                                                                                                                           |                                                                                                                               |                                                                                                                                                     |
|                                                                                                                                                |       | 27   | The capacity to identify problems is high, but it does not extend to all areas.                                                                                                |                                                                                                                                                                           |                                                                                                                               |                                                                                                                                                     |
|                                                                                                                                                |       | 6    | Responsibility is associated with the position itself, rather than with regulation or supervision.                                                                             |                                                                                                                                                                           |                                                                                                                               |                                                                                                                                                     |
| It is reflected in several themes of the interview guide used in the research                                                                  | 10    | 10   | PPressure arising from the regulatory and supervisory framework to assume responsibility beyond what is reasonable.                                                            |                                                                                                                                                                           |                                                                                                                               |                                                                                                                                                     |
| 13.b. How has the framework's increasing emphasis on directors continuously challenging senior manager decisions influenced these feelings?    | 25    | 18   | Robust and substantive challenge, when proportionate and well-founded, adds value to the institution.                                                                          | Determining the optimal level of challenge and scrutiny is an art, as excessive challenge may risk undermining the value of the board.                                    |                                                                                                                               |                                                                                                                                                     |
|                                                                                                                                                |       | 7    | The process is frustrating and exhausting; while improvements have been achieved through sustained effort and the allocation of resources, no clear end point is yet in sight. |                                                                                                                                                                           |                                                                                                                               |                                                                                                                                                     |

## Panel E. Pillar 5: Supervisory Extension into Strategic, Organizational, and Cultural Domains

| Interview Script                                                                                                                                                                                                                                                                                                                        | Files | Ref. | Open Coding                                                                                                                                                                                                                             | Axial Coding                                                                                                                                                                                                                                                                                  | Patterns or Themes                                                                                                                                                             | Experiential Structures                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                                                                                                                                    | 15    | 15   | <i>There is a lack of awareness on the part of supervision regarding the impact of the regulatory and supervisory framework on supervised</i>                                                                                           |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | ✓     | 7    | <i>It is applied; there is no disproportionality, as larger banks require more staff.</i>                                                                                                                                               | <i>The supervisory model appears costless for the supervisor, yet it is highly burdensome for the institutions themselves, particularly for those that expect an effective application of the proportionality principle.</i>                                                                  |                                                                                                                                                                                |                                                                                                                                                            |
| 4.a. <i>Acerca del concepto de proporcionalidad: ¿Cuál es su percepción sobre el criterio de proporcionalidad?</i>                                                                                                                                                                                                                      | 49    | 42   | <i>It is a well-designed principle, but one that is not well implemented. Supervisors tend to seek to fit all institutions into a single template and to apply that template uniformly.</i>                                             |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
| 4.b. <i>¿Hay proporcionalidad sin personalización de la supervisión?</i>                                                                                                                                                                                                                                                                | ✓     | 5    | <i>It is applied, but on a case-by-case basis.</i>                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | 33    | 28   | <i>It is not applied.</i>                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                                                                                                                                    | 15    | 15   | <i>A tutelary relationship.</i>                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
| 8. <i>To what extent do the objectives of directors/senior managers (competitiveness, efficiency, profitability—in short, value creation for shareholders) coexist harmoniously with the objectives of the new regulatory and supervisory framework (solvency, liquidity, internal recapitalization—in short, financial stability)?</i> | ✓     | 18   | <i>Supervision prioritizes financial stability as the primary objective of a credit institution, at the expense of other objectives.</i>                                                                                                |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | 51    | 33   | <i>These objectives are fully compatible and not contradictory; indeed, one would not exist without the other, although board members and senior managers may at times need to maintain a firm position in order to reconcile them.</i> | <i>The existence of an asymmetric and implicit tutelary relationship between supervision and supervised institutions, in which genuine supervisory dialogue is not sufficiently leveraged for the mutual benefit of both parties.</i>                                                         |                                                                                                                                                                                |                                                                                                                                                            |
| 9. <i>What does the concept of “supervisory dialogue” suggest to you?</i>                                                                                                                                                                                                                                                               | ✓     | 10   | <i>Open, frank, and honest dialogue on an equal footing.</i>                                                                                                                                                                            |                                                                                                                                                                                                                                                                                               | <i>A decoupling between the supervisory framework and supervised entities is observed as a result of the relationship model, complicating and slowing down decision-making</i> |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | 50    | 18   | <i>Key elements for a genuine dialogue are lacking; at times dialogue is easier, while at others it proves more difficult.</i>                                                                                                          |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         |       | 22   | <i>A supervisory monologue, more akin to a parent–child conversation, in which the supervisory position is conveyed to the institution in an impersonal and largely unidirectional manner.</i>                                          |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                                                                                                                                    | 10    | 10   | <i>An opportunity for supervision to generate value.</i>                                                                                                                                                                                |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                                                                                                                                    | 13    | 13   | <i>A strong correlation between the institution’s financial strength, the quality of its board members and senior managers, and the level of trust placed in it by the supervisor.</i>                                                  | <i>The need for “strong” board members and senior managers, together with the strong correlation between an institution’s track record of financial soundness and the level of trust generated on the part of the supervisor, as well as the strength of the board and senior management.</i> |                                                                                                                                                                                | <i>Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management</i> |
| 10. <i>Do you understand the supervisor’s rationale when a capital decision is communicated?</i>                                                                                                                                                                                                                                        | ✓     | 13   | <i>It is understood, though not necessarily shared.</i>                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | 49    | 36   | <i>There is a lack of clarity; it is perceived as arbitrary. Supervisors are unable—or unwilling—to explain it, and institutions are unable to understand it.</i>                                                                       | <i>A certain lack of transparency and of written commitment in some supervisory indications, guidance, or recommendations, alongside an excessive degree of discretion in supervisory practices.</i>                                                                                          |                                                                                                                                                                                |                                                                                                                                                            |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                                                                                                                                    | ✓     | 15   | <i>Supervisory discretion.</i>                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                         | 20    | 5    | <i>Lack of written commitment.</i>                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                |                                                                                                                                                            |

## Panel E. Pillar 5: Supervisory Extension into Strategic, Organizational, and Cultural Domains (Cont.)

| Interview Script                                                                                                                                                         | Files | Ref. | Open Coding                                                                                                                                               | Axial Coding                                                                                                                                                                                                                                                                                    | Patterns or Themes                                                                                                                                                      | Experiential Structures                                                                                                                             |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--|
| It is reflected in several themes of the interview guide used in the research                                                                                            | 12    | 6    | The rotation of supervisory teams prevents supervision from fully leveraging accumulated knowledge of the institution.                                    | Lower efficiency of the supervisory process resulting from multiple and heterogeneous supervisory interlocutors, particularly in the case of on-site inspections (OSIs) and horizontal supervisory exercises, which hampers a clear understanding of the actual risks faced by the institution. | A decoupling between the supervisory framework and supervised entities is observed as a result of the relationship model, complicating and slowing down decision-making | Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management |  |
|                                                                                                                                                                          |       | 6    | The need to enhance knowledge and coordination across different supervisory teams.                                                                        |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 11   | There is no academic or practical evidence that justifies one specific corporate governance model over another.                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
| 13.c. To what extent are these emotional responses affected by the fact that the ECB-SSM's annual SREP assessments recurrently identify weaknesses in governance models? | 41    | 10   | Un clima de responsabilidad, lealtad y concordia sienta de forma mucho más efectiva las bases de un gobierno corporativo                                  | The existence of a “supervisor-preferred corporate governance model”, considered equally applicable to all institutions (“one size fits all”).                                                                                                                                                  |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 12   | The supervisor's dissatisfaction with the corporate governance efforts undertaken by institutions is not fully understood.                                |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 8    | Corporate governance perceived as a product of supervision.                                                                                               |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       |      |                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
| It is reflected in several themes of the interview guide used in the research                                                                                            | 12    | 12   | A lack of banking expertise on the part of the supervisor.                                                                                                | Imbalances in banking expertise between banking professionals and supervisors, or limited practical understanding of how a credit institution is managed, giving rise to a distance that is, at times, difficult to bridge.                                                                     |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       |      |                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
| It is reflected in several themes of the interview guide used in the research                                                                                            | 18    | 10   | Insufficient customization of the supervisory process and the use of checklists that fail to adequately differentiate between institutions.               | A “Model T” approach to supervision, which hampers the customization of supervisory processes and may affect the equality of opportunity (level playing field), while at the same time facilitating “orderly resolution.”                                                                       |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 8    | Orderly resolution.                                                                                                                                       |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       |      |                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
| It is reflected in several themes of the interview guide used in the research                                                                                            | 5     | 5    | An excessively volatile environment is not conducive to building trust between supervisors and supervised institutions.                                   | An excessively volatile regulatory and supervisory environment, which is not conducive to fostering trust between supervisors and supervised institutions.                                                                                                                                      |                                                                                                                                                                         |                                                                                                                                                     |  |
| 2.c. What is your view of supervisory priorities and supervisory expectations?                                                                                           | 38    | 14   | Positive, insofar as it provides guidance for the work of board members and senior managers.                                                              |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 16   | Another means of exerting pressure on institutions; soft law instruments that have effectively become hard law.                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       | 8    | They do not add sufficient value, as they are excessively generic.                                                                                        |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
|                                                                                                                                                                          |       |      |                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                         |                                                                                                                                                     |  |
| It is reflected in several themes of the interview guide used in the research                                                                                            | 8     | 8    | The shared responsibility imposed on the banking sector for compliance with other regulatory frameworks on behalf of and/or in the interest of the State. | The “heavy” burden of complying with other regulatory requirements, which entails shared responsibility for the credit institution even when the breach does not originate within the institution itself.                                                                                       |                                                                                                                                                                         |                                                                                                                                                     |  |

## Panel F. Pillar 6: Regulatory and Supervisory Risk as a New Category of Uncertainty

| Interview Script                                                                                                                                                                                                       | Files | Ref.           | Open Coding                                                                                                                                                                                                                                                                                                                                                                                                               | Axial Coding                                                                                                                                                                                                                                                           | Patterns or Themes                                                                                                                                                                                           | Experiential Structures                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 16    | 16             | <i>The prominence of bureaucracy in supervisory processes.</i>                                                                                                                                                                                                                                                                                                                                                            | <i>The supervisory framework perceived more as an end in itself rather than as a means to strengthen financial stability, with bureaucracy playing a prominent role.</i>                                                                                               |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 13    | 13             | <i>The regulatory and supervisory framework as a force driving sectoral homogenization.</i>                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>19.c. And to what extent do you sense that regulation or supervision implicitly seeks to impose a single business model?</i>                                                                                        | 28    | 3<br>19<br>6   | <i>I do not believe that the regulatory and supervisory framework seeks to impose a single model, although in some cases it appears to aspire to do so.</i><br><i>The regulatory and supervisory framework seeks to impose a single model.</i><br><i>The regulatory and supervisory framework seeks to impose a single model, although this is very difficult to achieve in practice.</i>                                 | <i>The temptation to condition the management and business models of credit institutions, while at the same time allowing the emergence of other players within the financial ecosystem subject to fewer requirements under the new financial stability framework.</i> |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 7     | 7              | <i>The financial ecosystem allows the emergence of new players subject to fewer requirements to comply with the new financial stability framework.</i>                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>It is reflected in several themes of the interview guide used in the research</i>                                                                                                                                   | 27    | 27             | <i>Potential shadow management of credit institutions.</i>                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                        | <i>We also observe a decoupling between supervisors and supervised entities as a result of the materialization of a certain regulatory and supervisory risk arising from potential conflicts of interest</i> | <i>Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor</i> |
| <i>5.b. To what extent are business decisions, risk-profile decisions, and similar matters conditioned by supervision?</i>                                                                                             | 57    | 38<br>13<br>6  | <i>Supervisory pressure on governance and management significantly reduces managerial discretion.</i><br><i>Supervision primarily slows down processes and requires extensive justification; however, when institutions are convinced of a course of action, they proceed nonetheless.</i><br><i>Despite these constraints, there remains substantial scope for action within institutions' decision-making capacity.</i> | <i>As a result of these dynamics, the potential emergence of shadow management of credit institutions by supervisors.</i>                                                                                                                                              |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>17.b. Do you interpret this as evidence of regulatory or supervisory risk?</i>                                                                                                                                      | 38    | 4<br>34        | <i>It is in the supervisor's best interest to ensure that banks do not fail again; this reflects a combination of limiting responsibility and achieving financial stability.</i><br><i>The supervisor's objective function is to limit its own responsibility.</i>                                                                                                                                                        |                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>15.a. To what extent do you feel that regulation or supervision extend into your own role as a director or senior manager—for example, to the point of feeling like a first line of defense for the supervisor?</i> | 53    | 12<br>23<br>18 | <i>No; in any event, serving as the first line of defense for all stakeholder groups is my role.</i><br><i>To some extent, insofar as supervision seeks to channel all decisions through the board; they attempt to do so, but do not always succeed.</i><br><i>Always.</i>                                                                                                                                               | <i>The "Trojan horse," not as a strategy of deception but rather as a form of infiltration into the board.</i>                                                                                                                                                         |                                                                                                                                                                                                              |                                                                                                                                             |
| <i>15.b. To what extent might Internal Audit also experience itself as an extension of supervisory activity rather than as part of the entity's own internal control system?</i>                                       | 27    | 2<br>7<br>18   | <i>No.</i><br><i>To some extent.</i><br><i>Always.</i>                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                              |                                                                                                                                             |

## Panel F. Pillar 6: Regulatory and Supervisory Risk as a New Category of Uncertainty (Cont.)

| Interview Script                                                                                                                                                          | Files | Ref.          | Open Coding                                                                                                                                                                                                                                                                                                             | Axial Coding                                                                                                                                                                      | Patterns or Themes                                                                                                                                                                                    | Experiential Structures                                                                                                              |
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| 16.a. Do you feel that regulation or supervision may be replacing, or attempting to replace, directors and senior managers <i>de facto</i> (even if not <i>de iure</i> )? | 49    | 4<br>17<br>28 | Clearly not; the objective is simplification.<br>Some perceive it that way and, at times, it may appear so; however, the intention is not for institutions to merely feel supervisory control.<br>Yes, at times this objective is achieved and at others it fails; the overall trend appears to move in that direction. | The “Trojan horse,” not as a strategy of deception but rather as a form of infiltration into the board.                                                                           |                                                                                                                                                                                                       |                                                                                                                                      |
| It is reflected in several themes of the interview guide used in the research                                                                                             | 9     | 9             | Supervisory authorities and agencies overuse Level 3 non-legislative acts and soft law instruments.                                                                                                                                                                                                                     | Supervision is perceived as going significantly beyond the regulatory framework, even into areas where the regulator may not have originally intended to intervene.               | We also observe a decoupling between supervisors and supervised entities as a result of the materialization of a certain regulatory and supervisory risk arising from potential conflicts of interest | Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor |
| 2.c. What is your view of supervisory priorities and supervisory expectations?                                                                                            | 16    | 16            | These constitute another means of exerting pressure on institutions; soft law instruments that have effectively become hard law.                                                                                                                                                                                        | It is also interpreted that a certain degree of misalignment and conflicts of interest exist among the different supervisory authorities within the Single Supervisory Mechanism. |                                                                                                                                                                                                       |                                                                                                                                      |
| It is reflected in several themes of the interview guide used in the research                                                                                             | 10    | 10            | Misalignments and conflicts of interest among different supervisory authorities within the Single Supervisory Mechanism.                                                                                                                                                                                                |                                                                                                                                                                                   |                                                                                                                                                                                                       |                                                                                                                                      |

## Panel G. Pillar 7: Behavioral Adaptation and Strategic Dynamics in the Supervisor–Supervisee Relationship

| Interview Script                                                                                                                                                                                   | Files | Ref.           | Open Coding                                                                                                                                                          | Axial Coding                                                                                                                                                                                                                                       | Patterns or Themes                                                                                                                                                                                                                         | Experiential Structures                                                                                    |
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| 14. Do you perceive that regulation or supervision exhibit biases that go beyond what is reasonable, generating a degree of mistrust toward the judgment or work of directors and senior managers? | 56    | 13<br>13<br>30 | No.<br>Not at the institutional level; individual cases would need to be discussed.<br>Yes, driven either by distrust or by the need to justify their own existence. |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 15    | 15             | How interviewees perceive a change in their prestige and reputation vis-à-vis supervisors.                                                                           |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 10    | 10             | How supervised institutions perceive supervisory practices and modes of action.                                                                                      | The regulatory and supervisory framework is not immune to behavioral phenomena, including cognitive biases and political biases.                                                                                                                   | Because of the new regulatory and supervisory framework, we also identify behavioral phenomena and applications of game theory that may distort the reality and objectives of the relationship between supervisors and supervised entities | Behavioral patterns and strategic dynamics in the relationship between supervisors and supervised entities |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 12    | 12             | How supervisors seek to mitigate or limit the effects of their own responsibility.                                                                                   |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 11    | 11             | How supervisors compare the evolutionary dynamics of supervised institutions.                                                                                        |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 10    | 10             | How supervised institutions seek to capture supervisory influence in order to derive advantage.                                                                      |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 20    | 20             | How supervised institutions perceive their own relationship with supervisors.                                                                                        | Directors and senior managers within the Spanish banking sector are likewise not exempt from behavioral phenomena, with cognitive and political biases also present among supervised institutions.                                                 |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 22    | 22             | Governance dynamics of boards of directors and senior management within institutions.                                                                                |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 40    | 40             | The supervisor–supervised relationship as a strategic game.                                                                                                          | It is very difficult to eliminate such biases, as they tend to operate at a subconscious level; however, supervised institutions are aware that they apply elements of game theory, as reflected in board minutes and other intentional behaviors. |                                                                                                                                                                                                                                            |                                                                                                            |
| It is reflected in several themes of the interview guide used in the research                                                                                                                      | 15    | 15             | “Formal compliance without conviction” (“comply and pretend”).                                                                                                       |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
| 5.c. To what extent do supervisory reviews of board/management committee minutes influence the decision-making dynamics of these bodies?                                                           | 54    | 13             | The reading of board minutes by supervisors creates challenges, as does the requirement to provide evidence of challenge or scrutiny of senior management.           |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
|                                                                                                                                                                                                    |       | 22             | Great care is taken in what is recorded in the board minutes.                                                                                                        |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |
|                                                                                                                                                                                                    |       | 19             | No impact.                                                                                                                                                           |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                            |                                                                                                            |

## Panel H. Conclusions and Recommendations

| Interview Script                                                                                                                                                                                     | Files | Ref. | Open Coding                                                                                                                                                                                             | Axial Coding                                                                                                                                                                                                         | Patterns or Themes                                                                                                                                         | Experiential Structures                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 20.b. Do you feel that board-level control standards have relaxed as a result of regulatory and supervisory demands?                                                                                 | 18    | 12   | <i>On the contrary, they have increased, but on a voluntary basis by the institution, driven by a conviction of their necessity.</i>                                                                    | <i>The new regulatory and supervisory framework primarily complements the role of board members and senior managers in the Spanish banking sector.</i>                                                               |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 6    | <i>Se han incrementado como una combinación de convencimiento de la entidad y por el impulso de la normativa y la supervisión</i>                                                                       |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
| 20.a. Do you perceive the new regulatory and supervisory framework as largely complementary to—or as largely substituting for (never de jure)—your responsibilities as a director or senior manager? | 55    | 27   | <i>Complementary, with neutral or even positive features arising from the regulatory and supervisory framework.</i>                                                                                     |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 9    | <i>Complementary despite the influence of the regulatory and supervisory framework on the autonomy of boards.</i>                                                                                       | <i>Five distinct patterns in the experience of complementarity and substitutability within the Spanish banking sector.</i>                                                                                           |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 7    | <i>Complementary in some domains and substitutive in others.</i>                                                                                                                                        |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 10   | <i>The regulatory and supervisory framework largely substitutes for the role of board members and senior managers.</i>                                                                                  |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 2    | <i>Supervision as constraining or limiting rather than complementary or substitutive.</i>                                                                                                               |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
| 20.a. Do you perceive the new regulatory and supervisory framework as largely complementary to—or as largely substituting for (never de jure)—your responsibilities as a director or senior manager? | 55    | 5    | <i>“Complementarity by conviction.”</i>                                                                                                                                                                 | <i>Motivations among board members and senior managers that help explain how they understand complementarity and substitutability.</i>                                                                               | <b>The new regulatory and supervisory framework mainly serves to complement the actions of directors and senior managers in the Spanish banking sector</b> | <b>Conclusions and recommendations</b> |
|                                                                                                                                                                                                      |       | 5    | <i>“Conditional complementarity.”</i>                                                                                                                                                                   |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 5    | <i>“Regulatory and supervisory substitutability.”</i>                                                                                                                                                   |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 5    | <i>“Hidden substitutability.”</i>                                                                                                                                                                       |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
| 6.a. How do you perceive your autonomy and your ability to make decisions as a director/senior manager?                                                                                              | 45    | 30   | <i>Absolute, within a more demanding framework that is constraining and limited by regulation and supervision; at times it prevents collisions, while at others it becomes a matter of negotiation.</i> | <i>To what extent do interviewees perceive that they retain autonomy and decision-making capacity?</i>                                                                                                               |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 15   | <i>Partial, or no independence at all.</i>                                                                                                                                                              |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
| 6.b. Has this situation cascaded through the rest of the organization?                                                                                                                               | 13    | 4    | <i>Absolutely.</i>                                                                                                                                                                                      |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 9    | <i>This is becoming increasingly noticeable.</i>                                                                                                                                                        |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
| 17.b. How do you think directors and senior managers would respond to a less prolific regulatory framework and a less intensive or intrusive supervisory model?                                      | 34    | 13   | <i>I would not change what I do.</i>                                                                                                                                                                    | <i>What would be the reaction of board members and senior managers to a hypothetical regulatory environment characterized by a less extensive regulatory framework and less intensive and intrusive supervision?</i> |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 15   | <i>Greater initiative, more innovation, and less control—without excesses.</i>                                                                                                                          |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |
|                                                                                                                                                                                                      |       | 6    | <i>Greater initiative, more innovation, and less control—albeit with higher risk.</i>                                                                                                                   |                                                                                                                                                                                                                      |                                                                                                                                                            |                                        |

## Panel H. Conclusions and Recommendations (Cont.)

| Interview Script                                                                                                                                                                                                                                                                                                                                                                 | Files | Ref. | Axial Coding                                                                                                                                                                                                                         | Patterns or Themes                          | Experiential Structures         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------|
| 18. Do you perceive any sensitivity or awareness on the part of regulators and supervisors regarding the current situation or any indication of a shift in their approach?                                                                                                                                                                                                       | 50    | 11   | There is some sensitivity that could lead to change, driven by regulatory asymmetries and by the findings of the Letta and Draghi reports.                                                                                           |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       |      | No; there are no adequate incentives for change, nor any form of pressure.                                                                                                                                                           |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 39   | The current framework is regarded as a successful model, and stakeholders appear comfortable with it.                                                                                                                                |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       |      |                                                                                                                                                                                                                                      |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 15   | Incorporating best practices from other regulatory and supervisory frameworks, while paying greater attention to stakeholder groups that can contribute to the adaptation of the regulatory and supervisory framework.               |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 12   | Fostering greater trust, from supervision toward supervised institutions and vice versa, as a prerequisite for supervisors to assume a higher degree of legal risk.                                                                  |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 18   | Working toward regulatory simplification and greater stability and temporal coherence, alongside improved coordination and consistency among regulators and across economic functions.                                               |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 19   | Returning to a more strategic supervisory approach, undertaking a reengineering of supervisory processes and deploying new technologies, such as artificial intelligence.                                                            |                                             |                                 |
| 20. What alternatives do you believe could be proposed to regulators and supervisors to encourage greater autonomy for directors and senior managers? To what extent might principles-based approaches, enhanced dialogue, or more substantive debate between banking leaders and supervisory authorities help reframe the feelings, reactions, and attitudes described earlier? | 58    | 9    | Adapting compliance timelines to the actual compliance capacity of institutions, taking into account their systemic impact.                                                                                                          | Recommendations emerging from this research | Conclusions and recommendations |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 20   | Granting significantly more scope for supervisory customization and for the effective application of the proportionality principle.                                                                                                  |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 10   | Daring to deliver value-added input on business matters from supervisors to supervised institutions, potentially by establishing a second supervisory line tasked with providing sector-wide information to support decision-making. |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 6    | Recognizing and supporting institutions that comply with the regulatory and supervisory framework, which could translate into a more agile relationship between supervisors and supervised entities.                                 |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 8    | Applying a public policy evaluation model to the regulatory and supervisory framework, both ex ante and ex post, including the use of a “sandbox” format for prudential regulation and recovery and resolution regimes.              |                                             |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                  |       | 25   | Expanding dialogue and transparency between supervisors and supervised institutions, by creating appropriate incentives and enabling the achievement of binding agreements that commit both parties.                                 |                                             |                                 |

Source: Authors' own elaboration.

## Appendix III. Structural tensions identified

**Table AIII.1: Thirty-Two Structural Tensions Identified in the post-crisis regulatory and supervisory framework**

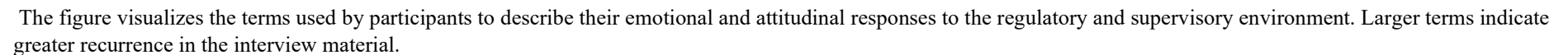
Table AIII.1 presents the thirty-two structural tensions identified in the analysis. Collectively, these tensions show how regulation and supervision, although broadly complementary to corporate governance, may also generate frictions, ambiguities, and varied patterns of lived experience for directors and senior managers operating under sustained supervisory oversight.

| Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness                                                                                                                                                                                                                                            | Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management                                                                                                                                                                                                                                                                                                                         | Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Behavioral patterns and strategic dynamics in the relationship between supervisors and supervised entities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Financial stability as a positive catalyst for strengthening the banking sector, but also characterized by a lack of proportionality, stability, coherence, and institutional coordination in regulatory and supervisory processes.                                                                                                             | 10. A skills gap in the banking profession among board members versus the much faster and more comprehensive development of capabilities and skills among banking senior managers, driven by increased regulation, intensified supervision, and an increasingly complex banking environment and business model.                                                                                                                                                             | 18. Prioritization of supervisory objectives versus broader public interest objectives, in order to avoid internal dissonance between the general or public interest and the objectives pursued by supervision. In particular, the prioritization of supervisory economic and financial objectives (solvency, liquidity, internal recapitalization, etc.) versus an appropriate balance between the objectives of the new regulatory and supervisory framework and those of directors and senior managers (competitiveness, efficiency, profitability, etc.).                                                    | 26. Biases stemming from excessive distrust or skepticism on the part of supervision toward supervised institutions, as opposed to a model of healthy skepticism derived from an objective and neutral supervisory function. Such biases may naturally introduce an authority bias whereby greater credibility is attributed to other supervisors than to industry professionals, or to certain profiles of board members—namely independent directors with academic backgrounds—over other board members or institutions from the supervisor's country of origin.                                                                                                                     |
| 2. An intrusive and excessively interventionist supervisory approach that plays an overly prominent role in the supervisory model, in tension with the necessary and legally established strategic autonomy of bank directors and senior executives.                                                                                               | 11. An excessive degree of scrutiny, challenge, and detail in matters addressed by board members versus a level of challenge and detail calibrated to the trust placed in the institution's senior managers, and the need to safeguard the value of the board by avoiding                                                                                                                                                                                                   | 19. Lower efficiency of the supervisory process resulting from multiple and heterogeneous supervisory interlocutors, particularly in the case of OSIs and horizontal supervisory exercises, which hinders a clear understanding of the actual risks faced by the entity.                                                                                                                                                                                                                                                                                                                                         | 27. The normalization of supervisory procedures and the creation of routines as perceived satisfactory responses to potential risk events, as well as myopic reactions to institutions' proposals driven by loss aversion or by the desire to preserve a status quo achieved over the past decade. This may also involve the use of "benchmarks" as reference points based on the expectation of generalized benefits for the sector, or as a means of simplifying decision-making in a complex environment by relying on peer groups, thereby reinforcing pre-existing expectations and hypotheses or reflecting an overestimation of supervisory knowledge and judgment with respect |
| 3. Financial stability as a positive catalyst for strengthening the banking sector versus a dominant negative emotional core, in which an underlying tension emerges in the relationship between the regulatory and supervisory framework and supervised institutions.                                                                             | 12. The influence of the regulatory and supervisory framework versus the risk of losing the dual independence of independent board members vis-à-vis other stakeholder groups. The need to preserve the role of the independent director versus a supervisory approach that seeks to appropriate independent directors as its first line of defense.                                                                                                                        | 20. A corporate governance model preferred by the supervisor and considered equally applicable to all entities, versus recognition of the depth and significance of advances in corporate governance achieved over the past decade.                                                                                                                                                                                                                                                                                                                                                                              | 28. Political bias or strategic distortion in supervisory decision-making, whereby certain supervisory actions may unconsciously favor specific institutions on the basis of their financial strength or other characteristics or behaviors that provide reassurance to supervisors, as opposed to decisions grounded in purely technical                                                                                                                                                                                                                                                                                                                                              |
| 4. Public objectives versus banking sector objectives: financial stability (the value of the public interest) versus strategy, business development, efficiency, competitiveness, profitability, initiative, innovation, and talent attraction (shareholder value).                                                                                | 13. Board members remuneration versus independence. Board members' responsibility versus remuneration: the economic, criminal and reputational liability borne by board members versus the lack of adequate compensation for such responsibility. Where it is not possible to align the level of financial compensation with the level of responsibility, it may be reasonable to expect that the level of responsibility assumed will adjust to the level of compensation. | 21. Supervisory influence over management decisions and business models, potentially leading to shadow management of credit institutions and supervisory pressure to hold board members accountable for all outcomes. This raises the question of whether the objective function of regulators and supervisors may be oriented toward minimizing their own reputational and legal risk, versus the need for a new regulatory and supervisory framework with a lower incidence of legal risk for regulators, supervisors, and supervised entities alike, based on shared responsibility and joint accountability. | 29. Self-censorship, encapsulation, and a reduction in ambition by board members and senior managers, arising from the potential reluctance of supervisors to endorse certain actions, from the internalization of supervisory thinking, or from the high level of responsibility borne by decision-makers, which may lead to heightened risk aversion or excessive conservatism. Such tendencies may undermine institutional resilience by limiting innovation and adaptation. These biases may also result in increased informal deliberation and pre-positioning by boards outside formal sessions in order to build consensus around key decisions.                                |
| 5. Incompatibility between public objectives: financial stability versus the contribution of the banking sector to economic development and trade in Spain and the European Union; consumer protection versus agility and innovation.                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 6. An excessive emphasis on financial stability versus potential artificiality and instability, arising from limited understanding of regulation, room for interpretation, or the risk of conferring a temporary or contingent character on the regulatory framework that ultimately fails to generate binding commitments for regulated entities. | 14. An expansion of board members' responsibilities versus the risk of interference in executive functions, potentially diluting senior managers' accountability and undermining the independence of the board's control and oversight function.                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**Table AIII.1: Thirty-Two Structural Tensions Identified in the post-crisis regulatory and supervisory framework (Cont.)**

| Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness                                                                                                                                                                                                                                                                  | Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management                                                                                                                                                                                         | Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor                                                                                                                                             | Behavioral patterns and strategic dynamics in the relationship between supervisors and supervised entities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. Regulatory asymmetries across jurisdictions versus reduced competitive capacity, greater difficulty in attracting equity investors to the Spanish and European banking sector, and increased barriers to entry into more capital-intensive activities.                                                                                                                | 15. Supervisory empowerment, monologic and tutelary approaches, unilateralism, lack of transparency and written commitments, and a degree of subjectivity and discretion on the part of supervision, versus a symmetric and cooperative relationship between supervisor and supervised institutions, based on genuine supervisory dialogue. | 22. A gap in banking expertise between banking professionals and supervisors, or limited practical understanding of how a credit institution is actually managed, giving rise to a distance that is, at times, difficult to bridge.                                              | 29. Self-censorship, encapsulation, and a reduction in ambition on the part of board members and senior managers, arising from the potential reluctance of supervisors to approve certain actions, from the implicit internalization of supervisory thinking, or from the high level of responsibility borne by decision-makers. These dynamics may foster heightened risk aversion or excessive conservatism, undermining institutional resilience by limiting the adoption of new ideas. Such biases may also lead to a deepening of certain aspects of board responsibility outside formal board meetings, in order to achieve consensus or pre-positioning around key decisions.          |
| 8. Activity-based regulatory asymmetries that encourage the emergence of new players within the financial ecosystem with lower compliance requirements under the new financial stability framework, versus reduced protection of consumer rights and potential adverse effects on financial stability in the event of a crisis originating in the shadow banking sector. | 16. Proportionality principle applied through the allocation of supervisory responsibilities between the ECB and National Competent Authorities (NCAs) versus proportionality applied on the basis of the size, systemic importance, and risk profile of supervised institutions.                                                           | 23. A bureaucratic supervisory model based on checklists and benchmarking that has become an end in itself, versus a genuinely risk-based and proportionate supervisory approach tailored to the institution's business model, complexity, risk profile, and balance sheet size. | 30. The Supervisor–Supervised relationship as a strategic game, fundamentally non-cooperative and asymmetric, characterized by complex and unstable rules, in which strategic dominance largely rests with the supervisor, versus a cooperative and symmetric game with simple and stable rules, in which the supervisor-led strategy generates mutual benefits for both parties.                                                                                                                                                                                                                                                                                                             |
| 9. Preventive and early intervention embedded in the regulatory and supervisory framework (a new social contract) versus trust-based cooperation with the banking sector in value creation for all stakeholder groups and in enhancing the sector's reputation within society.                                                                                           | 17. The need for “strong” board members and senior managers, as well as a track record of financial soundness of the institution, in order to generate sufficient trust on the part of the supervisor.                                                                                                                                      | 24. The traditional banking function versus the use of the banking sector as a conduit and transmission mechanism for other regulatory requirements and public policy objectives, and the resulting shared responsibility for instances of non-compliance.                       | 31. “Formal compliance without conviction”, whereby board members and senior managers perform certain functions and tasks they are expected to carry out, but which they perceive as contributing little to financial stability, or appear to implement them without genuine commitment, motivated instead by the avoidance of sanctions for non-compliance or by reputational considerations vis-à-vis the supervisor, versus compliance driven by conviction, grounded in a shared belief in the value of such requirements for all stakeholder groups.                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                             | 25. Overreliance on Level 3 non-legislative acts and soft law, versus a simpler, more principle-based legislative model that is more stable and less asymmetric.                                                                                                                 | 32. Board minutes and the duration of board meetings as a structural source of tension across three distinct dimensions, giving rise to a particular strategic trade-off. These include: the need to demonstrate sufficient challenge and scrutiny in line with supervisory expectations without resorting to performative behavior; the obligation to include regulatory matters in the board agenda while also ensuring adequate coverage of strategic and business issues to maintain balance; and the need to avoid excessive transcription in board minutes beyond what is reasonable, in order to prevent leakage of confidential information critical to the entity's competitiveness. |

**Figure 2: Emotion-based word map of directors' and senior managers' reported feelings, perceptions, reactions, and attitudes toward the supervisory framework**



**Figure 3: Word map of perceived impacts on credit institutions**



The figure visualizes the terms used by participants to describe the organizational and economic effects of the regulatory and supervisory framework on credit institutions. Larger terms indicate greater recurrence in the interview material.

## **Appendix V. Complementarity and Substitutability Patterns in Governance Actors' Experiences**

Beyond the overarching experiential structures and behavioral archetypes, the data reveal more specific patterns in how governance actors interpret the evolving balance between supervisory influence and internal governance responsibilities. These patterns illuminate differing perceptions of complementarity or substitutability in day-to-day governance practice.

From a phenomenological perspective, participants acknowledge that regulation and supervision have contributed to clarifying expectations, professionalizing decision-making, and establishing common standards that enable organizations to operate in a more predictable environment. In this sense, the regulatory and supervisory framework is experienced as a support that structures the exercise of board and senior managers functions; rather, it reveals variation in how actors experience and interpret complementarity and substitutability in practice.

The analysis further indicates that the post-crisis regulatory and supervisory framework broadly complements corporate governance within the Spanish banking sector. Across the narratives examined, participants do not suggest that internal oversight has weakened; on the contrary, they generally describe an intensification of internal control and governance demands. At the same time, some directors and senior managers report reduced autonomy and significantly constrained decision-making capacity, a pattern consistent with the findings presented in other sections of the study.

Beyond the behavioral archetypes identified in Section 4.7, the material reveals a more specific set of interpretive patterns concerning complementarity, substitutability, and their motivational underpinnings. These patterns show that lived responses to regulatory proliferation and intensified supervisory pressure are not homogeneous, but plural and dynamic. Identifying them adds interpretive depth to the analysis by clarifying the different ways in which governance actors understand complementarity, substitutability, and supervisory influence.

#### ***A. Five patterns of perceived complementarity and substitutability***

|                                                                                                    |                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>1. Complementarity with neutral or positive features</i></b>                                 | <i>Supervisory expectations are viewed as broadly aligned with internal governance objectives, with both domains perceived as mutually reinforcing.</i>                         |
| <b><i>2. Complementarity despite supervisory influence on the autonomy of boards</i></b>           | <i>Participants acknowledge supervisory influence over areas traditionally subject to board or management discretion, but still perceive role boundaries as broadly intact.</i> |
| <b><i>3. Complementarity in some domains and substitutability in others</i></b>                    | <i>Supervisory activity is perceived as partially taking over certain governance functions while supporting others; this overlap is not necessarily experienced negatively.</i> |
| <b><i>4. Predominantly substitutive supervision</i></b>                                            | <i>Some directors and senior managers perceive supervision as having effectively displaced aspects of their governance responsibilities.</i>                                    |
| <b><i>5. Supervision as constraining or limiting rather than complementary or substitutive</i></b> | <i>A softer form of substitutability in which supervision neither fully replaces nor meaningfully supports governance functions, but instead restricts discretion.</i>          |

Participants also articulated different motivations that shape their interpretation of complementarity or substitutability:

| <b><i>B. Motivational underpinnings of these patterns</i></b> |                                                                                                                                                                                                                 |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>1. Complementarity by conviction</i></b>                | <i>Internal governance standards would remain high even in the absence of supervisory pressure; controls are strengthened voluntarily because of organizational belief in their value.</i>                      |
| <b><i>2. Conditional complementarity</i></b>                  | <i>Strong internal control systems reflect both internal conviction and the impetus created by regulatory and supervisory demands.</i>                                                                          |
| <b><i>3. Regulatory and supervisory substitutability</i></b>  | <i>Supervisory norms partially render certain internal governance functions redundant by legally or procedurally defining them.</i>                                                                             |
| <b><i>4. Hidden substitutability</i></b>                      | <i>Particularly among independent directors, some participants perceive themselves as informal conduits for supervisory expectations, effectively extending supervisory oversight into internal governance.</i> |

These patterns add nuance to the findings by highlighting subtle variations in how governance actors interpret their evolving roles under the post-crisis supervisory regime, complementing—without altering—the main experiential structures and behavioral archetypes.

## Appendix VI. Selected Anonymized Excerpts

Appendix VI presents a selection of anonymized interview excerpts chosen to illustrate the tone, depth, and experiential richness of participants' accounts. These passages are illustrative rather than exhaustive and are intended to convey the qualitative material underpinning the study's experiential structures.

**Table AVI.1: Selected anonymized interview excerpts.**

### Panel A. Pillar 1: Stability–Competitiveness Tensions in the Post-Crisis Supervisory Regime

| Experiential Structures                                                                                        | Patterns or Themes                                                                                                                                                                                   | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness</i> | <i>The new regulatory and supervisory framework has been a positive catalyst, albeit with nuances and uncertainties that should be noted</i>                                                         | Poseidón          | '[...] these regulations are rules that the Board tends to internalize and that, in most cases, are well-founded and justified [...] so I think that, well, they do impose constraints on decision-making, but for good reasons.'                                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                |                                                                                                                                                                                                      | Hércules          | 'So, in my view, the response of the financial system to the 2008 crisis was very strong [...] it was a very significant event for the financial sector, and I believe the sector adopted the attitude of asking how we could prevent this from happening again. The steps that have been taken to ensure that it does not happen again have, in my opinion, been appropriate. Through regulation, the areas that led to the 2008 crisis have been addressed and adjusted.'                                                                                                                               |
|                                                                                                                |                                                                                                                                                                                                      | Helena            | 'In my view, provided that no black swan events materialize and no unforeseen shocks arise, within a reasonably stable macroeconomic environment, financial stability can be sustained. This is largely due to the diversification of banking institutions, the existence of varied strategic business models, and — at least in the case of Spanish banks — their                                                                                                                                                                                                                                        |
|                                                                                                                |                                                                                                                                                                                                      | Pegaso            | '[...] I do honestly believe that we make decisions that are far more well-founded than those in most other sectors, precisely because we operate under intense scrutiny and within a highly demanding regulatory environment. As a result, we exercise a particularly high degree of diligence before making decisions [...].'                                                                                                                                                                                                                                                                           |
|                                                                                                                |                                                                                                                                                                                                      | Afrodita          | 'There are significant challenges arising from the regulatory and supervisory framework that the sector must view as an opportunity — specifically, an opportunity for change and transformation.'                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                | <i>As a consequence of the new regulatory and supervisory framework, opportunity costs arise that hinder banks' support for the modernization and innovation of the Spanish and European economy</i> | Ares              | '[...] an institution's operations can become constrained if the level of regulatory intrusion becomes excessive, particularly because competition is no longer limited to actors subject to the same regulatory framework [...]. Ultimately, it does amount to a form of intrusion, as managing the business increasingly requires seeking approval for nearly every action undertaken [...]. In any business activity, there must be a framework, appropriate controls, and oversight; however, we are indeed reaching a point at which institutions are almost operating under de facto intervention.' |
|                                                                                                                |                                                                                                                                                                                                      | Nut               | 'Did we warrant heightened scrutiny? Yes. However, that should not be interpreted as a blank cheque. If such oversight is allowed to become unlimited, the likely consequence is that the industry — at least in those jurisdictions where no clear boundaries are established — will lose so much competitiveness that it may ultimately cease to be viable.'                                                                                                                                                                                                                                            |
|                                                                                                                |                                                                                                                                                                                                      | Nike              | '[...] the sector is now significantly more resilient and better capitalized; however, there is a risk that the cumulative weight of supervision and regulation may ultimately become stifling — not only in terms of costs, but also with regard to business initiatives. It places substantial constraints on decision-making and entrepreneurial activity, as institutions are constantly asking themselves: what will the Supervisor say?'                                                                                                                                                            |
|                                                                                                                |                                                                                                                                                                                                      | Juno              | 'However, I believe that, by definition, banking is a business that necessarily involves risk-taking. If one seeks to innovate, it is inevitable that mistakes will occasionally be made; that in itself is not problematic — one can adjust and correct course. What is unrealistic is to expect that all activity can be conducted within a completely risk-free environment [...]. What concerns me, therefore, is that the supervisor's mandate is centered on ensuring solvency and financial stability, while other considerations appear to be secondary.'                                         |
|                                                                                                                |                                                                                                                                                                                                      | Poseidón          | 'When seeking to innovate from within a bank, the process is considerably more complex than innovating from a start-up, as the latter operate with far fewer constraints and structural rigidities. Moreover, the inherent gravitational pull of a banking institution — which, in many respects, functions like a sun drawing everything into its orbit — does not, frankly, facilitate the kind of unconstrained innovation typically observed in start-ups.'                                                                                                                                           |
|                                                                                                                |                                                                                                                                                                                                      | Saturno           | '[...] regulation is constraining, supervision is constraining, and the perceived stability of the regulatory framework is also constraining. These are three distinct dimensions [...] All three impose limitations. While there may be scope for incremental improvements, such improvements are likely to remain marginal. This is a structural condition that must be acknowledged and incorporated into the overall economic model of the financial system.'                                                                                                                                         |
|                                                                                                                |                                                                                                                                                                                                      |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                |                                                                                                                                                                                                      |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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## Panel B. Pillar 2: Paradoxes and Vulnerabilities of the New Stability Architecture

| Experiential Structures                                                                                 | Patterns or Themes                                                                                                           | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness | The new regulatory and supervisory framework gives rise to paradoxes and potential vulnerabilities within the banking sector | Saturno           | <i>'I do not dispute that financial stability is one of the objectives of legislation. However, I believe it is only one among several. If financial stability were the sole — or even the primary — objective, the regulatory framework would likely be designed differently. I do not think there is, in practice, a coherent vision aimed at constructing the entire regulatory architecture exclusively around the objective of financial stability. Rather, regulation tends to be emergent in nature; it evolves incrementally in response to the diverse interests of multiple stakeholders and institutions, and ultimately its cumulative effects fall upon the financial system [...]. Although lack of awareness does not exempt one from compliance, the breadth and complexity of the regulatory framework make it virtually impossible to fully encompass.'</i>              |
|                                                                                                         |                                                                                                                              | Artemisa          | <i>'[...] what strikes me most is the extent to which one may achieve financial stability while undermining other objectives that are also relevant. I often illustrate this with a simple example: if I want my child to be safe, I can place him in a room and keep him there. "Is my child safe? Yes, he is safe. Am I compromising his development in other respects? Yes, clearly I am."</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                         |                                                                                                                              | Cibeles           | <i>'What I am not certain about is whether this regulatory framework will remain stable over time, or whether it may also change in ways that affect past facts or existing contracts. As a result, I may be fully compliant today, yet find myself non-compliant tomorrow due to a new rule that alters the current framework.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                         |                                                                                                                              | Isis              | <i>'We are therefore making decisions regarding something that is in the process of changing — and indeed already changing — and whose final contours we do not yet fully understand. However, at least in my view, acknowledging this uncertainty should not, in itself, become an impediment to decision-making. We currently have numerous proceedings underway in insolvency stages, involving courts and judicial authorities; even so, being aware of this evolving context should not constitute a drag on taking</i>                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                         |                                                                                                                              | Anubis            | <i>'[...] the volume of regulation across such broad and cross-cutting areas is so extensive that it often becomes difficult to be fully confident that one is complying with all applicable requirements. You are told that you are responsible, yet at the same time confronted with an ever-expanding body of rules that makes it increasingly complex to determine whether you are, in fact, in full compliance. Moreover, the interpretation of these rules is not always clear, and there is uncertainty as to whether they are being</i>                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                         |                                                                                                                              | Hades             | <i>'It does not provide me with any greater sense of security; on the contrary, it generates more uncertainty, as I perceive it to be highly volatile and continuously producing new rules. Rather than enhancing certainty, it increases the need to construct certainty internally — by allocating additional resources to repeatedly reviewing documentation and dedicating significant time to adapting to evolving requirements [...]. In my view, it does not necessarily deliver greater security; instead, it results in a heavier operational burden. Although this may suggest that I hold a negative view of the framework, I believe the underlying theoretical principles may be sound. However, their practical implementation still has considerable room for improvement, and I do not have confidence that this will materially improve, at least in the short term.'</i> |
|                                                                                                         |                                                                                                                              | Helios            | <i>'What is striking in this context is that, as a bank, we are prohibited from engaging in certain activities that may be carried out by other entities not subject to the same supervisory framework. I fully acknowledge the legitimacy of regulation; however, identical activities should be subject to identical regulatory treatment. These entities are able to operate — and are even registered with the supervisory authority — whereas we, solely by virtue of being a bank, are not permitted to do so. From a regulatory consistency</i>                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                         |                                                                                                                              | Pegaso            | <i>'"[...] the principal structural factor distinguishing the banking sector from others lies in its capital requirements. When a sector is consistently required to maintain capital levels of, for example, 15%, it becomes inherently difficult to compete with other industries. I am not aware of many sectors that are able, on a sustained basis, to deliver a return on equity above 15% to their shareholders. In that sense, such requirements can, from the outset, deter private capital and investors. Moreover, they ultimately influence and</i>                                                                                                                                                                                                                                                                                                                            |
|                                                                                                         |                                                                                                                              | Hermes            | <i>'However, it is effectively diverting senior management time and tangible budgetary resources that must be allocated to complying with supervisory recommendations that, in my view, do not generate commensurate value [...].'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                         |                                                                                                                              | Baco              | <i>'In some respects, this entails a loss of flexibility and adaptability. Institutions increasingly assume a more bureaucratic character [...]. In other words, there is a persistent concern about non-compliance — whether due to lack of awareness, delayed implementation, or even inconsistencies between different rules. Regulatory risk, in this context, becomes a highly significant risk factor.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                         |                                                                                                                              | Venus             | <i>'It represents a substantial cost in terms of resources, time, strategic focus, and effort across all dimensions of the organization.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                         |                                                                                                                              | Artemisa          | <i>'There are also significant constraints when it comes to attracting talent, which is by no means a minor issue. Internal processes have become markedly slower, partly as a result of the organizational mindset that has developed, the proliferation of committees, and the way in which we now operate as a matter of course — albeit for understandable reasons. Talent attraction may therefore become constrained, with the consequence that institutions do not necessarily recruit the very best candidates. Moreover, operating under so many limitations — and experiencing a degree of frustration as a result — can foster a sense of resentment when competing against fintech firms and large technology companies that are not subject to the same constraints.'</i>                                                                                                     |
|                                                                                                         |                                                                                                                              | Nut               | <i>'[...] the quality of management has declined, in part because the scope for exercising expertise has narrowed — there is less need, and indeed less opportunity, to develop deep knowledge. Managers increasingly operate as executors rather than decision-makers, which makes the sector less attractive to highly qualified professionals [...]. In this sense, excessive regulation has transformed the industry into a business that arguably requires a lower level of preparation than in the past, which I consider a concerning development [...]. We have, in my view, experienced a significant erosion of expertise. I believe the sector has lost both talent and institutional knowledge.'</i>                                                                                                                                                                           |

## Panel C. Pillar 3: Reconfiguring the Banking Social Contract under Supervisory Oversight

| Experiential Structures                                                                                        | Patterns or Themes                                              | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <i>Financial stability vis-à-vis the social function, institutional purpose, strategy, and competitiveness</i> | <i>The erosion and reframing of the banking social contract</i> | Zeus              | <i>‘‘[...] the notion that recourse to taxpayer funds in the event of a banking crisis has been definitively ruled out is not something that is entirely credible — either to us or, arguably, to the regulators themselves. There appears to remain some skepticism as to whether, in the event of excessive risk-taking, the costs would ultimately be borne solely by the banks rather than externalized.’</i>                                                                                                                                                                                                                                                                                                   |
|                                                                                                                |                                                                 | Pandora           | <i>‘[...] it is also true that not all of us are fully convinced that resolution mechanisms could effectively be implemented in the event of a systemic or global collapse. As a result, the prevailing response tends to be to require higher capital levels and additional regulation. Yet, even though formal support mechanisms have ostensibly been withdrawn, this may not be entirely credible, since there remains an underlying doubt as to whether, in an extreme scenario, such support would not ultimately have to be reinstated.’</i>                                                                                                                                                                 |
|                                                                                                                |                                                                 | Cerberus          | <i>‘[...] in Italy, and more recently in Switzerland, public support has ultimately continued to be provided — whether in the form of guarantees, loans, or even capital injections, as in the Italian case [...]. This suggests that, implicitly, there remains a prevailing mindset among states that, given the strategic nature of the sector, a certain bias persists: namely, the belief that, in order to prevent greater harm, some form of public intervention may ultimately prove necessary.’</i>                                                                                                                                                                                                        |
|                                                                                                                |                                                                 | Juno              | <i>‘In my view, supervisors ultimately display a very strong aversion to risk-taking and to assuming responsibility. The implicit contract is becoming increasingly unbalanced, as the overriding concern of supervisors — and particularly of resolution authorities — is to ensure that, in the event of a bank failure, mechanisms are in place to address the situation without any impact on public finances or cost to taxpayers. The underlying assumption seems to be that banks should be capable of absorbing all contingencies, regardless of</i>                                                                                                                                                        |
|                                                                                                                |                                                                 | Amón              | <i>‘[...] ultimately, recapitalization can only go so far; it cannot guarantee the complete absence of bank failures. As a result, liquidity and capital requirements are progressively increased, yet there appears to be an underlying presumption that such measures will never be fully sufficient. Consequently, additional layers of regulatory oversight are introduced. In that context, one may have the impression that the situation remains fundamentally unchanged: the regulator gains reassurance from having expanded the regulatory framework, while the regulated entity seeks to comply in full — even though it is difficult to assume that this alone would prevent any adverse scenario.’</i> |

## Panel D. Pillar 4: Synchronization Challenges Between Boards and Executives

| Experiential Structures                                                                                                                             | Patterns or Themes                                                                                                            | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management | There is a need for stronger and more effective alignment between directors and senior managers in the Spanish banking sector | Aquiles           | <i>'In addition, the degree of specialization now expected of board members has increased significantly. Personally, I would be reluctant to assume such a role, given the scope of the responsibilities involved. Even with extensive training, it is unrealistic to expect non-executive directors to attain the same level of expertise as a Chief Risk Officer or a senior risk executive. Such knowledge is built over many years of dedicated professional experience.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                                                                                                     |                                                                                                                               | Mercurio          | <i>'Regulation is valuable and necessary; however, we should focus on what truly matters. The critical issues, I can assure you, are not necessarily better addressed today despite the current environment of hyper-regulation. In practice, they often are not, because the degree of specialization required is such that board members — who have their own professional responsibilities — cannot realistically master every dimension involved. As Chair, I am necessarily familiar with certain matters, but that is largely because I have followed a professional trajectory from executive management to the presidency, having previously held a wide range of responsibilities. It is therefore legitimate to ask how institutions were able to operate and survive thirty years ago without this level of hyper-regulation. The answer lies in the exercise of professional judgment, combined with a</i> |
|                                                                                                                                                     |                                                                                                                               | Pegaso            | <i>'Moreover, whenever an issue of particular relevance arises, supervisors increasingly require that it receive specific attention from the governing body, including formal decisions and oversight at Board level. As a result, the Board's agenda becomes almost entirely absorbed by regulatory matters, which in turn limits the scope for the level and depth of discussion that should, at least in principle, be devoted to business strategy. Beyond the issue of overreach, this dynamic also leads to a form of overcorrection. The perception of risk has intensified, along with the view that virtually all matters must be escalated to the Board for detailed review. While this approach may have a certain rationale, it ultimately results in excessive formalism and, at times, an overextension of governance processes.'</i>                                                                    |
|                                                                                                                                                     |                                                                                                                               | Paris             | <i>'I believe there is a significant issue in the language used by supervisors, particularly when they require that certain reports be escalated to the Board. The terminology employed can generate unnecessary alarm, and in many cases this is fundamentally a matter of wording. For a director who is not involved in day-to-day operations — yet is fully aware of the substantial responsibilities associated with serving on the board of a financial institution — the drafting of such communications should arguably be handled with greater care. As it stands, the tone can place management under a level of pressure that is, in my view, unwarranted.'</i>                                                                                                                                                                                                                                             |
|                                                                                                                                                     |                                                                                                                               | Horus             | <i>'As board members, we must be clear about where our responsibilities lie — what we are required to do, where we should intervene, and where we should refrain from doing so. It is essential to understand the appropriate limits of our involvement and to avoid encroaching upon areas that are inherently executive in nature and therefore fall outside our</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                                                                                                                     |                                                                                                                               | Pandora           | <i>'It is becoming increasingly difficult for a Board to comply with the mandate imposed by the supervisor without effectively engaging in micromanagement. Yet, if one becomes a micromanager of risk, one inevitably becomes a micromanager of the institution itself. Risk is inherent to the activities of any financial entity, and particularly to banks. To the extent that the Board is required to micromanage risk at the supervisor's behest, it may ultimately find itself assuming a role that blurs the distinction between oversight and executive management — thereby falling into precisely the governance imbalance it is expected to avoid.'</i>                                                                                                                                                                                                                                                   |
|                                                                                                                                                     |                                                                                                                               | Hades             | <i>'Within the executive function, this dynamic generates a dual sentiment. On the one hand, there may be a perception that ultimate responsibility is effectively shifted upward: matters are escalated to the relevant delegated committee for initial review and subsequently to the full Board for resolution, thereby creating the impression that the executive is, to some extent, relieved of accountability. Under the current supervisory approach — particularly as influenced by Frankfurt — virtually all significant matters are required to be submitted to the Board for formal approval. In my view, this approach risks undermining executive accountability, as it effectively transfers responsibility away from those who</i>                                                                                                                                                                     |
|                                                                                                                                                     |                                                                                                                               | Apolo             | <i>'[...] one may have the perception that the supervisor is effectively compelling you to act as its executive arm. However, this cannot be the case, as it would entail allowing one stakeholder's perspective to prevail disproportionately over those of others.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                                                                     |                                                                                                                               | Neptuno           | <i>'As a board member, one may come away with the perception that the overriding priority is simply to avoid any misstep or any failure that could have adverse repercussions. It is true that an excessive focus on potential liabilities can detract from core objectives such as risk management aligned with value creation and profitability for shareholders. For someone who is relatively new to this environment, the effect can be even more pronounced. Such individuals may understandably become highly conditioned by the prospect of personal consequences, prioritizing the avoidance of error above all else.'</i>                                                                                                                                                                                                                                                                                    |
|                                                                                                                                                     |                                                                                                                               | Minotauro         | <i>'[...] I believe one must have a strong sense of commitment to be willing to serve on the board of a bank. The difficulty arises when, in the event of an issue, the immediate reaction is to attribute responsibility to the directors. One may respond that, as in any business activity, there is an inherent element of entrepreneurial risk. The overall framework, however, often appears designed so that ultimate responsibility rests with the Board. This inevitably creates a degree of concern. While it is entirely appropriate to assume responsibility and unacceptable to claim ignorance, the reality is that the time devoted to these matters — and the sheer number of policies requiring formal approval — is</i>                                                                                                                                                                              |

## Panel D. Pillar 4: Synchronization Challenges Between Boards and Executives (Cont.)

| Experiential Structures                                                                                                                                    | Patterns or Themes                                                                                                                   | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <i>Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management</i> | <i>There is a need for stronger and more effective alignment between directors and senior managers in the Spanish banking sector</i> | Pandora           | <i>'[...] there is, quite clearly, a significant imbalance between what is demanded of board members and the level of compensation they receive, which is relatively modest in comparison. I say this candidly: I often reflect on the disparity between the remuneration provided, the risks being assumed — including emerging risks — and the expectations set by the supervisor. In all honesty, there is scarcely a Board meeting in which I do not ask myself "what exactly am I doing here?"'</i>                                                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                                                            |                                                                                                                                      | Hades             | <i>'As Chief Executive Officer, I feel entirely comfortable with a Board that challenges me and compels both me and the management team to perform at a higher standard. We do not approach the Board with the assumption that everything is already settled; rather, we are required to build a robust and well-substantiated case capable of withstanding the Board's scrutiny — and I consider that appropriate. That said, I am not always able to determine with precision where the boundary lies.'</i>                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                                                                                                                            |                                                                                                                                      | Marte             | <i>'The perception — and I emphasize that we are speaking in terms of perceptions — conveyed by the supervisor is that I must maintain a constant posture of vigilance, almost as if I were expected to harbor a permanent degree of distrust toward executive management. In other words, that I should be monitoring them at every moment. I understand that this is not necessarily the intended approach; however, the impression conveyed is one of caution — as though any deviation could immediately give rise to consequences.'</i>                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                                                                            |                                                                                                                                      | Adonis            | <i>'Supervisory expectations are, at times, driving a form of oversight that can inadvertently strain the lines of dialogue between executive management and the governance function. In certain cases, this dynamic begins to create tension, which I consider somewhat anachronistic and misaligned with the current reality of our Board. There has been a significant renewal of the Board, with members who come from executive backgrounds; the Chair has a strongly executive profile, even holding executive functions, and the Secretary of the Board likewise has extensive executive experience. In such a context, it is relatively straightforward to understand what is being done and even to contribute constructively to its development. However, because there is a perceived need to establish a clear boundary between governance and management, that natural point of</i> |

## Panel E. Pillar 5: Supervisory Extension into Strategic, Organizational, and Cultural Domains

| Experiential Structures                                                                                                                                           | Patterns or Themes                                                                                                                                                                    | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <p><i>Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management</i></p> | <p><i>A decoupling between the supervisory framework and supervised entities is observed as a result of the relationship model, complicating and slowing down decision-making</i></p> | Pandora           | <i>'I believe that, ultimately, they recognize that the Board is already doing a great deal; yet the expectation seems to be that it should do a little more — and then a little more — and then a little more again.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                                                   |                                                                                                                                                                                       | Artemisa          | <i>'What I observe is a set of individuals who, collectively, constitute an institution whose mandate is to safeguard the stability of the financial sector, yet who address issues in a somewhat fragmented manner — advancing initiatives here and there that, taken together, have a profound cumulative impact, often without full awareness of that overall effect. The combined effect of these different dimensions ultimately means that the supervisor becomes a significant contributor to the perception of banking as a less attractive business model, owing to the arbitrariness and limited predictability of certain supervisory decisions.'</i>                                                                                                                                                                                                                                                  |
|                                                                                                                                                                   |                                                                                                                                                                                       | Pegaso            | <i>'The principle of proportionality, while conceptually sound, contains an inherent tension. On the one hand, proportionality would suggest that the scope and intensity of supervision should logically be greater for larger, more systemic institutions. On the other hand, there has historically been — and perhaps with some justification — a perception that smaller institutions may require closer attention, given their more limited resources, capabilities, and ability to remain consistently aligned with evolving best practices. In practice, however, this balance is difficult to achieve. Intrusive supervision in smaller institutions can ultimately become paralyzing, constraining their capacity to operate</i>                                                                                                                                                                        |
|                                                                                                                                                                   |                                                                                                                                                                                       | Ares              | <i>'It sometimes feels as though the police officer whom you would previously encounter only occasionally at a roadside checkpoint is now present at all times — effectively sitting in the passenger seat of your car. That is the difference. The shift from periodic oversight to constant presence is where the concern arises. If the officer is seated beside you to ensure that you do not run a red light or exceed the speed limit, that represents an excessive degree of tutelage, arguably disproportionate for a sector that is already highly regulated, professionalized, and institutionally mature, such as the financial system. The central question, therefore, is where a reasonable balance lies. At some point, one begins to question whether the constant presence of the 'officer' is truly necessary. Occasional checks and controls may well be sufficient to ensure compliance.'</i> |
|                                                                                                                                                                   |                                                                                                                                                                                       | Saturno           | <i>'[...] it is, in essence, a form of "soft power" through which one is implicitly told: this is how we believe you should act. In that context, what I would expect is that such interactions are conducted in a consistent manner across institutions — that the dialogue itself is comparable for all. Ensuring that this form of soft power is exercised in a way that does not create disparities is, in my view, a responsibility of the supervisor.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                                                                                                                   |                                                                                                                                                                                       | Hades             | <i>'[...] in terms of form, they are very courteous, and they frame the entire interaction as 'supervisory dialogue,' with a comprehensive checklist of matters under discussion. However, from our side — at least in our experience — it often feels less like a dialogue and more like a supervisory monologue. We are not the adversary. More broadly, there is a perception of underlying hostility, conveyed with considerable politeness in form but lacking genuine trust. On the contrary, the prevailing sentiment is one of limited mutual</i>                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                                                                   |                                                                                                                                                                                       | Isis              | <i>'"Supervisory dialogue" is, in my view, something of a misnomer. In practice, it tends to operate more along the lines of "I will listen to you, and then decide accordingly". It is true that, when we request a meeting, we are received courteously, and the exchange at the input stage is constructive; however, there is rarely any meaningful feedback in return. The dynamic often conveys a sense of hierarchy: you report or provide information, but it is not a dialogue between two institutions on equal footing, nor is it a form of engagement designed to support execution. Rather, it is a distant interaction that adds limited value to the decision-making process.'</i>                                                                                                                                                                                                                 |
|                                                                                                                                                                   |                                                                                                                                                                                       | Cibeles           | <i>'It is an appealing expression and applicable in many cases, yet in others it reflects a degree of misunderstanding. The so-called dialogue tends to be extensive and open on the part of the institution, while remaining cautious and limited on the part of the supervisor. We open our doors, provide detailed explanations, share the outcome of the year-end closing, present our budget, outline our projections for the following year, and describe the business initiatives we intend to pursue. Ultimately, however, the response is often little more than a courteous acknowledgment. Then, perhaps three months later, one may be confronted with a significant adverse decision.'</i>                                                                                                                                                                                                           |
|                                                                                                                                                                   |                                                                                                                                                                                       | Atenea            | <i>'[...] what we seek to cultivate is what I would describe as a 'strong Board' — one in which both the Board and the executive team are capable of responding with coherent, well-reasoned explanations [...]. Supervisors will continue to press and to intensify their engagement — indeed, we are holding an increasing number of meetings. When a supervisor has confidence in you and believes that you are acting appropriately, the interaction evolves: not only are recommendations made, but your positions are also understood and respected — which, ultimately, is what one seeks. Accordingly, if at times their approach appears excessive from our perspective, it is incumbent upon us to articulate our rationale clearly, so as to avoid fostering unnecessary mistrust.'</i>                                                                                                                |
|                                                                                                                                                                   |                                                                                                                                                                                       | Horus             | <i>'The capital decision letters we receive each year are, in my view, largely standardized in tone and structure. The supervisor will never state that everything is satisfactory — even when performance and compliance are fully adequate. There will invariably be an indication that further improvement is required in some area. This appears to be intrinsic to the supervisory philosophy itself: there is always scope for enhancement, even where progress has demonstrably been made [...]. Banks must therefore be fully cognizant of the supervisory model and style of communication, understand its underlying logic, and adapt accordingly. It is essential to recognize how supervisors frame issues and how they operate, and to respond within that established framework.'</i>                                                                                                               |
|                                                                                                                                                                   |                                                                                                                                                                                       | Eolo              | <i>'When the capital decision is communicated, I understand that it is not derived from a purely mechanical formula; nevertheless, it is often difficult to discern the precise rationale underlying the outcome [...]. This can generate a degree of incomprehension regarding the conclusions conveyed, and, above all, uncertainty — because each time the decision is issued, one does not know what to expect or in which direction the assessment will move. It creates a sense of unpredictability and, at times, frustration from the standpoint of progress: despite tangible efforts and improvements, the capital requirement itself does not appear to adjust accordingly.'</i>                                                                                                                                                                                                                       |

## Panel E. Pillar 5: Supervisory Extension into Strategic, Organizational, and Cultural Domains (Cont.)

| Experiential Structures                                                                                                                             | Patterns or Themes                                                                                                                                                      | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| Regulation and supervision as transformative elements of banking corporate governance: towards squeezing corporate governance and shadow management | A decoupling between the supervisory framework and supervised entities is observed as a result of the relationship model, complicating and slowing down decision-making | Teseo             | <i>'In my view, there is a lack of transparency, and the level of accountability within what is ostensibly a bilateral relationship is not applied symmetrically. For one party, transparency is expected to be absolute, and the scope of intrusion likewise appears to be unlimited; yet this is not reciprocated in the manner, form, or processes through which decisions are communicated and upheld. I find this imbalance particularly problematic. It reflects a lack of mutuality in the relationship, as the norms and standards governing conduct do not appear to operate in both directions.'</i>                                                                                                          |
|                                                                                                                                                     |                                                                                                                                                                         | Ulises            | <i>'At least at my level, one rarely receives an immediate response, a definitive position, or a clear endorsement from the supervisory counterpart. Decisions are subject to multiple layers of review and internal processes, which is understandable. However, there are occasions when, despite having been fully transparent and having provided comprehensive information, the response is neither timely nor delivered at the most appropriate juncture. A more expedited and responsive exchange would be beneficial, as it would allow institutions to recalibrate their approach at an earlier stage if necessary, rather than only at a point where the consequences may already be materially adverse.'</i> |
|                                                                                                                                                     |                                                                                                                                                                         | Vesta             | <i>'As a result, everything you have worked through and aligned with a particular counterpart must effectively be revisited when, two years later, a new interlocutor is appointed. The entire process of mutual understanding has to be rebuilt; otherwise, it becomes genuinely difficult to ensure continuity. For me, this issue — and the related implications we have discussed — is critical.'</i>                                                                                                                                                                                                                                                                                                               |
|                                                                                                                                                     |                                                                                                                                                                         | Neptuno           | <i>'[...] this is another aspect that, in my view, should be taken into account when assessing the growing distance between supervisor and supervised entity. There are multiple interlocutors, each operating within their respective hierarchical channels, and effective access is typically limited to the Joint Supervisory Team; access beyond that is not necessarily available.'</i>                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                                     |                                                                                                                                                                         | Zeus              | <i>'Corporate governance is, to a considerable extent, a subjective domain. However, if it is to be used as one of the pillars for determining the extent to which additional capital requirements are imposed, then there should be an empirical basis to justify why certain practices are identified as best practices. Moreover, such criteria should be applied consistently across supervisors.'</i>                                                                                                                                                                                                                                                                                                              |
|                                                                                                                                                     |                                                                                                                                                                         | Apolo             | <i>'What is the clear bias they exhibit? The German model. Their preference is for a dual structure consisting of a management board and a separate supervisory board. In matters of governance, I believe this creates a conceptual difficulty. There are certain dogmatic assumptions embedded in that framework which, in practice, are not always measured effectively — or at least are not clearly articulated to us. As a result, what they understand by governance does not necessarily coincide with our own understanding of the'</i>                                                                                                                                                                        |
|                                                                                                                                                     |                                                                                                                                                                         | Minerva           | <i>'In some respects, this reflects a limited appreciation of how decision-making processes and institutional dynamics actually function. Many of these decisions have already been discussed, analyzed, and aligned in forums other than the Board. By the time a matter reaches the Board, there has typically been prior engagement and a shared understanding of the relevant issues, so that the Board is in a position to take a formal decision. The Board cannot be expected to become a battleground for matters that have already undergone substantive review and deliberation elsewhere.'</i>                                                                                                               |
|                                                                                                                                                     |                                                                                                                                                                         | Dionisio          | <i>'Undoubtedly — and I do not question that this is done with the best of intentions — the relative lack of direct management experience, which is not to be confused with a lack of technical knowledge, may at times lead supervisors to focus on issues that, from a managerial perspective, do not necessarily address the core of the problem [...]. Conversely, other matters that may be more materially relevant can receive comparatively limited attention.'</i>                                                                                                                                                                                                                                             |
|                                                                                                                                                     |                                                                                                                                                                         | Nike              | <i>'The issue, in my view, lies in the way it is being implemented: it reflects a highly theoretical approach based on parameters that do not sufficiently account for the specific characteristics of each institution. As a result, operating under such a framework tends to standardize and formalize processes to a significant degree, thereby limiting institutional discretion and freedom of action.'</i>                                                                                                                                                                                                                                                                                                      |
|                                                                                                                                                     |                                                                                                                                                                         | Bastet            | <i>'Aquí tienes la traducción en el tono natural y profesional/académico que estás manteniendo:<br/>'The phrase that "the ECB does not mind if we fail, as long as we fail in a procedurally compliant manner" is striking, but it captures precisely the point I am making. If an institution were to fail, it would not necessarily be regarded as a problem for the ECB, provided that all supervisory procedures had been duly followed. In that sense,</i>                                                                                                                                                                                                                                                         |

## Panel F. Pillar 6: Regulatory and Supervisory Risk as a New Category of Uncertainty

| Experiential Structures                                                                                                              | Patterns or Themes                                                                                                                                                                                    | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor | We also observe a decoupling between supervisors and supervised entities as a result of the materialization of a certain regulatory and supervisory risk arising from potential conflicts of interest | Bastet            | <i>'What we are witnessing now is, in part, a dynamic similar to that of any bureaucracy, which tends to become self-reinforcing. The supervisory apparatus continues to expand and, in doing so, appears to be drifting away from its original purpose. It has entered a phase focused increasingly on institutional preservation — expanding its remit, identifying additional risks, and growing in size in order to consolidate resources, influence, and authority. While I believe that, at its inception, the primary objective was financial stability, the prevailing objective now seems to be institutional perpetuation.'</i>                                                                                                                                                                                                                                                                                      |
|                                                                                                                                      |                                                                                                                                                                                                       | Vesta             | <i>'European bureaucracy tends to generate further layers of bureaucracy, and this constitutes a challenge not only for the banking sector but more broadly. There are institutions that remark that they have seven, eight, even ten inspectors who, each morning, effectively need to justify their role. What do they do? They raise questions. As a result, a significant number of internal resources become dedicated primarily to responding to supervisory demands. This dynamic generates substantial opportunity costs and</i>                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                                                      |                                                                                                                                                                                                       | Apolo             | <i>'There is, at times, a tendency for regulation and supervision to encroach upon areas that arguably fall outside their proper remit. In my case, I seek to resist such encroachment — not without cost, but I do resist. There are moments when it is important to withstand the pressure. From experience, I would say that it is essential to know how to move forward while maintaining that resilience. Supervisors are sometimes mistaken, and at other times they are right. The key, therefore, is to know how to endure and manage that pressure constructively.'</i>                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                                                      |                                                                                                                                                                                                       | Odiseo            | <i>'What we want are simpler institutions — institutions that ultimately follow the directives of a central authority, namely the supervisor. A supervisory regulator that sets the priorities and determines where efforts must be directed, and even frames the rationale for historically high executive compensation in banking". In such a context, the value-added capacity of banking executives would become significantly constrained. The emphasis would shift toward executives who are primarily compliant, rather than those who generate value or develop new initiatives</i>                                                                                                                                                                                                                                                                                                                                    |
|                                                                                                                                      |                                                                                                                                                                                                       | Saturno           | <i>'Ultimately, what seems to be encouraged is a 'lemming' model — in which institutions follow one another in a uniform manner — because this facilitates regulation within a predefined framework and allows for standardized assessment. However, such convergence may, in fact, weaken the overall resilience of the financial system. When diversity of business models and approaches is reduced, institutions become more homogeneous; and in such circumstances, a single shock can have systemic consequences. The erosion of diversity ultimately undermines resilience.'</i>                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                      |                                                                                                                                                                                                       | Poseidón          | <i>'I believe there are certain areas in which supervisors act in a highly assertive manner, even where the regulatory framework would allow for alternative approaches. They tend to advance their views through expectations or guidance, and whether one wishes it or not, this inevitably influences the board. One may legitimately question how risky it would be not to meet a supervisory expectation. To the extent that boards align themselves with such expectations — even where they believe alternative courses of action would be viable — supervisory influence may effectively substitute for independent decision-making. It is also true that, in many cases, it is difficult to take a position that runs counter to</i>                                                                                                                                                                                  |
|                                                                                                                                      |                                                                                                                                                                                                       | Minotauro         | <i>'There is a clear conditioning factor which, to be fair, is inherent to the supervisor's mandate. I am not suggesting that the supervisor seeks to participate directly in management — that is clearly not its objective — but rather that it influences managerial decisions in pursuit of an ultimate goal that is not necessarily aligned with market dynamics, shareholder interests, or the strategic vision of management, who ultimately bear responsibility for the institution.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                                                      |                                                                                                                                                                                                       | Marte             | <i>'Let me be clear: I bear legal responsibility. However, there are situations in which supervisory or regulatory actions condition that responsibility. In that sense, accountability should, at least in part, be shared. I sincerely hope such circumstances never arise, but I sometimes feel that I am assuming responsibility for outcomes over which I do not exercise full control — responsibilities that are effectively imposed upon me [...]. "You are holding me accountable for decisions that you have effectively shaped — and, like anyone else, you are not infallible." If I make an error, I should assume the consequences. But if a supervisory decision proves mistaken and materially affects the institution, it is difficult to argue that the full burden of responsibility should rest solely with me.'</i>                                                                                       |
|                                                                                                                                      |                                                                                                                                                                                                       | Amón              | <i>'If, upon arriving at work, the first issues you raise are the three points previously highlighted by the supervisor — ahead of any others — then you are already operating under a degree of conditioning, even if you are not fully aware of it. In that sense, one may inadvertently amplify a bias that has been externally introduced. One might instinctively deny it; however, when you reflect on how you allocate your time, what concerns you most, and where your attention is directed, the influence becomes evident. I do not wish to resign myself to this dynamic, yet it is true that supervision increasingly absorbs a disproportionate share of time and focus. In effect, one risks becoming the supervisor's operational extension within the institution — prioritizing what concerns the supervisor, potentially at the expense of other matters that may be equally or even more relevant from</i> |

## Panel F. Pillar 6: Regulatory and Supervisory Risk as a New Category of Uncertainty (Cont.)

| Experiential Structures                                                                                                              | Patterns or Themes                                                                                                                                                                                    | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| Regulatory and supervisory risk arising from misalignments between the general interest and the objectives pursued by the supervisor | We also observe a decoupling between supervisors and supervised entities as a result of the materialization of a certain regulatory and supervisory risk arising from potential conflicts of interest | Pandora           | '[...] my perception is that the supervisor is increasingly influenced by pressures arising from public opinion, the broader socio-economic environment, and also from the judiciary. It is not simply a matter of governmental pressure. Judicial decisions — often taken in the heat of a particular post-crisis social context rather than in isolation — have also exerted significant pressure on supervisory authorities. Supervisors are understandably reluctant to see their decisions overturned by the courts. However, when that external pressure is subsequently transmitted to institutions as a means of shielding supervisory responsibility, it can feel inequitable and generates substantial additional strain.'                                                                                                                                  |
|                                                                                                                                      |                                                                                                                                                                                                       | Cronos            | 'In general, across the broader supervisory framework — including formal meetings and regulatory interactions — I believe their primary concern is financial stability. However, in certain situations, there is a clear tendency to distance themselves from the allocation of responsibility [...] In such cases, one often observes an immediate effort within the supervisory authority to demonstrate that they were not responsible — that they had no involvement or that the issue could not reasonably have been anticipated. I would like to think that this reaction is largely confined to moments of heightened scrutiny, when institutional self-protection becomes more salient. In more open and constructive exchanges, however, I do believe that their concerns are broader and that financial stability remains a genuine and central objective.' |
|                                                                                                                                      |                                                                                                                                                                                                       | Aquiles           | 'I believe that their overriding concern is to ensure that no bank fails again. That is the central objective. In that context, other considerations may become secondary.'                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                                      |                                                                                                                                                                                                       | Diana             | 'I believe that, at present, supervisors have a very clear incentive structure aligned with prudential objectives, while they lack comparable incentives to take decisions that would entail assuming a degree of regulatory risk themselves — or to place trust in other stakeholders in matters more closely linked to growth, business model transformation, and competitiveness. This asymmetry in incentives naturally reinforces a focus on stability, often at the expense of considerations related to development and strategic evolution.'                                                                                                                                                                                                                                                                                                                  |
|                                                                                                                                      |                                                                                                                                                                                                       | Hermes            | 'On one occasion, I recall a member of the Joint Supervisory Team stating to us — referring to the non-executive directors — that "you are our first line of defense".'                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                                                      |                                                                                                                                                                                                       | Pandora           | 'At times, I may feel like an extension of the supervisory function — but an inequitable one — because I am assuming responsibilities that the supervisor and regulator themselves do not assume. In effect, there is a transfer of responsibility, yet it is not reciprocal. The scope of matters requiring oversight continues to expand, while at the same time the level of personal accountability also increases.'                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                                                      |                                                                                                                                                                                                       | Nut               | 'I believe the objective is to simplify the supervisory task and to standardize the structures and behaviors of institutions. Indirectly, however, this may amount to supplanting the role of directors. If institutions are ultimately transformed into pre-programmed, closed systems that cannot deviate from the prescribed code, the need for active managerial judgment diminishes. That is the logical consequence. I do not believe the intention is to replace directors as such; rather, the intention appears to be to simplify the supervisory                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                      |                                                                                                                                                                                                       | Poseidón          | 'In many respects, this amounts to regulating without formally legislating, and I consider this one of the weaker aspects of the current system. We now operate within a framework that includes guidelines, directives, supervisory expectations, and Q&As — questions and answers that have, de facto, acquired normative force. This has created a degree of ambiguity and grey areas between binding rules, guidance, interpretative responses, and supervisory expectations. For the sector, these instruments are often perceived as                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                      |                                                                                                                                                                                                       | Zeus              | 'If the Directive or the Capital Requirements Regulation establishes specific governance requirements — and there is evidence that additional provisions were considered but ultimately not incorporated — the supervisor should not, in effect, substitute for the legislator by extending requirements into areas where the legislator deliberately chose not to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## Panel G. Pillar 7: Behavioral Adaptation and Strategic Dynamics in the Supervisor–Supervisee Relationship

| Experiential Structures                                                                                    | Patterns or Themes                                                                                                                                                                                                                         | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| Behavioral patterns and strategic dynamics in the relationship between supervisors and supervised entities | Because of the new regulatory and supervisory framework, we also identify behavioral phenomena and applications of game theory that may distort the reality and objectives of the relationship between supervisors and supervised entities | Hércules          | <i>'In the aftermath of a crisis, when a new regulatory framework is introduced alongside a new supervisory approach, it is understandable that skepticism becomes the starting</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                            |                                                                                                                                                                                                                                            | Eco               | <i>'I do believe that the supervisory approach carries inherent biases, including a degree of skepticism that is, indeed, intrinsic to its function [...]. A form of constructive skepticism would be highly beneficial, and I believe it could be fostered if supervisory teams included individuals with direct business experience — professionals who have worked within a banking institution.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                                                                            |                                                                                                                                                                                                                                            | Hermes            | <i>'[...] there is a bias of mistrust toward bank executives — particularly the Chief Executive Officer and the senior management team — stemming from the banking crisis. As a result, supervisory attention is directed closely at who occupies these roles. There is a tendency to conceptualize the Board as divided into two groups: on the one hand, the executives, and on the other, all remaining members — especially the independents — who are influenced by the ECB through soft law instruments, supervisory requirements, and ongoing oversight. This approach originates from the belief — not without justification — that a significant component of the banking crisis was rooted in inadequate corporate governance within banks. In that respect, the assessment is not unfounded [...].'</i>                      |
|                                                                                                            |                                                                                                                                                                                                                                            | Plutón            | <i>'Regulators tend to view financial institutions with a degree of suspicion. Establishing clear rules is entirely appropriate; however, there should also be a presumption of good faith — at least an assumption that institutions intend to act properly. In that respect, trust should be granted as a starting point, much like the presumption accorded in other domains unless evidence suggests otherwise.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                                                                            |                                                                                                                                                                                                                                            | Orfeo             | <i>'Ultimately, the message conveyed appears to reflect a high degree of skepticism on the part of regulators and supervisors regarding the quality and rigor of the work being carried out. There is a palpable sense of mistrust — almost as if the assumption were that decisions are taken casually or without due diligence. That is simply not the case. On the contrary, there is a substantial amount of internal analysis and effort behind those decisions. This dynamic can inadvertently foster mistrust between non-executive and executive directors, as supervisory skepticism — sometimes implicitly conveyed — may stem from a degree of distance or limited visibility into day-to-day operations. The implicit question seems to be: how can one be certain that institutions are actually doing what they say?'</i> |
|                                                                                                            |                                                                                                                                                                                                                                            | Eolo              | <i>'I do perceive that recurring question within the organization "What will the supervisor think? How will the supervisor react? How would the JST view this? What if the JST becomes aware of it — or does not?". This mindset permeates the institution at all levels.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                            |                                                                                                                                                                                                                                            | Ra                | <i>'This dynamic can lead to an excessive degree of conservatism in decision-making. While such prudence may be beneficial in certain respects, an overextension of conservatism can ultimately pose challenges to the resilience and long-term sustainability of the business, as it may discourage the exploration of new ideas or make innovation more difficult. I have also observed, at times, an excessive emphasis on form over substance in efforts to ensure regulatory defensibility. In some cases, this approach may contribute to heightened conservatism and create additional obstacles to effective decision-making.'</i>                                                                                                                                                                                              |
|                                                                                                            |                                                                                                                                                                                                                                            | Diana             | <i>'I conduct a prior review of the matters I intend to bring before the Board, fully aware that they may ultimately be subject to regulatory scrutiny. I know that the minutes are accessible and can serve as the basis for subsequent questions regarding the decisions I have taken, and therefore I ensure that I am fully prepared and comfortable with them.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                                                                            |                                                                                                                                                                                                                                            | Bastet            | <i>'Ultimately, institutions learn to operate within that framework. When what matters most is the checklist, one adapts accordingly. If it is clear that questions will be raised regarding geopolitical risks, climate risks, or other specified areas, these elements are systematically incorporated into each section or statement, aligned with the applicable rules.<br/>In practice, one anticipates that the supervisor will review the documentation against the relevant regulatory framework or supervisory manual, and therefore structures the</i>                                                                                                                                                                                                                                                                        |
|                                                                                                            |                                                                                                                                                                                                                                            | Anubis            | <i>'Aquí tienes la traducción en el tono natural y profesional/académico que estás manteniendo:<br/>'Ultimately, it can feel like an intrusion into corporate confidentiality, having to submit such documentation to the supervisor. I believe this may generate unintended consequences, insofar as minutes may be drafted or adjusted to reflect particular formulations, discussions, or behaviors that do not necessarily mirror the original exchange [...]. In that sense, it can have a chilling effect on open discussion, as directors may feel constrained in addressing certain matters or in taking decisions that will subsequently be</i>                                                                                                                                                                                |
|                                                                                                            |                                                                                                                                                                                                                                            | Pegaso            | <i>'Once we began receiving certain comments from the supervisor, this dynamic shifted. If I am going to be scrutinized in detail — if every word of my intervention may be examined and potentially taken out of context — then I may prefer to frame certain aspects in more general terms. It is difficult to conduct deliberations effectively if there is a constant concern that specific exchanges could later be isolated and interpreted differently from their original intent. In that respect, I would say that the fact that the supervisor reviews the minutes has indeed had an impact.'</i>                                                                                                                                                                                                                             |

## Panel H. Conclusions and Recommendations

| Experiential Structures         | Patterns or Themes                                                                                                                                  | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Conclusions and recommendations | The new regulatory and supervisory framework mainly serves to complement the actions of directors and senior managers in the Spanish banking sector | Venus             | <i>'It is complementary; it does not in any way replace the role of directors. On the contrary, it can be beneficial if it enhances effectiveness and is better tailored to the specific characteristics of each institution. Certain matters are already adequately addressed through regulation. However, the essence of the business — including risk management and strategic oversight — cannot be delegated to regulation or supervision. That responsibility rests unequivocally with the directors.'</i>                                   |
|                                 |                                                                                                                                                     | Aquiles           | <i>'In theory, it is complementary; in practice, it is not formally substitutive, but there is a gradual tendency to expand its scope. Step by step, supervisory influence appears to extend into areas that were previously more clearly within the domain of management and the Board.'</i>                                                                                                                                                                                                                                                      |
|                                 |                                                                                                                                                     | Poseidón          | <i>'I tend to believe that, in general, supervision is complementary — whether sufficiently so or not is another matter — to the decisions taken by institutions [...]. However, there are instances in which regulation and supervision, de facto, become substitutes for decisions that should properly lie within the banking sector — or at least seek to do so.'</i>                                                                                                                                                                          |
|                                 |                                                                                                                                                     | Mercurio          | <i>'There are certain measures that are effectively substitutive, in that they add no discernible value [...]. Conversely, there are others that are genuinely complementary — and I would go further to say that some are exceptionally complementary and indeed necessary.'</i>                                                                                                                                                                                                                                                                  |
|                                 |                                                                                                                                                     | Adonis            | <i>'In practice, it is more substitutive than complementary. Strictly speaking, it does not amount to a total replacement; however, it does entail the encroachment upon certain functions, and this encroachment appears to be incremental rather than bounded. There is no clear demarcation line at which it stops; instead, the scope gradually expands. Such encroachment effectively displaces executive functions, because when an external authority determines what must be done, the locus of decision-making no longer resides with</i> |
|                                 |                                                                                                                                                     | Dionisio          | <i>'This may sound somewhat unusual, but I would not describe it as either complementary or substitutive — although, if compelled to choose, it might be closer to complementary. More precisely, I would characterize it as conditioning. There is a third category, which lies in its capacity to shape and constrain decision-making without formally replacing it.'</i>                                                                                                                                                                        |
|                                 |                                                                                                                                                     | Amón              | <i>'The existence of supervision does not lead us to assume that our responsibility is fulfilled merely by complying with the rules.'</i>                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                 |                                                                                                                                                     | Vulcano           | <i>'Internal control standards have undoubtedly improved — clearly so. In many cases, these improvements have been undertaken voluntarily; although, to be precise, they have often been guided, encouraged, or prompted by regulatory changes and supervisory recommendations.'</i>                                                                                                                                                                                                                                                               |
|                                 |                                                                                                                                                     | Pandora           | <i>'I believe the role of the Board is becoming distorted. In practice, the Board is increasingly focused on complying with a wide range of regulatory mandates that have been imposed upon it — some of which may contribute to improved performance, while others may not. In any event, a substantial proportion of the Board's time — perhaps as much as</i>                                                                                                                                                                                   |
|                                 |                                                                                                                                                     | Apolo             | <i>'I believe that none of this should be abandoned, as it is, in many respects, positive. However, with greater trust and more meaningful dialogue, there would be a greater sense of reassurance and stability. In turn, this could enhance the overall effectiveness of the system.'</i>                                                                                                                                                                                                                                                        |
|                                 |                                                                                                                                                     | Helena            | <i>'As a director, operating within a highly regulated environment can, in some respects, be more comfortable, as the regulator effectively signals the issues that should command your attention.'</i>                                                                                                                                                                                                                                                                                                                                            |
|                                 |                                                                                                                                                     | Nut               | <i>'For me, the key point is that at any moment I feel I have the option to step down and explain clearly why I have chosen to do so. That possibility is, in itself, what ensures that one's position is taken seriously. I have no difficulty in telling a supervisor that, if I fundamentally disagree, I would be prepared to resign.'</i>                                                                                                                                                                                                     |

## Panel H. Conclusions and Recommendations Cont.)

| Experiential Structures         | Patterns or Themes                          | Participant alias | Excerpts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| Conclusions and recommendations | Recommendations emerging from this research | Ra                | <i>'For me, achieving the appropriate balance would entail moving toward a more pragmatic model, similar to the one I have observed in the UK. In other words, focusing on the key issues and engaging deeply with those — but only with those that are truly material. The intensity of supervision should be calibrated to the risk profile of each institution, with a proportionate and targeted focus on the most critical areas.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                 |                                             | Apolo             | <i>'This is an area in which we place considerable emphasis: fostering an environment in which each party remains within its proper remit, yet mutual trust can develop. It is essential that they understand our position and that we, in turn, understand theirs — that we are able to place ourselves in each other's context and appreciate the respective constraints and responsibilities. From my experience, there comes a point at which meaningful dialogue becomes critical.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                 |                                             | Juno              | <i>'Ultimately, there needs to be greater coordination among the European Commission, the Council, the ECB — in both its regulatory and supervisory capacities — and likewise with the EBA. It is difficult to reconcile a framework in which the EBA, based in Paris, develops Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) that ultimately have a direct impact on institutions, particularly in areas such as capital ratio calculations. The Capital Requirements Regulation (CRR) in itself often lacks sufficient operational clarity, requiring constant reference to EBA standards and guidance. Yet the EBA does not engage directly with institutions; attempts to establish dialogue are limited. In my view, there should be greater interaction with the sector to understand its practical concerns. A meaningful exercise in simplification would also be warranted. As matters stand, it is increasingly difficult to remain fully up to date with the regulatory framework.'</i> |
|                                 |                                             | Neptuno           | <i>'What I would suggest is to compare the supervisory approach of ten years ago with the current one. If I had to choose between the two, I would clearly favor the former — when supervision was conducted with a broader, more elevated perspective, through processes that genuinely engaged with strategic risk, business dynamics, and the bank's true positioning and risk profile. In that sense, I would advocate a 'back to basics' approach. I believe the earlier model was closer to the appropriate balance than the current one. Another issue that, in my view, merits consideration is the growing distance between supervisor and supervised entity. There are multiple interlocutors, each operating within their own hierarchical channels, and effective access is often limited to the Joint Supervisory Team (JST), without necessarily extending beyond it.'</i>                                                                                                                                             |
|                                 |                                             | Afrodita          | <i>'In this regard, I believe we should return to a common-sense approach: if we are to regulate, let us establish a framework that is coherent and workable — one that can be assimilated and implemented progressively, that is practical in its design, and, above all, developed in consultation with financial institutions and market participants before being</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                 |                                             | Eco               | <i>'A form of constructive skepticism would be highly valuable, and I believe it could be achieved if supervisory teams included individuals with direct business experience — professionals who have worked within a bank. In that way, the interaction would not simply reflect inherent biases, but would also be informed by a practical understanding of what drives a corporation and how it operates in reality.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                 |                                             | Efesto            | <i>'I believe that engagement with institutions would be more constructive if it focused on questions such as "What areas do you see as requiring improvement in the long term? What aspects of this issue concern you from a forward-looking perspective?" Rather than adopting an approach perceived as punitive, a more collaborative and strategically oriented dialogue would be preferable. While I may have formally met the required supervisory criteria, there is also scope for substantive feedback — insights that one can meaningfully reflect upon and incorporate.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                 |                                             | Perseo            | <i>'I believe that a thorough assessment should be undertaken — specifically, an evaluation of what supervision has genuinely contributed, and likewise what regulation has delivered in practice. However, such an assessment should not be conducted solely by supervisors or regulators themselves. Rather, it should be carried out by society at large, or even by the sector itself, in order to ensure an independent and balanced perspective.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                 |                                             | Anubis            | <i>'Greater dialogue and greater transparency would be highly beneficial for the supervisory function. In my view, this is largely a matter of willingness and mindset — a commitment to listening and engaging in genuine exchange. There may ultimately be a regulatory position or interpretation that has been determined at a higher level and must be conveyed accordingly; however, fostering more open discussion and mutual understanding would undoubtedly strengthen the overall process.'</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |