

Political Connections and White-collar Crime:
Evidence from Insider Trading in France
Online Appendix

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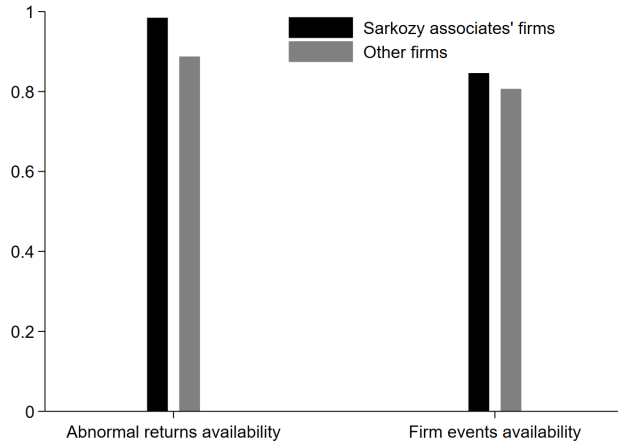
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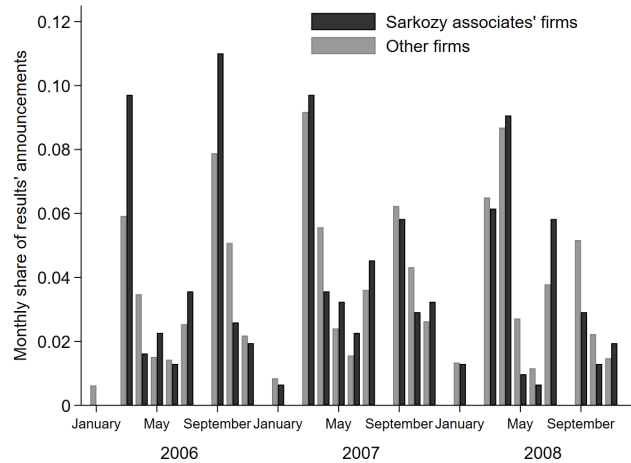
A Supplementary tables and figures

Figure A1: The distributions of Sarkozy associates' firms' characteristics vis-à-vis other Directors: Availability of stock returns and firm events agenda, and the distribution of firm results announcements.

(a) Availability of stock returns and firm events agenda.



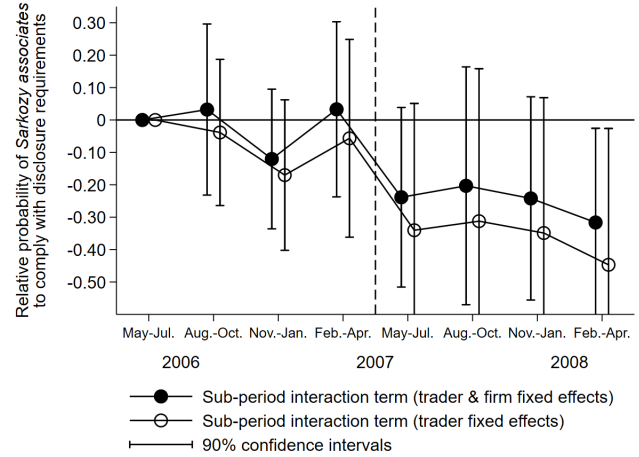
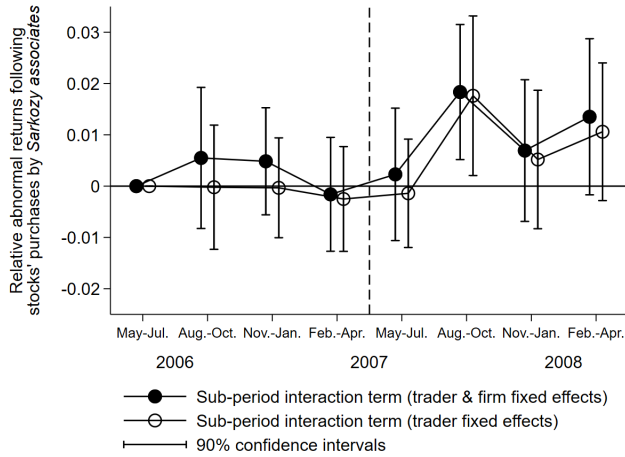
(b) Distribution of firm's results announcements.



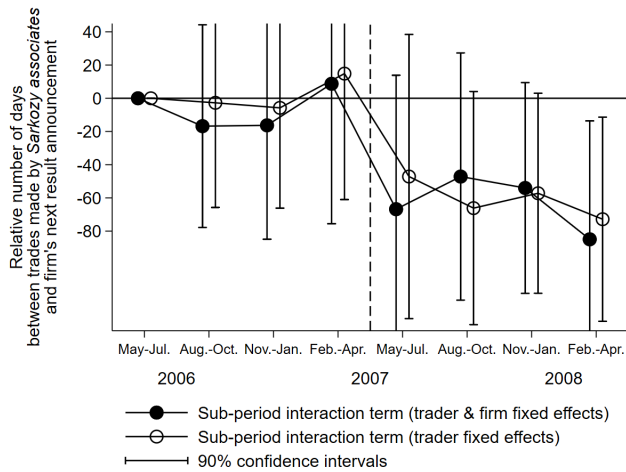
Sarkozy associates are Directors connected to Sarkozy. See the text for details of the construction of this group. *Associates' firms* are firms whose Board includes at least one Sarkozy associate. Figure (a) displays the observed availability rate of stock returns (from *Thomson Reuters Datastream*) and the firm's events agenda (from *TradingSat.com*) according to whether a Sarkozy associate sits on the firm's Board. Figure (b) plots the associated distributions of results announcements over time from January 2006 to December 2008, conditional on data availability.

Figure A2: The dynamics of Sarkozy associates' change in behavior around Sarkozy's election: Sub-period interaction terms, using trader fixed effects.

(a) Two-day compound abnormal return on purchases. (b) Compliance with the five-day disclosure requirement.



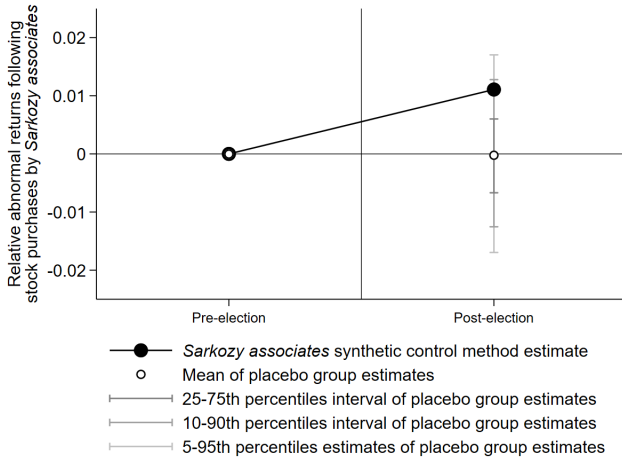
(c) Time from trade to the firm's next result announcement.



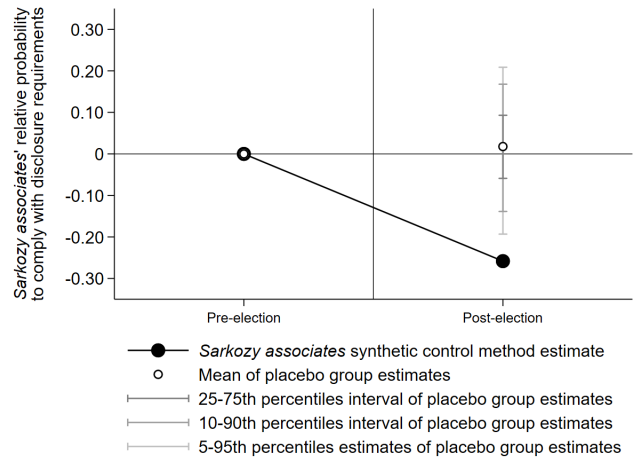
The hollow circles represent estimates of the *Sarkozy associate* variable interacted with the dummy variables dividing up the two-year period around Sarkozy's election into eight three-month sub-periods. The reference period is May to July 2006. As in the odd-numbered columns of Table 4's top panel, the regressions include covariates and trader fixed effects. The black dots represent estimates of the *Sarkozy associate* variable interacted with the dummy variables dividing up the two-year period around Sarkozy's election into eight three-month sub-periods. The reference period is May to July 2006. As in the even-numbered columns of Table 4's top panel, the regressions include covariates and trader and firm fixed effects. Standard errors are clustered by trader, firm and date. See the notes to Table 4 for the definition of the dependent variables. The lower-bounds of some confidence intervals are truncated for representation reasons.

Figure A3: Pseudo-synthetic control estimates of the change in behavior of Sarkozy associates around Sarkozy’s election: Individual-level synthetic control group.

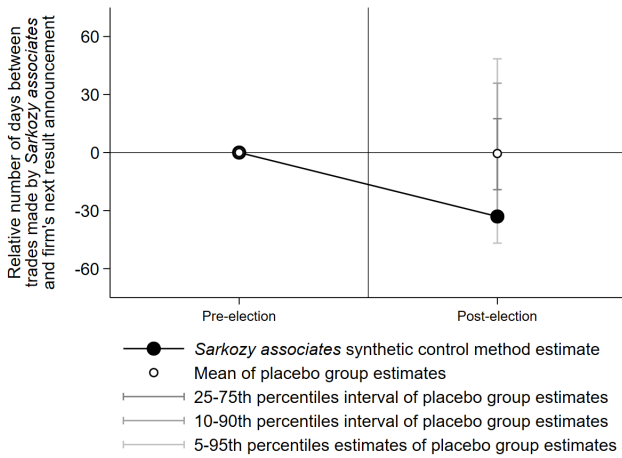
(a) Two-day compound abnormal return on purchases.



(b) Compliance with the five-day disclosure requirement.



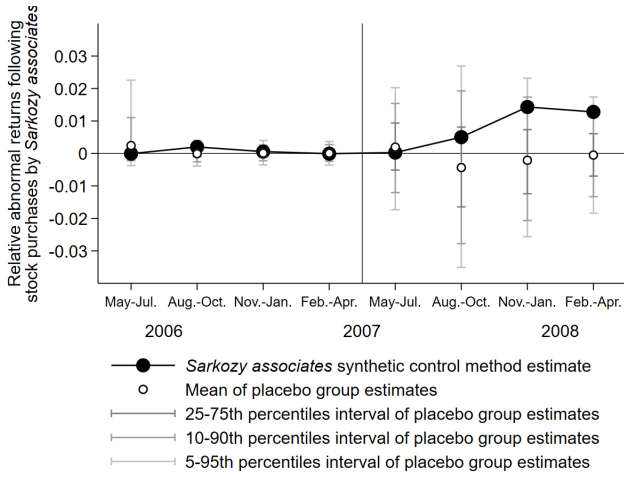
(c) Time from trade to the firm’s next result announcement.



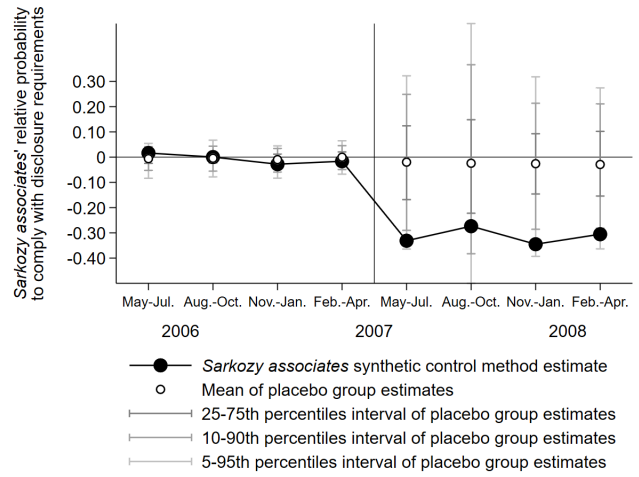
The figures present the pseudo-synthetic control estimates obtained by constructing synthetic control groups for each Sarkozy associate. See the text and Table 5 for more details on the method. The distributions of the placebo-group estimates come from 1,000 placebo groups of associates randomly drawn from the set of non-connected Directors, allowing for up to 25% differences in the size of the group with respect to the original group of Sarkozy associates. In the pre-election period, the percentiles of placebo-group estimates cannot be distinguished from the zero horizontal line.

Figure A4: Pseudo-synthetic control estimates of the change in behavior of Sarkozy associates around Sarkozy’s election: Directors of associates’ firms as donor pool.

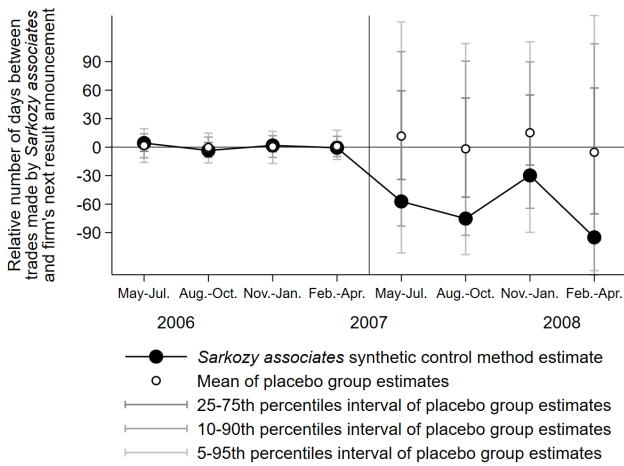
(a) Two-day compound abnormal return on purchases.



(b) Compliance with the five-day disclosure requirement.



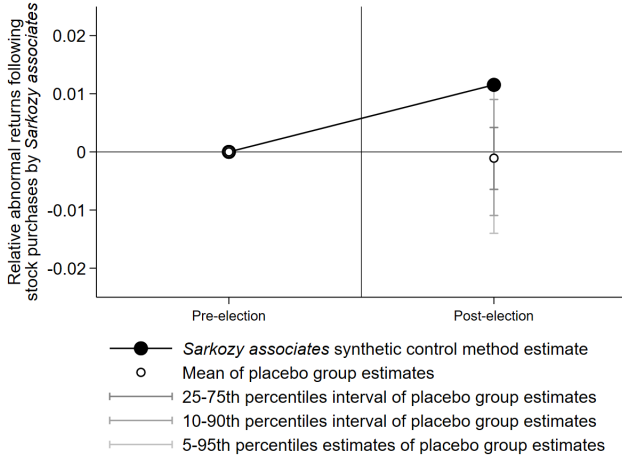
(c) Time from trade to the firm’s next result announcement.



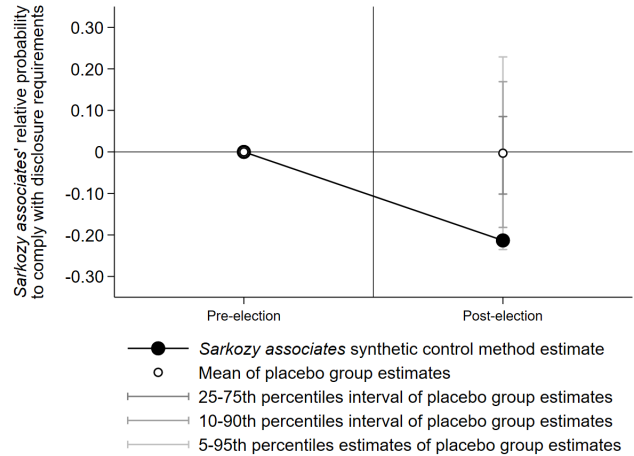
The figures present the pseudo-synthetic control estimates for each of the eight three-month sub-periods around Sarkozy’s election, using Directors of associates’ firms as donor pool. The four pre-election sub-periods are used to construct the synthetic control group. See the text and Table A4 for more details on the method. The distributions of placebo-group estimates come from 1,000 placebo groups of associates drawn randomly from the set of non-connected Directors who sit on the same Boards as Sarkozy associates, allowing for up to 25% differences in the size of the group with respect to the original group of Sarkozy associates.

Figure A5: Pseudo-synthetic control estimates of the change in behavior of Sarkozy associates around Sarkozy’s election: Individual-level synthetic control group, using Directors of associates’ firms as donor pool.

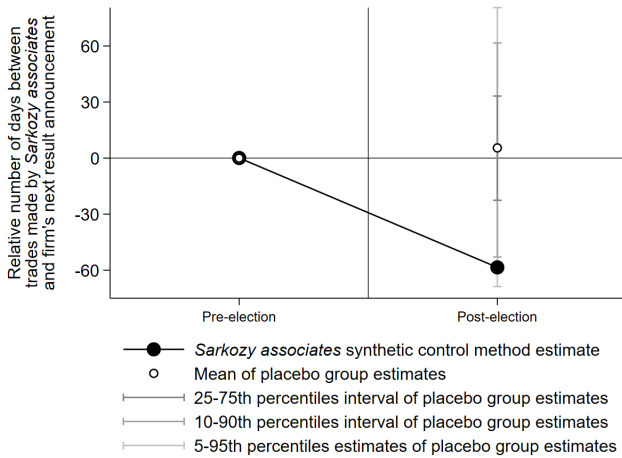
(a) Two-day compound abnormal return on purchases.



(b) Compliance with the five-day disclosure requirement.



(c) Time from trade to the firm’s next result announcement.



The figures present the pseudo-synthetic control estimates obtained by constructing synthetic control groups for each Sarkozy associate, using Directors of associates’ firms as donor pool. See the text and Table A4 for more details on the method. The distributions of the placebo-group estimates come from 1,000 placebo groups of associates randomly drawn from the set of non-connected Directors who sit on the same Boards as Sarkozy associates, allowing for up to 25% differences in the size of the group with respect to the original group of Sarkozy associates. In the pre-election period, the percentiles of placebo-group estimates cannot be distinguished from the zero horizontal line.

Table A1: Difference-in-differences estimates of the change in behavior of Sarkozy associates around Sarkozy's election: Estimates on the control variables.

Panel A						
Dependent variable	Two-day compound abnormal return on purchases		Compliance with the five-day disclosure requirement		Time from trade to the firm's next result announcement	
	(1)	(2)	(3)	(4)	(5)	(6)
Executive position		0.002 (0.003)		0.089 (0.056)		-15.518 (11.752)
Executive position × Post-election		-0.002 (0.004)		-0.063 (0.066)		26.727 (18.072)
Trade's value		-0.001** (0.000)		-0.010 (0.008)		1.626 (1.448)
Trade's value × Post-election		0.000 (0.001)		0.025** (0.010)		-2.208 (1.763)
Observations		1,301		2,851		2,455
Covariates and firm fixed effects		Yes		Yes		Yes

Panel B						
Dependent variable	Two-day compound abnormal return on purchases		Compliance with the five-day disclosure requirement		Time from trade to the firm's next result announcement	
	(1)	(2)	(3)	(4)	(5)	(6)
Executive position	0.002*** (0.001)	0.003 (0.003)	0.068*** (0.017)	0.078 (0.056)	-5.967*** (1.400)	-14.967 (11.939)
Executive position × Post-election	-0.001 (0.002)	-0.003 (0.004)	-0.051 (0.033)	-0.056 (0.063)	7.600 (18.359)	22.326 (16.419)
Trade's value	-0.001*** (0.000)	-0.001 (0.000)	-0.002 (0.001)	-0.008 (0.006)	2.099*** (0.151)	1.746 (1.347)
Trade's value × Post-election	-0.000 (0.001)	0.000 (0.001)	0.011** (0.005)	0.023** (0.009)	-2.730*** (0.794)	-3.029* (1.594)
Observations		1,301		2,851		2,455
Covariates and Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects × Post-election	Yes		Yes		Yes	
Linear trends		Yes		Yes		Yes

This table is identical to Table 2, but shows the estimates on the control variables. See the notes to Table 2.

Table A2: Difference-in-differences estimates of the change in behavior of Sarkozy associates around Sarkozy's election: Estimates on the control variables, using trader fixed effects.

Dependent variable	Two-day compound abnormal return on purchases		Compliance with the five-day disclosure requirement		Time from trade to the firm's next result announcement	
	(1)	(2)	(3)	(4)	(5)	(6)
Executive position	0.009*	0.007**	0.043	0.029	-12.306	-31.731***
	(0.004)	(0.003)	(0.048)	(0.042)	(14.982)	(9.359)
Executive position × Post-election	-0.002	-0.008*	-0.146**	-0.125**	19.062	17.841
	(0.004)	(0.004)	(0.059)	(0.056)	(17.685)	(16.669)
Trade's value	-0.001*	-0.001**	-0.010	-0.010	2.138*	2.293
	(0.001)	(0.001)	(0.007)	(0.009)	(1.188)	(1.373)
Trade's value × Post-election	-0.000	-0.000	0.026***	0.025**	-3.171**	-3.293**
	(0.001)	(0.001)	(0.009)	(0.010)	(1.260)	(1.455)
Observations		946		2,170		1,836
Covariates and trader fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects		Yes		Yes		Yes

Dependent variable	Two-day compound abnormal return on purchases		Compliance with the five-day disclosure requirement		Time from trade to the firm's next result announcement	
	(1)	(2)	(3)	(4)	(5)	(6)
Executive position	0.003	0.007**	-0.018	0.004	-18.429**	-36.591***
	(0.002)	(0.003)	(0.051)	(0.039)	(7.507)	(10.143)
Executive position × Post-election	-0.004	-0.008*	-0.089	-0.127**	-15.756	15.912
	(0.004)	(0.004)	(0.077)	(0.058)	(16.606)	(16.673)
Trade's value	-0.001**	-0.001**	-0.002	-0.008	2.591	2.641**
	(0.000)	(0.001)	(0.010)	(0.008)	(1.743)	(1.251)
Trade's value × Post-election	-0.001	-0.000	0.011	0.024**	-3.425*	-3.527**
	(0.001)	(0.001)	(0.011)	(0.009)	(1.777)	(1.379)
Observations		946		2,170		1,836
Covariates and trader fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects × Post-election	Yes		Yes		Yes	
Linear trends		Yes		Yes		Yes

This table is identical to Table 4, but shows the estimates on the control variables. See the notes to Table 4.

Table A3: Difference-in-differences estimation of the change in behavior of Sarkozy associates around Sarkozy's election: Alternative and placebo dependent variables, using trader Fixed effects.

Alternative dependent variables			
7-day market model	0.016** (0.008)	14-day market model	0.012** (0.005)
60-day market model	0.009** (0.004)	120-day market model	0.006 (0.004)
240-day market model	0.007* (0.004)	CAC 40 market model	0.008* (0.004)
1-day abnormal return	0.006* (0.003)	3-day compound abnormal return	0.010** (0.004)
4-day compound abnormal return	0.007 (0.005)	5-day compound abnormal return	0.012* (0.006)
Number of business days until disclosure	3.710*** (1.298)	Log of number of business days until disclosure	0.382*** (0.112)
Log of time from trade to firm's announcement	-0.616** (0.283)	Less than 2 months to firm's announcement	0.230** (0.107)
Placebo dependent variables			
2-day compound abnormal return of same-industry firms (43 industries)	0.001 (0.003)	2-day compound abnormal return of same-industry firms (113 industries)	0.001 (0.002)
2-day compound abnormal return at transaction date	0.007 (0.005)	2-day compound abnormal return following sales	-0.001 (0.005)
Time from trade to firm's next event, excluding results announcements	-3.561 (14.180)	Times from trade to firm's last results announcement	-1.831 (20.949)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors clustered by trader, firm and date appear in parentheses. OLS regressions. Each cell presents an estimate from a separate regression. The reported estimate is for *Sarkozy associate* \times *Post-election*. All regressions include a constant term, *post-election*, *Sarkozy associate*, covariates, firm fixed effects and trader fixed effects, as in columns 2, 4 and 6 of Table 4's top panel. The observations are trades by Board Members of French listed firms that took place within 365 days of the French Presidential election of May 6th 2007. *Post-election* is a dummy for all trades that occurred after the election. *Sarkozy associate* is a dummy for the trader being connected to Sarkozy. See the text for details of the construction of this group. The sample includes connected Directors and non-connected Directors who sit on the same Board as at least one connected Director and for whom the dependent variable is observed at least once before and after the election. The regressions differ from those in columns 2, 4 and 6 of Table 4's top panel in the change of the dependent variable as indicated. See the text for more details. *2-day compound abnormal return of same-industry firms* is the average of the 2-day compound abnormal returns of firms of the same industry following the announcement of a stock's purchase by an insider. Firms are divided into 43 and 113 categories following *Thomson Reuters Datastream's* industry level 4 and 6 classifications.

Table A4: Pseudo-synthetic control estimation of the change in behavior of Sarkozy associates around Sarkozy's election: Directors of associates' firms as donor pool.

	Group-level pseudo-synthetic control group		
	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm's next result announcement
P-value, all placebo groups	0.009 [0.067]*	-0.294 [0.017]**	-66.323 [0.088]*
P-value, selected placebo groups	[0.072]*	[0.011]**	[0.061]*
	Individual-level pseudo-synthetic control group		
	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm's next result announcement
P-value, all placebo groups	0.012 [0.059]*	-0.213 [0.060]*	-58.495 [0.075]*
P-value, selected placebo groups	[0.044]**	[0.071]*	[0.073]*

*** p<0.01, ** p<0.05, * p<0.1. P-values in brackets. This table mimics Table 5 but only uses non-connected Directors who sit on the same Boards as Sarkozy associates do as donor pool. See notes of Table 5.

Table A5: Spillovers within associates' firms, difference-in-differences estimates of the changes in behavior of Sarkozy associates around Sarkozy's election for campaign contributors and his friends, and the difference-in-differences estimates of the changes in behavior of Sarkozy associates around the 2012 Presidential election.

	Triple difference-in-differences		
	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm's next result announcement
Associates' firm \times Post-election	0.001 (0.006)	0.044 (0.058)	14.443 (19.029)
Sarkozy associate \times Post-election	0.006 (0.004)	-0.153** (0.071)	-39.893** (17.110)

	Campaign contributors and friends		
	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm's next result announcement
Campaign contributor \times Post-election	0.011** (0.004)	-0.234*** (0.059)	-33.438 (20.546)
Sarkozy friend \times Post-election	0.008** (0.003)	-0.016 (0.045)	-62.304*** (16.919)
P-value for the equality of the interaction terms	0.478	0.002	0.111

	2012 Presidential election		
	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm's next result announcement
Sarkozy associate \times Post-election	0.006 (0.009)	0.094 (0.067)	-1.978 (18.635)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors clustered by trader, firm and date appear in parentheses. In the top panel, the sample includes all trades by Board Members of French listed firms that took place within 365 days of the French Presidential election of May 6th 2007. *Post-election* is a dummy for all trades that occurred after the election. *Sarkozy associate* is a dummy for the trader being connected to Sarkozy. *Associates' firm* is a dummy for at least one Sarkozy associate sitting on the firm's Board. All regressions include a constant term, *Post-election*, *Sarkozy associate*, covariates and firm fixed effects, as in the even-numbered columns of Table 2's top panel. In the middle panel, the reported estimates are the interactions of sub-group variables and *Post-election*. *Campaign contributor* is a dummy for the trader appearing on the list of Sarkozy's campaign contributors. *Sarkozy friend* is a dummy for the trader being known to be a friend of Sarkozy. All regressions include a constant term, *Post-election*, *Campaign contributor*, *Sarkozy friend*, covariates and firm fixed effects, as in the even-numbered columns of Table 2's top panel. The observations are trades by Board Members of French listed firms that took place within 365 days of the French Presidential election of May 6th 2007. *Post-election* is a dummy for all trades that occurred after the election. The sample includes connected Directors and non-connected Directors who sit on the same Board as at least one connected Director. In the bottom panel, the sample includes trades by connected Directors and non-connected Directors who sit on the same Board as at least one connected Director that took place within 365 days of the French Presidential election of May 6th 2012. *Post-election* is a dummy for all trades that occurred after the 2012 election and *Sarkozy associate* is a dummy for the trader being connected to Sarkozy. All regressions include a constant term, *Post-election*, *Sarkozy associate*, covariates and firm fixed effects, as in the even-numbered columns of Table 2's top panel. See the text and Table 2 for the definition of the dependent variables.

B Insider-trade monitoring and prosecution in France

This Appendix offers further details about insider-trade monitoring and prosecution.

AMF organization

The AMF was created in 2003 from the merger of three distinct public bodies into a single public agency. The AMF Board is composed of 16 members who are either representatives of different public institutions or professionals. Board Members serve for a five-year term, once renewable. The AMF President also chairs the Board of the agency and has a casting vote in the event of tied Board votes. The President is appointed by Presidential order for a non-renewable irrevocable five-year term. The Enforcement Committee is independent from the Board and contains 12 members, none of whom sit on the Board. It includes judges and professionals.

Up to 2016, an insider-trading case could be prosecuted by both criminal courts (criminal prosecution) and the AMF (administrative prosecution). The *Tribunal de Grande Instance de Paris* had national authority over the criminal prosecution of insider trading and other crimes, as defined by Articles L.465-1 and L.465-2 of the *Code monétaire et financier*. It can impose prison sentences, contrary to the AMF that can only impose pecuniary and disciplinary penalties. The typical investigation and prosecution process is as follows. First, the AMF detects possible insider trading and decides whether to investigate the case, and later to prosecute it. In parallel to its investigation, the AMF can send a report to the public prosecutor (*Procureur de la République*), who determines the suitability of a distinct investigation and prosecution of the case. The new system that entered into Law on June 21st 2016, embodies the principle that a given crime cannot be prosecuted by both authorities, and enacted that one body (the AMF or the French financial prosecution) must announce to the other that it will prosecute an individual for a specific crime. If there is no agreement about the appropriate channel of punishment, a third-party—the public prosecutor from the *Cour d'appel de Paris*—determines which body can prosecute the insider-trading case.

The red flags used for illegal insider-trading investigations

In a 2015 interview, Sophie Baranger—then head of the AMF Market-Surveillance Department—reported that 25 financial analysts were in charge of tracking anomalies in the stock market to detect illegal trades ([Grandin de l'Eprevier 2015](#)). As examples of anomalies, she mentioned: “a large unexpected increase in a stock’s price or unusual trade volumes followed by a corporate news release”. This provides direct evidence that abnormal returns and proximity to corporate events are used as red flags to suggest trades using privileged information by the French monitoring authority

We list below two decisions by the AMF Punishment Commission that directly relate abnormal gains (as measured as the difference between the price at transaction minus the price when the information is revealed, corrected for overall market movements) to prosecution.

- In a [December 2007 decision](#), an insider was found guilty as she sold shares knowing that an equity offering was imminent but would take place with an equity value at half of the current market price, leading to abnormal gains of 375,161 € from this transaction.
- In a [October 2008 decision](#), an insider was found guilty as he acquired shares in his company ahead of the disclosure of future positive news to market participants regarding the company's turnover and net income, and obtained an abnormal gain of 165,363€ from this transaction.

We treat late reporting as indirect evidence of illegal trading. The rationale behind the 5-business-day trade-disclosure rule is the adverse effect of slow reporting. As the time between the trade and its disclosure rises, there is more chance that the trade information will hit the market, therefore reducing the market reaction at the official trade-disclosure date. Delayed reporting thus makes the detection of abnormal returns at insiders' trade disclosure more difficult. As this strategy of delaying trade-reporting is known to the AMF, disclosure delay also forms a red flag. The insider's overall strategy depends on their beliefs regarding the signals used by the AMF to detect criminal trading.

AMF activity record

Table [B1](#) summarizes the information on opened and closed investigations and punishments for insider trading over the 2005–2009 period. The figures come from the AMF annual reports.

The number of opened investigations or procedures is remarkably stable, although there was a sharp increase in 2008 in the number of concluded procedures leading to punishment. However, due to the length of procedures, this could reflect either accelerated procedures or more procedures having been opened before 2005 but only finalized in 2008. The 2008 and 2009 AMF annual reports indicate that punishment procedures were accelerated (see [Autorité des Marchés Financiers 2008b](#), Chapter 1, p. 11 and [Autorité des Marchés Financiers 2009](#), Chapter 4, p. 200), as the AMF decided to limit the duration of most procedures to 12 months. This interpretation is further supported by the number of concluded procedures being larger than the number of opened procedures in 2007, 2008 and 2009, so that the AMF was reducing the pile of older cases.

The burden of proof

While trading using private information is illegal in France, not all opportunistic trades are prosecuted. The burden of proof to punish insiders means that some illegal insider trading remains unpunished. For example, in the US, an insider simply possessing private information is insufficient for prosecution. The regulation stipulates that the prosecution requires a connection between the material non-public information and the trades of insiders ([United States Court of Appeals 1998](#)). Similarly, European jurisprudence (that applies to French capital markets) has established, in its judgement of the *Spector Photo Group NV, Chris Van Raemdonck v. Commissie voor het Bank-*,

Table B1: AMF activity from 2005 to 2009.

	2005	2006	2007	2008	2009
Opened investigations	88	84	92	97	76
<i>Incl. insider dealing or actions impairing orderly markets</i>	35	36	40	34	28
Concluded investigations	91	105	96	95	80
<i>Incl. concluded investigations leading to penalty proceedings</i>	28	27	26	22	20
<i>Incl. investigation reports referred to the public prosecutor</i>	25	23	25	20	17
<i>Incl. reports leading to opened penalty procedures by the AMF</i>	22	20	21	19	17
Opened procedures (at the Enforcement Committee)	34	35	29	36	29
Concluded procedures	32	30	33	40	33
<i>Incl. concluded procedures leading to penalties</i>	27	25	28	34	26
<i>Incl. punishment for insider trading</i>	2	4	5	10	9 ^a

Source: AMF annual reports. The concluded-investigation figures come from the AMF 2012 Annual Report (Appendix 3, p. 28). The figures for opened investigations come from the 2009 Annual Report (Chapter 4, p. 190). The opened-procedures figures come from the 2008 Annual Report (Chapter 6, p. 199) and those for concluded procedures from the 2005 to 2009 Annual Reports, Section “*L’activité de la Commission des sanctions*”. ^a: In 2009, only the number of punished individuals (and not the number of punishments) is available.

Financie- en Assurantiewezen (CBFA) case, that possessing private information *per se* was not sufficient to qualify insider trading as illegal. National enforcement bodies are required to investigate the case in detail to link trading to the *use* of private information.

The market monitoring carried out by the AMF Market-Surveillance Department relies on different automated tests to identify suspicious trading. The burden of proof on the AMF requires it to link these advanced indicators to an identified set of private information used to trade by insiders. Despite abnormal returns being a strong indicator of the private-information content of trades, Justice cannot build a prosecution case using only abnormal returns as evidence. First, the prosecuted individual would need to trade many times to produce a statistically significant estimate of non-zero abnormal returns related to his/her trades.¹ However, most traders usually carry out only a few transactions per year. Second, and perhaps more importantly, Justice cannot punish an individual on the basis of a probable (or even almost certain) offence.

Overall, the burden of proof in the prosecution of insider trading likely explains the limited number of punishments each year, as illustrated in Table B1.

Regulation by listed firms

Listed companies also play a role in the regulation of insider trading, as they typically prohibit or discourage Directors’ transactions in fixed periods before the major corporate events where yet-to-be-public information circulates within the firm. In 2006-2008, these firm no-trade windows were established on a voluntarily basis, and no period length was explicitly recommended by the AMF. It was only in 2010 that the AMF recommended no-trade periods of a minimum of 30 days before the announcement of annual or half-year results in its *Guide relatif à la prévention des manquements d’initiés imputables aux dirigeants des sociétés cotées*. Finally, the imposition of no-trade windows

¹A single positive abnormal return is not a sufficient indication of guilt, nor does it provide much information about the trade itself. However, by the construction of abnormal returns, the average abnormal returns over a large sample of trades that do not contain private information should be zero.

only appeared in the EU market abuse regulation (596/2014) of April 16th 2014, which established a 30-day period before annual and half-year results and gave firms the option to extend the no-trade period.

Media coverage of illegal insider trading

The relationship between the media and illegal insider trading is complex. On the one hand, the media report material information that is useful for market participants and stakeholders in general. On the other hand, French Law stipulates that the presumption of innocence must prevail: the media cannot state that an individual has committed a crime without being exposed to potential Legal and monetary penalties from the illegitimate infringement of defendants' rights.

Despite these limitations, illegal insider-trading cases are covered in the French media. [Bouthinon-Dumas \(2012\)](#) examines this coverage over the 2000–2010 time period, concentrating on the coverage in *Les Echos*, the largest French daily business newspaper and *Le Monde*, the most reputable daily newspaper. 28 cases of illegal insider trading tied to enforcement action were covered in these two newspapers, and most articles (90%) appeared while the case was ongoing (before the AMF court ruling). The fact that AMF penalties were anonymized over this period makes the media coverage of insider-trading cases more difficult. In addition, [Bouthinon-Dumas \(2012\)](#) notes that none of the articles refer to cases that were uncovered by the media themselves. As such, the media does not act as a watchdog but rather covers the ongoing prosecution cases when they are made public.

This interpretation was confirmed in a face-to-face interview we held with Laurence Boisseau, a journalist in the capital-market Department of *Les Echos*, covering governance and securities-regulation topics. She in particular stated that “*Les Echos* only cover ongoing illegal trading cases when there is public information about an AMF investigation or if someone from an AMF commission leaked information to us directly. We do not launch independent investigations to identify potential cases before any AMF investigation. It would be too complex and too costly for us to set up a dedicated team.” Overall, the French media do appear to cover cases of illegal insider trading but are not pro-active in launching independent investigations.

C Political power and insider-trading regulation

This Appendix sets out the channels via which political power can influence insider-trading monitoring and prosecution in France.

Influence over the AMF

We are agnostic about the *de facto* influence of Executive power on the AMF prosecution, and at which phase of the prosecution process it may appear (detection, investigation, prosecution or punishment).

One channel of influence over AMF prosecution activity could be the nomination of the AMF Chairman by the President for a non-renewable five-year term. We list below the names and tenure periods (in parentheses) of the past and current heads of the AMF, and the name of the President in power (in brackets) at the time of the nomination. There is no obvious pattern in this history of past appointments, such as the systematic appointment of friends or former collaborators.

- Michel Prada (2003-2008) [Chirac]. From 1995 to 2002, Michel Prada presided the *Commission des opérations de bourse* (COB), one of the three bodies that merged to form the AMF in 2003. He was also the Treasurer of the Foundation “*Hôpitaux de Paris*”, presided by Bernadette Chirac, Jacques Chirac’s wife. He was appointed President of the AMF by Jacques Chirac on November 23rd 2003.
- Jean-Pierre Jouyet (2008-2012) [Sarkozy]. See below.
- Gerard Rameix (2012-2017) [Hollande]. Gerard Rameix is a top French Civil Servant. He has worked in the private sector (e.g., Hottinguer Finances and Finindex) and in different administrative bodies. General Director of the COB in 1997, he was appointed General Secretary of the AMF in 2003, and served in this position until 2009. He was appointed President of the AMF in August 2012, by François Hollande.
- Robert Ophele (2017-to date) [Macron]. Robert Ophele was nominated President of the AMF on August 1st 2017 by Emmanuel Macron. Prior to his nomination, he was a member of the college of the AMF and *Sous-gouverneur de la Banque de France* (January 5th 2012–July 28th 2017). Robert Ophele’s nomination raised suspicion in the media as Robert Ophele is a relative of Secretary of State Julien Denormandie, a friend and protégé of President Macron (see the Mediapart article [here](#)).

Jean-Pierre Jouyet was appointed by Nicolas Sarkozy on November 15th 2008. Jean-Pierre Jouyet was the only AMF President who had not occupied a position in the AMF organization before becoming its President. Jean-Pierre Jouyet has had a successful career in different positions in the French Administration, as well as some years spent in the private sector (e.g., Jeantet & Co

and Barclays Bank). Prior to his arrival at the AMF, he was appointed to various positions in the French Administration by both Left-Wing and Right-Wing politicians (e.g., before joining the AMF, he was appointed Minister of State in charge of European Affairs in May 2007 under Sarkozy's mandate). After his AMF experience, he was involved in the Fillon-Jouyet-Sarkozy scandal while Elysée General Secretary (from April 2014 to May 2017) under Hollande's Presidential mandate. In this political affair, Jouyet declared to journalists that François Fillon had asked him to speed up the investigations against Nicolas Sarkozy to prevent the former President from winning the Right-Wing party primaries in which Fillon was also a runner.

Another channel of potential influence on the AMF lies in the appointments to its Enforcement Committee. This Committee has 12 members, including 8—6 chosen for their skills related to Law or Finance, 2 chosen from the professional unions related to Finance—nominated by the Ministry of the Economy, who is appointed by the President and the Prime Minister. They are appointed for a five-year non renewable mandate. The composition of this Committee has been questioned due to possible conflicts of interest. In 2007, the *Conseil d'Etat*, one of the highest Judicial Authorities in France, repealed three punishment decisions due to the alleged partiality of a member of the Committee (Labetoulle 2016).

Influence on public prosecutors

The President may have indirect influence on public prosecutors in the French Judiciary system as they are not elected or chosen by independent judges, but nominated by Executive Power. More precisely, they are under the authority and control of the Minister of Justice, who is appointed by the President and the Prime Minister. This lack of independence of Public Prosecutors with respect to Executive Power has been acknowledged by the European Court of Human Rights (see the main text).

The public prosecution of White-Collar crime has been criticized as sometimes leaving too much leeway for the protection of powerful individuals, such as top politicians. A new system in December 2013 created the *Parquet National Financier* (PNF), a national Court to prosecute corruption, fiscal fraud, insider trading and market abuse. The PNF was partly created as a response to the Cahuzac scandal in which the Junior Minister for the Budget at the Ministry of the Economy, Finance, and External Trade was accused of massive fiscal fraud. Suspicion arose that the previous system was slow at investigating the Junior Minister's misconduct.

We present below anecdotal evidence on some suspicious behaviour of public prosecutors under Sarkozy's mandate.

- In her book, Routier (2011) describes how the prosecutor Philippe Courroye, a known close friend of President Sarkozy, did not prosecute a case against Isabelle Balkany in the context of rigged bidding auctions for local-government procurement contracts. Isabelle Balkany and her husband have since been prosecuted for massive embezzlement of public funds from local

governments. The Balkanys are notorious friends of Sarkozy.

- Another example relates to Sarkozy's trial for the alleged bribery of Gilbert Azibert, a Magistrate at the *Cour de cassation*. Sarkozy is accused of offering to help a Judge obtain a position in Monaco in exchange for leaked information on an investigation looking into alleged illicit payments from Liliane Bettencourt (the heiress of the L'Oreal company, the second wealthiest person in France) to his 2007 Presidential campaign. Both Sarkozy and Azibert were prosecuted in this case. Azibert was a high-profile Magistrate in France: he was *Secrétaire général du ministère de la Justice* from July 2008 to September 2010 and *Procureur Général* at the *Cour d'appel de Bordeaux* from September 2005 to July 2008. Judges accessed recorded communications between Azibert and Sarkozy's lawyer, which were taped by investigators as they were looking into the alleged illegal funding of Sarkozy's 2007 campaign by late Libyan leader Muammar Gaddafi.

These cases raise suspicions that President Sarkozy may be willing to influence public action to help his friends, and provide anecdotal evidence that some public prosecutors were allegedly involved in Sarkozy's network. These facts are consistent with connected individuals expecting to benefit from a more lenient legal system regarding their capital-market operations.

D Sarkozy’s election as an increase in power

The main text describes the particularities of the French Presidential system and how becoming President translates into an increase in power. Below, we provide anecdotal evidence on the tensions between Nicolas Sarkozy and President Chirac and Prime Minister Dominique De Villepin prior to 2007 that limited Sarkozy’s influence before his election; this provides indirect evidence that his election increased his power.

The animosity between Sarkozy and Chirac was rooted in Sarkozy’s support for Chirac’s rival Edouard Balladur as the Party candidate in the 1995 Presidential election. In his TV-broadcast speech celebrating Bastille Day on July 14th 2004—the most important presidential speech of the year—, former President Jacques Chirac said of Nicolas Sarkozy “I decide, he must comply”; this was a period in which Nicolas Sarkozy was challenging Jacques Chirac’s authority. During his speech, former President Jacques Chirac also established a rule preventing Nicolas Sarkozy, then Minister of Finance, from concurrently holding his position within the government and the UMP Party leadership for which he was running. As a result, Nicolas Sarkozy abandoned his position as Minister of Finance. However, a year later, the increasingly-popular Nicolas Sarkozy was appointed Minister of the Interior, after the government had resigned in the wake of an ideological defeat in a nation-wide referendum.

In his 2010 essay, *De l’esprit de cour*, Dominique de Villepin cannot find words harsh enough to condemn Sarkozy. For example, he claims that Sarkozy “depreciated the Presidential position” and wrote that “for the first time, power merges with the court”. De Villepin also considers that “*Sarkozysm* represents France as seen from the point of view of elites who would reconstruct the country to match their personal interests” while describing a system in which “politics is not perceived as a lever, nor as an ideal, but as a market where men and ideas are bought and sold off according to immediate needs.” In an interview broadcast on *Europe 1* in 2010—a radio station whose audience share was then 10%—, he declared that “Sarkozy is one of the problems of France, and amongst the major ones we must address”. Their relationship is summarized by the title of an article published by *L’Express* in 2011: “Sarkozy-Villepin, 15 years of hate’ ([L’Express 2011](#)).

Sarkozy’s election was partly anticipated in the weeks running up to the election. The first and second rounds of the 2007 Presidential election were held on April 22nd and May 6th 2007, respectively. [Coulomb and Sangnier \(2014\)](#) track the victory probability of Nicolas Sarkozy using prediction-market data from NewsFutures Inc. Three months before the second round of the election, Sarkozy’s probability of winning was 50 percent. On April 21st 2007, one day before the first round, this probability reached 80 percent for the first time, and hit 90 percent on May 4th 2007, only two days before the second-round election. See [Table G3](#) for estimates of the baseline regression dropping the transactions carried out within 30, 60 and 90 days of the election date.

E Campaign fund-raising

French legislation on the funding of political campaigns dates back to 1988. Subsequent changes have introduced more transparency into political funding. The key ingredients of the system are: a cap on both electoral expenses and donations, the regulation of public financing of and private donations to electoral campaigns that forbids firms and organizations from contributing. The regulation also covers the use of soft money (free services to politicians, firms paying for advertisements, etc.), which is negligible compared to the situation in the US. Commercial advertisement for candidates are forbidden during the three months before the election. Political Advertisements are aired for free on national television channels and radio stations with equal time given to all candidates. There is a Committee that ensures that this rule is respected.

Political parties are not required to publicly disclose the identities of their donors. According to the legislation, parties must provide the list of donors to the *Commission nationale des comptes de campagne et des financements politiques*, which is charged with monitoring financial matters related to elections (Article 11-1, decree 90-606 of July 9th 1990). The concrete rules to be followed and processes to establish and share this list were only defined on December 9th 2014 (Article 2, enforcement order of December 9th 2014).

As donors are generally anonymous under French Law, we cannot determine if some contributors donated to both the Socialist party and its rival, the UMP. However, it is unlikely that the large contributors to the UMP gave significant amounts of money to the Socialists. First, the Socialist party received 12 times less funding than the UMP in 2007, as noted in the main text, which a priori reduces the probability that both parties received large donations from the same individuals.

Second, the post-election meetings of the UMP leaders with large contributors—the *Premier Cercle*—were criticized by the Socialist party (L’Obs 2011). The Socialist party actually called into question the legality and morality of these donations, the possible return favors, and the confusion of the roles of Eric Woerth, who was the UMP Treasurer from 2002 to 2010 (in charge of organizing fund-raising) while also a member of the Government as the Budget Minister from 2007 to 2010 (Le Figaro 2009, L’Obs 2009).

Last, the *Premier Cercle* was organized as a club of Sarkozy supporters, with dinners and various gatherings during the campaign (Cori 2010 and Mauduit 2010) and the election system is heavily partisan in France. Evidence from other countries indicates that donors are unlikely to give to parties with contrasting platforms. For instance, data from the US Federal Electoral Commission (available from [Opensescrets.org](https://www.opensescrets.org)) shows that even organizations tend to donate mostly to one party only. For instance, over the 1990–2019 period, 16 out of the top 20 contributors gave more than 90% of their total donations to a single party alliance. Organizational donations include those from the organization’s budget, its political-action committee and employee-donations, so that the few cases of split donations are likely due to employees with opposing political views within an organization. Overall, even at the aggregate level of an organization, donations are remarkably unbalanced across parties.

F Data on Directors' trades

The trades reported to the AMF by Directors of French listed firms are available from the AMF's website as PDF forms. We designed Python programs to collect these forms and extract their content. These programs are available in the replication files, together with the raw and clean data.

For the period from May 2006 to the end of 2008, the forms are stored in an archive that we comprehensively crawled. From 2009 onwards, the forms are accessible via the website's search engine to which we mechanically entered date-range requests. The left panel of Table F1 shows the number of forms collected.

We then extracted and cleaned the information from all of the forms except those after April 2013, for which the file layout is different. We: (i) drop forms that are explicitly signalled as "cancelled" by the AMF; (ii) exclude forms that have missing transaction dates after manual verification; and (iii) merge the documents labeled as "corrections" with the associated original file. Last, we exclude the trades reported by firms that cannot be associated with an individual Director.² The right panel of Table F1 shows the final number of available observations.

Table F1: Collection of Directors' trades.

Raw data			Cleaned data		
Repository (2006–2008) or listing year (2009–2013)	# of forms	Corrupt files	Trade year	# of trades	# of trades associated with a Director
2006	4,832	13	2006 (from May on)	4,639	4,213
2007	8,069	3	2007	8,040	7,162
2008	8,774	14	2008	8,651	7,593
2009	7,357 ^a		2009	7,067	6,192
2010	6,155		2010	6,085	5,429
2011	6,124		2011	6,129	5,534
2012	5,342		2012	5,330	4,900
2013	5,670 ^b		2013 (until April)	1,483	1,341
Total	52,323		Total	47,424	42,364

See the text for more details. ^a: Including one manually-downloaded file. ^b: Not including one missing file.

²We first identify trades whose reporting identifier includes words such as *société, financière, holding, management, investissement, capital*, etc., or their variants. We then checked whether these identifiers also contain the name of a Director. 1,802 of these identifiers could be directly matched to a Director, while 5,060 were not.

G Difference-in-differences: Additional robustness checks

This Appendix presents additional robustness checks for the difference-in-differences approach.

Placebo treatment dates

We carry out two placebo tests that change the date of the Presidential election. We first shift the election back and forth by up to 5 months in 2007 and re-estimate equation (1) around each of these dates: we plot the resulting coefficients in Figures G1(a)–(c). These estimates exhibit hump- and U-shaped patterns around May 2007, so that they are largest at the date of the actual Presidential election and smaller at more distant dates. The change in behavior of Sarkozy associates does indeed take place around the date of his election.

Second, we replicate the data construction, i.e., the definition of the 2-year observation window and the selection of the associates' firms sample, and re-estimate Equation (1) replacing the actual election date of May 6th 2007 by all Sundays from May 2008 to May 2011. Figure G2 shows the resulting difference-in-differences estimates for each dependent variable around each of these placebo elections. The black and grey horizontal lines here allow us to benchmark the standardized coefficients against those in Table 2. A small number of dates do produce statistically-significant difference-in-differences estimates for some of the dependent variables.³ However, none of the other 157 Sundays examined yield a triplet of estimates that are greater than or equal to the standardized coefficients in the main result in absolute value.

Alternative p-values

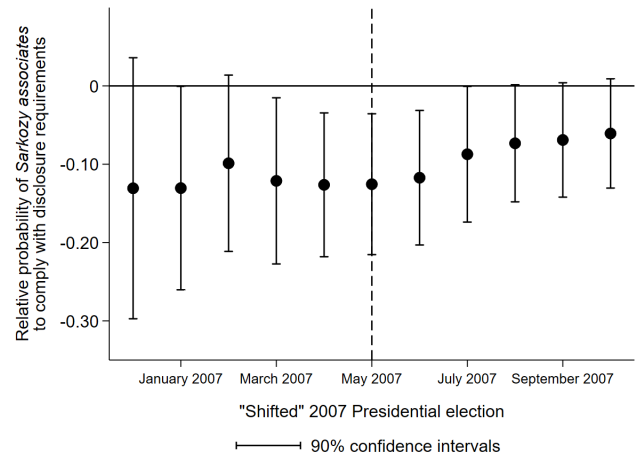
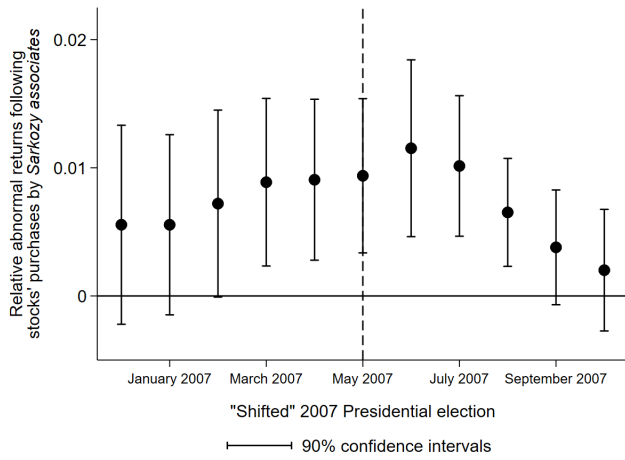
We take further advantage of the logic of placebo estimations to calculate group-randomized p-values by randomly assigning the Sarkozy associate status to Board Members. To do so, we randomly draw 1,000 pseudo-Sarkozy associate groups of the same size as the original group from the pool of non-connected Directors. For each group, we construct the associated pseudo-associates firm sample and re-estimate the difference-in-differences coefficients for each of the three dependent variables. This allows us to construct the group-randomized p-values of the main estimates as the percentage of estimates that are larger than those in Table 2. These p-values appear in the first line of Table G1. All are below 3%, confirming the particularity of the change in behavior of Sarkozy associates around the time of the 2007 French Presidential election.

Table G2 further reveals that the main results are not sensitive to the way in which standard errors are calculated by showing standard errors (and the associated p-values) using different corrections. It turns out that our baseline clustering approach is the most conservative.

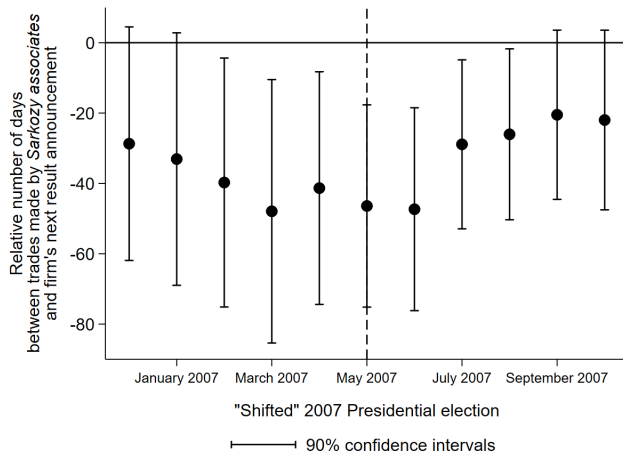
³7%, 0% and 16% of the coefficients are statistically significant at the 10% confidence level with abnormal returns following the announcement of purchases, compliance with reporting requirements and the time from a trade to the next results announcement as the respective dependent variables.

Figure G1: The dynamics of Sarkozy associates' change in behavior around Sarkozy's "shifted" election.

(a) Two-day compound abnormal return on purchases. (b) Compliance with the five-day disclosure requirement.

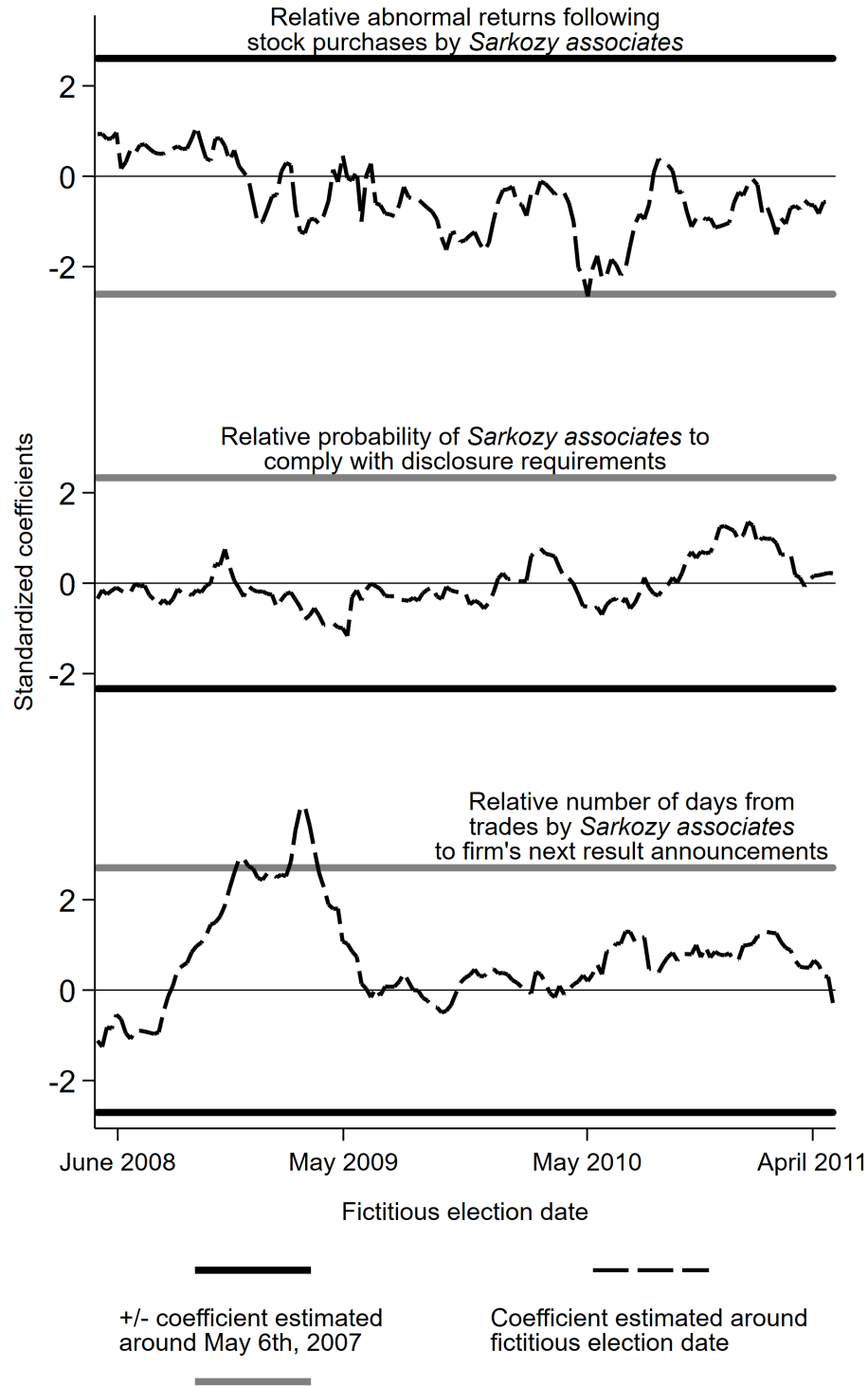


(c) Time from trade to the firm's next result announcement.



The figures present the estimates of the *Sarkozy associate* variable interacted with the *Post-election* variable when shifting the date of the 2007 French Presidential election up to five months before or after May 6th 2007. The sample includes connected Directors and non-connected Directors who sit on the same Board as at least one connected Director. As in the even-numbered columns in Table 2's top panel, the regressions include covariates and firm fixed effects. Standard errors are clustered by trader, firm and date. See the notes to Table 2 for the definition of the dependent variables.

Figure G2: Difference-in-differences estimates of the change in behavior of Sarkozy associates around fictitious election dates.



The three panels show the standardized estimates of *Sarkozy associate* \times *Post-election* estimated as in Table 2 but from all Sundays from May 2008 to May 2011 as fictitious election dates. The estimates come from the associates' firms sample from the specifications used in columns 2, 4 and 6 of Table 2's top panel and redefining the associates' firms sample around each date.

Table G1: Difference-in-differences estimation of the change in behavior of Sarkozy associates around Sarkozy’s election: Group-randomized p-values, Executive status restriction, and flexible inclusion of trade characteristics.

	Two-day compound abnormal return on purchases	Compliance with the the five-day disclosure requirement	Time from trade to the firm’s next result announcement
Group-randomized p-values	0.009** [0.013]	-0.126** [0.029]	-46.412** [0.020]
Same Executive status	0.008* (0.004)	-0.181*** (0.068)	-43.923** (17.462)
Identifying “linked” trades	0.009*** (0.003)	-0.145** (0.072)	-37.393* (19.484)
Linear trade value	0.009*** (0.003)	-0.144* (0.073)	-46.049** (17.509)
Quadratic trade value	0.009*** (0.003)	-0.145** (0.072)	-46.013** (17.599)
Cubic trade value	0.009*** (0.003)	-0.144* (0.073)	-46.194** (17.617)
No trade value	0.009*** (0.003)	-0.145* (0.073)	-46.011** (17.482)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors clustered by trader, firm and date appear in parentheses, except in the top line where the p-values in brackets are derived from the empirical distribution of estimates obtained for 1,000 random pseudo-Sarkozy associate groups. OLS regressions. Each cell presents an estimate from a separate regression. The reported estimate is for *Sarkozy associate* \times *Post-election*. All regressions include a constant term, *Post-election*, *Sarkozy associate*, covariates and firm fixed effects, as in the even-numbered columns of Table 2’s top panel. Observations are trades by Board Members of French listed firms that took place within 365 days of from the French presidential election of May 6th 2007. *Post-election* is a dummy for all trades that occurred after the election. *Sarkozy associate* is a dummy for the trader being connected to Sarkozy. See the text for details of the construction of this group. The sample includes connected Directors and non-connected Directors who seat on the same Board as at least one connected Director. The estimates in the second line are obtained when the control group is restricted to non-connected Directors who hold the same Executive positions as Sarkozy associates within each of the associates’ firms. The estimates in the third line are obtained when adding a dummy for trades signalled as being made by someone “linked” to a Director rather than directly by the Director, together with its interaction with the post-election variable. See the main text for the explanation of “linked”. The estimates in the bottom four lines are obtained when including polynomials of order 1, 2 and 3 in trade value in lieu of the (log of the) trade value, together with their interactions with the post-election variable, or excluding the (log of the) trade value from the regression.

Table G2: Difference-in-differences estimates of the change in behavior of Sarkozy associates around Sarkozy’s election: Alternative standard-error corrections.

	Two-day compound abnormal return on purchases	Compliance with the five-day disclosure requirement	Time from trade to the firm’s next result announcement
Sarkozy associate \times Post-election	0.009	-0,126	-46,412
Clustering by date	(0.003) [0.001]	(0.031) [0.000]	(7.352) [0.000]
Clustering by trader	(0.004) [0.011]	(0.057) [0.030]	(14.383) [0.001]
Clustering by firm	(0.004) [0.012]	(0.046) [0.009]	(16.872) [0.008]
Clustering by firm and date	(0.004) [0.014]	(0.045) [0.007]	(16.803) [0.008]
Clustering by trader and date	(0.004) [0.013]	(0.056) [0.026]	(14.485) [0.001]
Clustering by firm and trader	(0.004) [0.012]	(0.055) [0.026]	(17.274) [0.010]
White-heteroskedasticity correction	(0.003) [0.001]	(0.032) [0.000]	(6.371) [0.000]
No correction	(0.003) [0.001]	(0.032) [0.000]	(5.864) [0.000]

Standard errors appear in parentheses and p-values in brackets. The reported estimates are for *Sarkozy associate \times Post-election*, as in columns 2, 4 and 6 of Table 2’s top panel. The standard errors and the associated p-values come from the different corrections for standard errors, as indicated in each line. On Lines 6-8, standard errors are computed with two-way clustering.

Specification changes

First, we restrict the control group to non-connected Directors with the same Executive positions as Sarkozy associates within each of the associate firms. This restriction allows us to account for Sarkozy associates being more likely than other Directors to hold Executive positions, as illustrated in Figure 1(b). Again, this barely affects the estimates of interest. We next identify trades that are signalled as being effected by someone “linked” to a Director (rather than directly by the Director), including the associated dummy variable as an additional control, together with its interaction with the post-election variable. Adding these variables does not affect the estimates of interest, as shown in the fourth line of Table G1.⁴

As seen in Figure 1(d), trades by Sarkozy associates are on average larger than those of other Directors sitting on the same Boards. The baseline specification therefore includes as controls the (log of the) trade’s value, together with its interaction with the post-election variable. The bottom four lines of Table G1 show that estimates of interest are unaffected by replacing these variables by polynomials of up to order three, or by removing a trade’s value from the list of explanatory variables.

⁴It is difficult to assess the extent to which trades signalled as not being carried out directly by insiders are really independent of them, as “links” refer both to relatives and equity funds tied to insiders. The estimated coefficients on the variable denoting these trades and its interaction with the post-election variable are not statistically different from zero for each dependent variable.

Influential observations

As illustrated by Figure 1(c), one particular feature of Sarkozy associates is that they trade more than other Directors. As such, we investigate the potential sensitivity of the estimates of interest to some particular observations and re-estimate equation (1) multiple times removing the Sarkozy associates one-by-one. Figures G3(a)–(c) display the resulting distribution of standardized coefficients for each of the dependent variables. Each vertical grey line corresponds to the estimate after one particular Sarkozy associate has been excluded from the sample and the vertical black lines to the baseline estimates. While there is variation in all of the distributions, two individuals substantially affect the difference-in-differences estimates when the dependent variable is compliance with legal reporting requirements. Removing these two individuals seems to either boost or lower the estimated coefficient.⁵ To account for these particular cases, and further test the sensitivity of the estimates to other influential Sarkozy associates, the first four lines of Table G3 present the coefficients excluding the 2, 3, 4 and 5 most-influential Sarkozy associates, respectively.⁶ While more than halved when the dependent variable is compliance with reporting requirements, the estimates remain qualitatively similar when excluding influential individuals.

We further test the sensitivity of the estimates by excluding the Directors who account for a substantial share of observations. These *top traders* are three Sarkozy associates and five non-connected Directors who carried out over 100 trades over the 2-year window around the 2007 French Presidential election. We also exclude trades that can be considered as *influential observations*, that is, observations such that $|\text{DFBETA}_j| > 2/\sqrt{N}$, where N is the number of observations used in the original sample and DFBETA_j the difference in the coefficient on the interaction term when observation j is excluded from the sample, standardized by the standard error when observation j is excluded. We next remove observations from the top 5% of each of the dependent variables.⁷ We additionally exclude from the sample trades carried out within 30, 60 and 90 days of the election, as these are more likely than others to be associated with the expected electoral outcome. All of these restrictions leave the estimates of interest qualitatively and quantitatively unchanged.

Last, we explicitly account for the differential influence of Directors on the estimates depending on the number of trades they carry out by constructing *equal-importance weights*. These weights impose that each Director has the same weight within each 365-day period around the election: the weights are equal to $1/n_{jt}$, where n_{jt} is the number of trades by individual j during period t , where t denotes the pre- or post-election period. The resulting estimates appear in the last line of Table G3, and show that our main findings are not driven by differences in trading intensity between Directors.

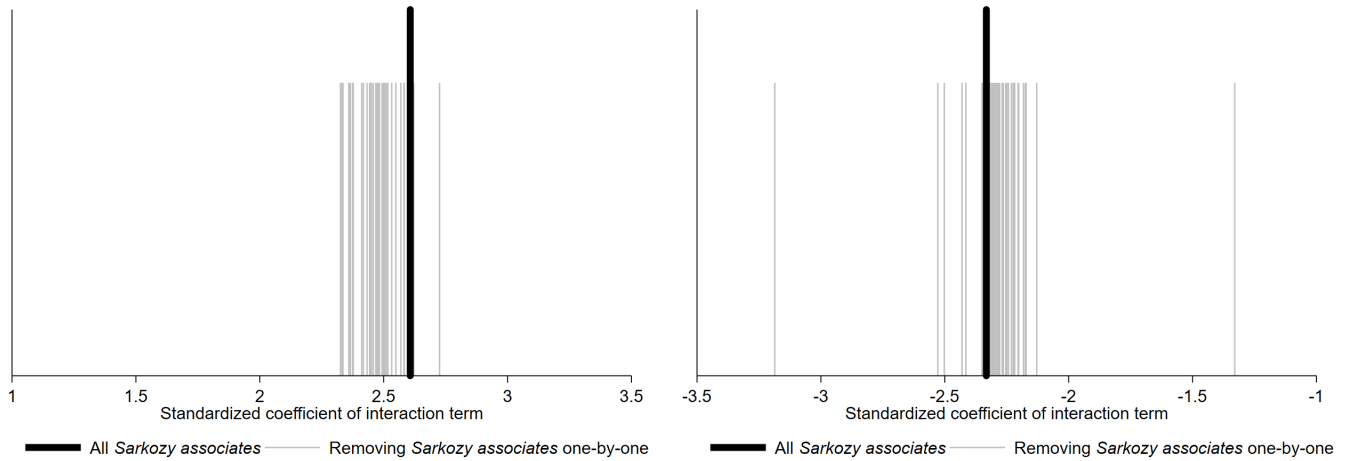
⁵Even so, the estimate to the right of Figure G3(b) has a p-value of 0.18.

⁶For each dependent variable, we define the $n = 2, 3, 4, 5$ most-influential Sarkozy associates as the Directors associated with the n largest absolute distances between the grey and the black reference lines in Figures G3(a)–(c).

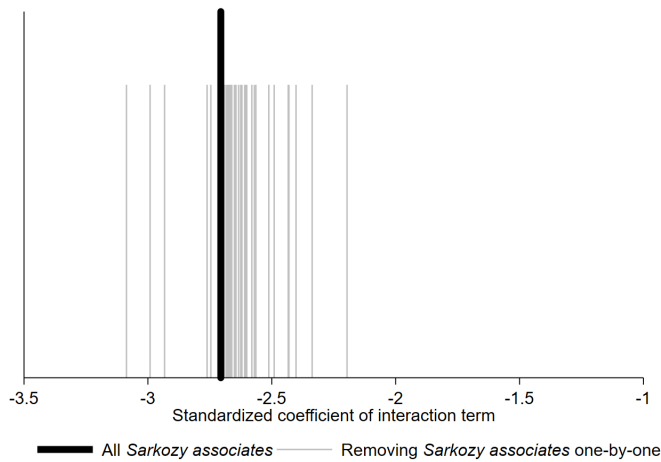
⁷When the dependent variable is compliance with the five-day disclosure requirement, we exclude the observations in the top 5% of disclosure times.

Figure G3: Difference-in-differences estimation of Sarkozy associates' change in behavior around Sarkozy's election when removing Sarkozy associates one-by-one.

(a) Two-day compound abnormal return on purchases. (b) Compliance with the five-day disclosure requirement.



(c) Time from trade to the firm's next result announcement.



The figures present estimates of the *Sarkozy associate* \times *Post-election* when replicating the regressions in columns 2, 4 and 6 of Table 2's top panel removing Sarkozy associates one-by-one. Each grey line corresponds to a different estimation. The thick black lines correspond to original estimates. The coefficients are standardized using standard errors clustered by trader, firm and date. See the notes to Table 2 for the definition of the dependent variables.

Table G3: Difference-in-differences estimation of the change in behavior of Sarkozy associates around Sarkozy's election: Sensitivity tests.

	Two-day compound abnormal return on purchases	Compliance with the five-day disclosure requirement	Time from trade to the firm's next result announcement
Excluding the 2 most-influential Sarkozy associates	0.008** (0.004)	-0.051 (0.035)	-46.082** (17.402)
Excluding the 3 most-influential Sarkozy associates	0.008** (0.004)	-0.039 (0.035)	-34.131* (17.205)
Excluding the 4 most-influential Sarkozy associates	0.007* (0.004)	-0.052 (0.033)	-39.213** (17.132)
Excluding the 5 most-influential Sarkozy associates	0.007* (0.004)	-0.067** (0.031)	-34.061* (19.125)
Excluding top traders	0.006** (0.003)	-0.056 (0.038)	-28.309 (17.440)
Excluding influential observations	0.003** (0.002)	-0.096* (0.053)	-43.959*** (16.425)
Excluding the top 5% of the dependent variable	0.004* (0.002)	-0.146** (0.058)	-34.327** (15.805)
Excluding trades within 30 days to election	0.010** (0.004)	-0.126** (0.054)	-43.700** (20.227)
Excluding trades within 60 days to election	0.010** (0.004)	-0.126** (0.059)	-47.249** (22.072)
Excluding trades within 90 days to election	0.010** (0.005)	-0.124* (0.066)	-45.756** (22.348)
Equal-importance weights	0.008* (0.004)	-0.094 (0.061)	-46.326** (20.188)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors clustered by trader, firm and date appear in parentheses. OLS regressions. Each cell presents an estimate from a separate regression. The reported estimate is for *Sarkozy associate* \times *Post-election*. All regressions include a constant term, *post-election*, *Sarkozy associate*, covariates and firm fixed effects, as in the even-numbered columns of Table 2's top panel. The observations are trades by Board Members of French listed firms that took place within 365 days of the French Presidential election of May 6th 2007. *Post-election* is a dummy for all trades that occurred after the election. *Sarkozy associate* is a dummy for the trader being connected to Sarkozy. See the text for details of the construction of this group. *2-day compound abnormal return on purchases* is the compound abnormal return (calculated using a firm-specific 30-day market model) of the traded stock over the two days following the announcement of a purchase. *Compliance with the 5-day disclosure requirement* is a dummy for the trade being disclosed within five business days. *Time from trade to firm's next results announcement* is the time (in days) between a trade's date and the next public announcement of results by the firm. Each line presents a triplet of regressions that differ from those in columns 2, 4 and 6 of Table 2's top panel by the indicated change. The most-influential Sarkozy associates are identified by ranking Sarkozy associates by the absolute value of the difference between the estimate obtained when including or excluding their trades, as illustrated in Figure G3. *Top traders* are the three Sarkozy associates and five non-connected Directors who made over 100 trades over the 2-year window around the 2007 French Presidential election. *Influential observations* are observations such that $|DFBETA_j| > 2/\sqrt{N}$, where N is the number of observations used in the original sample and $DFBETA_j$ is the difference in the coefficient of the interaction term if observation j is excluded from the sample, standardized by the standard error obtained when observation j is excluded from the sample. When excluding observations in the top 5% of the dependent variable, observations in the top 5% of disclosure times are excluded when the dependent variable denotes compliance with the five-day disclosure requirement. The *Equal-importance weights* are such that each Director has the same weight within each 365-day period around the election: the weights are $1/n_{jt}$, where n_{jt} is the number of trades by individual j during period t .

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