Managing Expectations in Financial Markets:

Voluntary Accountability Practices of Capital Market Regulators in Spain and Turkey

Fulya Apaydin 1 – Jacint Jordana 2, 1

1 Institut Barcelona d'Estudis Internacionals
2 Universitat Pompeu Fabra

Acknowledgements

This research has been funded by the Spanish Ministry of Economy and Business (Ministerio de Economia y Empresario-MINECO) grant no. **CSO2012- 39693 under the project entitled "The Political Economy of Regulatory Agencies: Accountability, Transparency and Effectiveness" (AccountReg).** The authors would like to thank Matthias vom Hau and the three anonymous reviewers for their detailed and very helpful comments on the paper. We also thank M. Kerem Coban, Ana Garcia, Isik Ozel, Bolivar Portugal, David Sancho, Asli Unan and Salih Yasun for their help with planning the fieldwork and executing the data collection. We would also like to give special thanks to Ixchel Perez-Duran who kindly shared her coding scheme for Spain in Supplementary Appendix A. All errors are our own.

In recent decades, independent regulatory agencies (IRAs) have been introduced as part of public administration reforms around the world. Unlike traditional administrative agencies, most IRAs are not accountable to the executive and their accountability relationship to the legislative tends to be weak. Nevertheless, these agencies often engage in acts of voluntary explanation and justification of their decisions to stakeholders. Based on a comparative study of financial regulation agencies, this paper shows that these IRAs resort more actively to voluntary accountability when the expectations of actors interacting with the agency are at conflict. Specifically, we argue that the agency's ability to manage expectations is shaped by the level of agency independence and the degree of organizational capacity. Our findings contribute to the existing debates by conceptualizing voluntary accountability as a mechanism for managing stakeholders' conflicting expectations through the lens of financial regulation based on original evidence from Spain and Turkey.

SER Keywords: financial markets, regulation, organizational behavior, public administration, governance

JEL Classification: G28, H83, P520

Introduction

During the late 20th century, the regulation of the banking industry and capital markets experienced a major wave of reform around the world. These novel regulatory frameworks triggered the proliferation of independent regulatory agencies (IRAs), expanding a previous regulatory agencification trend in these sectors, but also reflecting a broader transformation of the contemporary administrative apparatus that increasingly accommodates technocratic expertise and unelected officials (Vibert, 2007), (Jordana et.al., 2011).

Existing research reveals that the reasons behind the creation of IRAs are numerous, and include achieving credibility, protecting policy choices and shifting blame for unpopular policy choices (Majone, 2001), (Gilardi, 2008), (Guidi, 2015), (Jordana et.al., 2018), (Koop and Hanretty, 2018). While some scholars argue that the creation of IRAs ensures the credible commitment of government in policy areas with a time-inconsistency problem (Majone, 2001), (Bertelli and Whitman, 2009), the non-majoritarian design of these entities raises questions regarding their accountability performance especially in electoral democracies (Papadopoulos, 2007). Unlike traditional administrative agencies, most IRAs are not directly accountable to the executive, and their accountability relationship to the legislative tends to be rather weak (Jordana et al., 2015). This leads to the emergence of isolated decision-making spaces that are exposed to the risk of serious contestation, particularly from political parties, media and public opinion, raising concerns over the disruption of classical accountability relationship in democratic regimes (Biela and Papadopoulos, 2014). Moreover, the performance of financial regulatory agencies is often questioned at times of crisis when the government and/or other forum members shift the blame on them for the poor performance of the markets (Amable et al., 2010).[1]

To cope with such risks, critics suggest that IRAs need to establish credible accountability mechanisms to increase stakeholders' support, reinforce their institutional role, protect themselves against political intervention (Koop, 2015) and sustain a positive reputation (Busuioc and Lodge, 2016). Yet, in some cases, efforts to provide greater accountability may generate confusion. If IRAs seek to indiscriminately accommodate demands of all forum members simultaneously, this may lead to what Koppell (2005) calls *multiple accountabilities disorder* with debilitating consequences. Others concur that providing accountability when it is legally not required may be a costly exercise that consumes organizational resources and even expose the agency to undesired criticism (Mulgan, 2003), (Koop, 2014), (Karsten 2015, p.697). The fact that some agencies nevertheless choose to explain and justify their actions despite these risks is a rather puzzling pattern that has inspired the proliferation of new studies that investigate the causal dynamics behind these seemingly complex organizational choices (Verschuere et al., 2006), (Schillemans, 2011), (Baldwin et.al., 2012), (Maggetti, 2012), (Busuioc, 2013), (Koop, 2014), (Fernandez-i-Marin et al., 2016), (Busuioc and Lodge, 2016), (Koop and Hanretty, 2018), (Apaydin and Jordana, 2020).

When market participants become part of the forum in a regulatory space, formal accountability relations may not be sufficient to meet these stakeholders' distinct set of expectations (Klingner, 2002). In this study, we argue that IRAs resort to voluntary accountability selectively as a complementary mechanism to manage the expectations of actors that interact with the agency and thereby influence their behavior. Actors' expectations refer to their views on agency behavior and beliefs about what the agency should do under contested circumstances. In that sense, the use of voluntary accountability is most salient when the forum members' interests and expectations are at a conflict. If some of these forum members publicly command authoritative power over an agency, IRAs selectively combine formal accountability obligations with voluntary acts to preemptively strengthen their reputation, status and authoritative expertise.[2] This process is primarily influenced by the level of agency independence and degree of organizational capacity.

Voluntary accountability is defined "as the degree to which an actor is, without being required to, committed to offering information on, and explanation of, his or her own conduct to another actor, and may be sanctioned for this conduct" (Koop, 2014, p.565). In regulatory governance, these include practices that are informal in nature, including unwritten norms that are created, communicated, and enforced outside officially sanctioned channels, such as ad-hoc exchange of information, providing verbal justification on-demand, organizing informal meetings with the forum members and frequent press briefings and media appearances to avoid potentially negative consequences of the agency's decisions. While some scholars may question whether this qualifies as a conceptually accurate sub-type of accountability in the absence of the element of formal obligation (Lindberg, 2013), informal requirements and expectations from forum members may also commit the agency to account for its actions.[3] In some cases where the agency expects greater returns, accountability seeking behavior may be instrumentally useful (Karsten, 2015). Recent findings show that this process is primarily driven by concerns over salient policy issues, level of dependence on public funds, and whether an agency has enough personnel (Koop, 2014).

In the context of financial regulation, investigations on financial irregularities have increased as a result of growing complexity of financial market transactions, exposing IRAs to dual pressure by politicians—who put greater value on competency (Hood and Lodge, 2006)—as well as market players, including firms and investors that prioritize responsiveness and fairness.[4] Often, the disagreement among forum members becomes most intense when their expectations on fairness and competency are at conflict. Under these circumstances, IRAs seek to provide voluntary accountability to dissipate any doubts about their credibility, competency and commitment to fair regulation generated by what Bovens calls the problem of "many eyes" (Bovens, 2007b). In doing so, the agency seeks to selectively influence the behavior of the forum members and preemptively avoid future problems that may arise should these expectations are met.[5] However, we do not know the conditions under which an IRA prefers to provide greater or lesser voluntary accountability as it interacts with different forum members.

Our paper contributes to existing debates on accountability of IRAs in at least three ways. First, we propose a novel way to conceptualize voluntary accountability as a mechanism for managing political, bureaucratic and market expectations that goes beyond formal arrangements. In doing so, we depart from existing formulations of accountability (e.g. Lindberg, 2013) to bring more centrality to the logic of interaction between agencies and their forum (Bovens, 2007a, 2007b), by introducing the concept of expectation management (Beckert, 2013a, 2013b) into the theorizing of voluntary accountability. Management of expectations is not only limited to predicting uncertain futures (e.g. future prices and interest rates) and thereby influencing the behavior of market players by setting clear targets with a systematic commitment to achieving them. This process also includes management of future risks and scenarios by way of coordinating information flows for forum members including political actors and market players, especially when these groups have conflicting interests and expectations. In that sense, voluntary accountability of IRAs may be useful to navigate and govern these rivalries among the forum members.

Second, we reveal the causal mechanism behind the choice of voluntary accountability practices, highlighting the significance of political independence and organizational capacity of IRAs. In doing so, we show how IRAs manage expectations differently in those cases when they face a credible commitment problem by the government and/or operate under organizational capacity limitations.

Our third contribution is empirical with a focus on capital market regulators in Spain and Turkey—two countries that significantly diverge from the Anglo-Saxon legal tradition. These countries share strong legacies of an authoritarian past, have centralized traditions of bureaucratic government, and witnessed rapid modernization and economic liberalization in recent decades. In both cases, the government created financial regulatory agencies at the early stages of liberalization during the 1980s. Later, external dynamics—such as harmonization with the EU economic institutions—have been highly influential in the institutional evolution of the IRAs rather than domestic pressures.[6] Despite these shared institutional features and constraints, both financial regulation agencies sought to manage multiple expectations by deploying voluntary accountability in varying ways. In Spain, where the agency autonomy of *Comisión Nacional del Mercado de Valores* (CNMV) is rather constrained, the agency restricted upward voluntary accountability since the end of 1990s, and kept its exchanges with the Ministry and the parliament limited to formal commitments only, while expanding downward accountability to many different stakeholders.[7] On the other hand, in Turkey, relatively higher political independence combined with limited resources at the disposal of Capital Markets Board (*Sermaye Piyasasi Kurulu*-SPK) gradually pushed the agency to voluntary provide more information and justification of their actions in upward exchanges involving the executive and the parliament—all at the expense of downward accountability between 1999 and 2018.[8]

In order to assess the voluntary accountability practices of these IRAs, and to discuss why they vary, our empirical analysis relies on three primary data sources: the information provided by the websites of each regulatory agency, official documents (including legal documentation) and a total of 22 interviews with agency managers, government officials, investor associations and other regulatory agency representatives (See Appendix C). The criteria for coding the formal accountability procedures are based on official legal documentation (See Appendix A). The interview questionnaire includes open-ended questions that focus on the respondent's experience with voluntary accountability of the agency at multiple levels (See Appendix B). While the information provided by the respondents may be subjective, we use these anecdotal observations for triangulation and refer to quotes as evidence after corroborating with at least one other source. The respondents were selected using snowball sampling. The interviews were completed in 2015. We complement these sources by secondary reports on accountability practices of the agencies, published in publicly accessible media outlets.

To elaborate our points, we first begin with a discussion of existing approaches to IRA accountability. The following section introduces the cases and examines evidence on how voluntary accountability was deployed to manage multiple expectations. The conclusion discusses the implications of our findings and identifies further avenues of research.

Voluntary Accountability as Expectation Management

Accountability is commonly understood as a social relationship in which an actor A has the obligation to inform and justify the decisions taken while the forum B has the right to evaluate, praise and/or sanction those decisions (Bovens, 2007a, 2007b). In a relationship defined as such, actor A provides explanation and justification of its actions so long as forum B commands some authoritative power and actor A acts on some authoritative responsibility (Lindberg 2013, p.208). According to some scholars of democratic theory, the fact that a person or community is substantially affected by the actions of an individual or organization justifies the establishment of a relationship of accountability between them (Held, 1995), (Koenig-Archibugi 2004, p.236).

In regulatory governance, most researchers emphasize that such relationship between principals and agents are established in formal legal rules (i.e. formal accountability) (Koop, 2011); but can emerge also via informal mechanisms (i.e. de facto accountability) (Busuioc, 2013), (Koop, 2014). IRAs are conspicuously different than most public agencies on the accountability front. Within the realm of traditional public administration, civil servants remain accountable to elected politicians in a hierarchical subordination (Bovens et.al., 2014). However, many IRAs are weakly accountable (or not accountable at all) to the executive, because of their formal institutional design, and are only requested to submit regular, pro-forma presentations of reports and hearings to the legislature (Koop and Hanretty, 2018), (Verschuere et.al., 2006). Yet, there are forum members beyond the executive and legislature—such as firms, investors and consumers—who expect the agency to explain and justify its actions beyond *de jure* requirements. These groups command varying degrees of authoritative power which pressures an agency to act on its authoritative responsibility.

For example, in financial regulation, an IRA is expected to level the playing field for firms, investors and customers by ensuring a sound commitment to fairness in the marketplace. When any of these forum members demand further explanation and justification of the agency's actions on the grounds that its decisions are unfair, they exercise an authoritative power independent of formal-legal stipulations. Thus, the forum members can evaluate and sanction the agency based on a clear distinction between acceptable and unacceptable forms of behavior (Lindberg, 2013, p.211). At the same time, this does not mean that the agency can be held accountable over *all* of the domains over which it has discretionary decision-making power (Lindberg, 2013, pp.209-210). While the agency exercises decision-making powers regarding internal organizational matters (e.g., wages and benefits, tenure and promotions…) the IRA may be less compelled to provide voluntary accountability if the forum members do not have genuine authoritative power to impose the distinction between what is considered as an acceptable or unacceptable form of behavior over these issue areas.

Among the existing research on the voluntary accountability of IRAs, a first group portrays the agency as a rational actor and argues that the choice for voluntary accountability is strategic. This process may be driven by a motivation to reduce reputational costs (Busuioc and Lodge, 2016), eliminate threats to the survival of an agency (Reiss, 2011), (García-Juanatey et.al., 2017), enhance legitimacy (Maggetti, 2012), and/or maintain institutional integrity and coherence (Hong and You, 2018). These decisions may be strongly influenced by the issue salience and the nature of competence of the organization, prompting the agency to do a relative assessment of available strategies (Karsten, 2015). For example, IRAs may react more actively to politically salient issues if they face a legislative threat. Similarly, Koop (2014) suggests that agencies that provide services to a broader community—including firms and consumers—may be more likely to exhibit voluntary accountability when the cost of not doing so may be too high.

However, rationality of an agency is often bounded by the institutional environment. This includes formal and informal limitations where accountability requirements are either coded into existing legislation or governed by a logic of appropriateness where stakeholders view it as a "normative concept that is desirable state of affairs" (Bovens, 2010, p.949). Thus, a second group puts the emphasis on constraints induced by the legal context, funding sources and institutions. For example, agencies that depend on public funds may be more likely to engage in voluntary accountability since taxpayers will be more demanding (Koop, 2014, p.570). Similarly, organizations established by public law may be more accountable to the public than those established under private law (Koop, 2014).

Yet, these explanations do not clarify why agencies engage in voluntary accountability with different modalities as they interact with multiple forum members. Some regulatory agencies prefer to voluntarily explain and justify their actions when involved in downward accountability relationships, while others limit their efforts to upward exchanges (Jabko, 2003), (Yesilkagit, 2004), (Schillemans, 2011). As Table 1 below reveals, voluntary upward accountability includes participating in meetings, committees and workshops where agency representatives provide explanation and justification of their actions as demanded by the politicians, as well as responding to their calls and emails. On the other hand, downward voluntary accountability includes bilateral exchanges between agencies and different social actors and stakeholders (such as firms, consumers and civil society organizations)—by signaling fairness in the marketplace by committing to a code of conduct, issuing press releases, publishing complaints and appeals procedures, ensuring market players' satisfaction or contracting additional auditing services to evaluate the performance of the agency.

--Table 1 Here--

In identifying these dynamics, we go beyond existing understanding of voluntary accountability as an instrument of reputation-management (Busuioc and Lodge, 2016) or a survival mechanism under pressure (Reiss, 2011), (Koop, 2014), (García-Juanatey et.al., 2017). To complement these frameworks, we build on scholars who view capitalist markets as a performative platform where cognitive perceptions inform actors' behavior (Langenohl, 2010), (Beckert, 2013a, 2013b), (Braun, 2015). Rather than strictly rational calculations, the unpredictability in the marketplace is managed by a process where uncertainties are "objectified and institutionalized" (Langenohl, 2010) either through quantitative or qualitative procedures. Much of the research in economic sociology focuses on the quantitative dimension and reveals how these prediction-oriented technologies—widely used in the financial industry, such as inflation, interest and exchange rate targeting—shape key interactions in the marketplace (Beckert 2013a, 2013b), (Braun, 2015). By contrast, qualitative procedures for expectation management in the financial sector have received much lesser attention.

The financial industry operates on a layered system of political, bureaucratic and market-based expectations including competency, transparency and fair governance. Within this context, the accountability practices of non-traditional public entities—such as independent financial market regulators—focus on addressing diverse expectations related to their role as market makers, to exert influence on potential concerns of and conflicts involving politicians, legislators, other regulatory agencies, firms and consumers (Guidi, 2015, p.117). However, IRAs often operate within certain institutional and organizational constraints (Seidenfeld, 1999), (Martinez-Gallardo and Murillo, 2011) to exercise their institutional power and selectively influence the behavior of forum members. In that sense, voluntary accountability complements formal accountability to the extent that authoritative power of forum members prompts an IRA to go beyond legal obligations with an explicit motivation to manage their expectations regarding the agency's reputation, fairness and competency.

Theoretical Expectations

In public service bargaining among different actors, Hood and Lodge (2006) find that politicians prioritize competency and political loyalty from public servants and bureaucrats (Hood and Lodge, 2006, p.7). In the case of independent regulatory agencies, political loyalty is no longer an expectation, however. Nevertheless, the politicians still demand higher competency from the IRAs, which calls for greater efficiency and effectiveness. This may not always overlap with the market players' expectation of fairness and lead to recurrent conflicts.

What explains an agency's accountability behavior when forum expectations are frequently at conflict? The problem of multiple expectations often arises in complex governance environments where different stakeholders have contradictory views, resulting in an accountability dilemma for the agency (Klingner et al., 2002). For example, in capital markets regulation, some firms may question the fines imposed on them and demand further justification for the agency's decisions. If accommodating these specific demands affect regulatory competency by means of draining agency resources to satisfy the expectation of fair market governance, then the IRA faces a difficult choice.[9] Further, if the forum members pressure the agency to overturn or modify its decisions and if the agency complies with these demands in response to forum expectations of fairness, the competency of the agency may be publicly questioned by the politicians.[10]

In order to resolve problems generated by multiple accountability expectations, agencies seek to reconcile them or prioritize some over the others. In doing so, IRAs seek to address the expectations of those groups with higher capacity to impose sanctions (Aleksovska et al., 2021). If the agency fails to respond to these demands altogether, the consequences include questioning of agency's credibility, performance and legitimacy. On the other hand, if it tries to use voluntary accountability to satisfy all forum members simultaneously, it may suffer from multiple accountabilities disorder and face depletion of resources, stifling of organizational innovation and professional commitment (Bovens, 2007a), (Koop and Reh, 2019, p.78). For example, a recent study on European Banking Authority's accountability practices documents how multiple expectations of forum members has created tensions and undermined the efficacy of the agency due to varying levels of authoritative power commanded by these forum members (Salter, 2019). Such conflicts may have further spillover effects, leading to blame shifting by the executive, putting the principles of equal competition at risk and triggering the loss of administrative and financial autonomy. Given these potential outcomes, the agency needs to demonstrate selective responsiveness without jeopardizing its institutional integrity. Building on earlier findings that highlight the role of institutional constraints on voluntary accountability of IRAs

(Seidenfeld, 1999), (Maggetti, 2007), (Martinez-Gallardo and Murillo, 2011), (Koop, 2014), we expect these decisions to be primarily influenced by the institutional environment in which they operate and the resources available to the agency. Specifically, we argue that the level of agency independence from the legislative and the executive and the organizational capacity of the agency (including personnel and recruitment policy as well as budgetary terms and conditions) guide the direction of voluntary accountability behavior of IRAs.

Agency independence refers to "the degree to which the day-to-day decisions of regulatory agencies are formed without the interference of politicians and/or consideration of politicians' preferences" (Hanretty and Koop, 2012, p.199). As such, it covers formal rules that govern appointment, renewal and dismissal terms of agency head and board members as well as a latent informal dimension: whether agencies' key decision-makers refrain from enacting decisions that will upset the executive. While there are formal guarantees that protect agencies against political intervention, the actual agency independence exhibits a great deal of variation across different political contexts (Hanretty and Koop, 2012, 2013), (Ennser-Jedenastik, 2016), (Jordana et al. 2018). Building on Maggetti (2007), Gilardi and Maggetti (2010), we focus on two key indicators to assess this uncoded component of agency independence: 1) whether the agency head and/or board members have departed prematurely before the end of their term, and 2) the extent of partisan influence on board member nominations. A higher level of independence suggests that the executive has limited control to modify, change or alter agency decisions. By contrast, a lower level of political independence suggests that government intervention on agency decision-making may be more likely.[11]

Organizational capacity is the second important dimension that affects the voluntary accountability of regulatory agencies. This refers to "the internal ability of organizations to enact a certain task" (Barman and MacIndoe, 2012, p.72). Broadly, it includes the ability to attract and retain talent, to be operational in line with its objectives, which depends on the size of the budget and institutional resources available to implement decisions. While there may be formal rules that secure managerial autonomy of a regulatory agency, these do not guarantee a high level of organizational capacity (Scott, 2001). De facto indicators of organizational capacity include the extent of political influence over the budget and the internal organization of the agency (Maggetti, 2007, p. 278).

Regulatory agencies with reduced or highly fragmented organizational capacity are limited in their ability to fulfill their tasks and the broader expectations of their audiences (Bolton et al., 2015).

In case of a conflict among the forum members, if the agency independence is relatively high, but organizational capacity is limited, we expect IRAs to prioritize the competency expectations of a smaller group of political principals over those of market players in the hopes that this behavior may result in greater budget transfers and higher number of personnel. This may be informed by a strategic desire to build a rapport for the continuous management of the expectation of these groups who play a critical role in IRA's access to resources (Aleksovksa et al. 2021, p. 4). Under these circumstances, an IRA may choose to avoid voluntary downward accountability since this may further drain its resources given the fact that firms, investors and consumers are diverse and highly numerous (Salter, 2019).

On the other hand, if agency independence is relatively low, but organizational capacity is relatively higher, an IRA may create itself new spaces of action by strategically enhancing its reputation and public legitimacy via downward voluntary accountability (Garcia-Juanatey et al. 2017, 388-389). This is because providing more voluntary accountability to the politicians is unlikely to make an IRA formally more autonomous especially if the relationship is conflictual. However, non-responsiveness to market players' demands may open the door to blame games that may eventually threaten the agency's capacity of action. Under these circumstances, the IRA seeks to gain public support by a voluntary commitment to downward accountability, since perceived fairness of regulatory agencies may likely increase citizen trust in and compliance with agency decisions (Lind and Arndt, 2017). In this way, the agency can manage forum expectations while enhancing its reputation and public credibility.

There may be two additional outcomes under these parameters. First, an agency with a high level of independence and organizational capacity may afford to ignore conflicting demands without any commitment to voluntary accountability since it may override the authoritative power of forum members under these circumstances. However, this theoretical configuration is empirically rare and difficult to observe in electoral democracies. Second, if agency independence is low and the organizational capacity is limited, IRAs may exhibit voluntary accountability in both directions in the hopes of satisfying the expectations of all forum members. This may result in multiple accountabilities disorder, especially when they run out of resources to cover supplementary expenses associated with providing greater voluntary accountability in both directions. This theoretical configuration is also empirically rare in financial regulation. Table 2 below maps these potential outcomes.

--Table 2 Here--

Our theoretical expectations build on the assumption that providing voluntary accountability by an IRA is not strictly a zero-sum game in and of itself: rather, the authoritative power of the forum members—which is typically asymmetric in market regulation—is a critical factor that defines the target audience of the agency. Under these circumstances, voluntary accountability may still be effective (if not an alternative to obligatory accountability).[12] In the following section, we offer empirical evidence from Spain and Turkey to demonstrate the outcomes that fall in between the two extremes.

Managing Expectations in Financial Markets: Spain and Turkey in Comparative Perspective

The liberalization of capital markets in Spain and Turkey did not take place until the 1980s. The diffusion of financial liberalization reforms led governments in both countries to undertake similar adjustments to modernize securities & exchange platforms and set up regulatory bodies with some autonomy to oversee the market.[13] Following their creation, these new agencies were hierarchically placed under a government ministry. This is because the bureaucratic tradition in Spain and Turkey is highly centralized and governed under public law, which does not grant absolute independence to any public institution. In both settings, the primary task of the agency is capital markets supervision and regulation in an environment where bank-based financing is still dominant. More recently, both agencies seek to comply with the harmonization of regulations in line with European Securities Markets Authority (ESMA) following its establishment in 2011.[14] Despite these similarities, these agencies behave very differently on the voluntary accountability front. In Spain, the agency mobilized resources to provide greater downward accountability on a voluntary basis at the expense of upward accountability. In Turkey, the agency relies on voluntary accountability exchanges with political actors, avoiding downward voluntary exchanges with firms, investors and consumers.

--Table 3 Here--

A comparison along relevant dimensions that explain the voluntary accountability behavior of regulatory agencies reveals that while SPK and CNMV share many similar features, the two cases diverge on two additional dimensions—the level of agency independence and their organizational capacity—which explain their contrasting voluntary accountability behavior (See Table 3).

Legal Status, Managerial Autonomy and Agency Independence

The CNMV in Spain was established by the Securities Market Act 22/1988 (SMA). The SMA was updated by Law 37/1998, which defined a regulatory framework in line with the requirements of the EU.[15] In particular, it is meant to ensure transparency in the stock market as well as at protecting investors. The CNMV is governed by a Board (*Consejo*) composed by a President and a Vice-President, both appointed by the Government. The Director General of the Treasury and Financial Policy and the Deputy Governor of the Bank of Spain are automatically members of the Board, as well as three Commissioners appointed by the Minister of Economy, with a fixed term.

Similarly, SPK in Turkey is the regulatory and supervisory authority which was created in 1982 in charge of the securities markets in Turkey. SPK is empowered by the Capital Markets Law (CML), which was enacted in 1981. It was the first public institution founded as a semi-independent regulatory agency in Turkey. It became a *bona fide* independent regulatory agency in 1999, after extensive amendments to the Capital Market Law.[16] The mission statement of the authority is to “make innovative regulations, and perform supervision with the aim of ensuring fairness, efficiency and transparency in Turkish capital markets, and improving their international competitiveness.”[17]

Even though SPK had been created to supervise capital markets as an independent institution, it has always been affiliated with the Ministry of Finance (Sosay, 2009), (Ozel, 2012). Although the affiliated Ministry has no right to veto the decisions of the Board, it can challenge its decisions.[18] Nevertheless, the agency has enjoyed a relatively greater level of independence compared to Spain's CNMV: according to Jordana et. al. (2018) index, the political independence score of SPK stood at 0.54 in 2010. Moreover, between 1999 and 2012, no board member has departed prematurely, and there are limited signs of partisan influence on the board member appointments until 2012: most of the board members have served as career bureaucrats, appointed from within the agency.[19] While the executive increased political pressure on regulatory agencies gradually after this year, the agency maintained a relatively higher level of independence until recently. Between 2013 and 2017, the agency head (Vahdettin Ertas, a career bureaucrat from SPK) stayed in his position until 31.12.2017 despite the political purges launched by the government in the aftermath of 2016 coup attempt.[20]

By contrast, CNMV had high managerial autonomy with a score of 0.78, but its political independence was relatively lower with a score of 0.37 in 2010. The political pressure on the agency has publicly surfaced on numerous occasions and for example led to premature departure of the former head of the agency, Manuel Conthe, in 2007. [21] Moreover, the agency heads and board members have not always been appointed from within the agency and there are some indications of ongoing political pressure as well as political revolving doors between the executive and the CNMV.[22] In a separate evaluation by the International Monetary Fund in 2012, the independence of CNMV was also questioned.[23] While the CNMV is not formally accountable to the government—as it is a public law entity with independent legal status—the Ministry intervenes on different matters.[24] First, the Ministry has a voice on CNMV's board—given the Director General of the Treasury and Financial Policy of the Ministry of Economy are permanent members. Second, even though the CNMV enjoys regulatory powers, it needs to follow the general normative requirements of the Ministry, who is responsible for developing the laws regarding the Spanish securities market.[25] Therefore, CNMV's regulatory powers are limited to the issuing of circulars (*circulares)*, which must follow the guidelines established by the Ministry.

At the same time, the CNMV enjoys relatively higher organizational autonomy, especially with respect to managerial issues. While some officials argue that CNMV operates with a rather small group of personnel under a high volume of work (Interview #S1, #S2, #S8), the agency's running costs are exclusively financed based on supervision fees and the agency has no yearly earmarked budget (Interview #S3). This financial independence allows the agency to exercise autonomy in how and where to channel its resources. Between 2001 and 2018, the CNMV budget has always reported a net surplus, with an average of 15.8 million Euros (See Figure 1).[26] This has allowed the agency to hire more personnel, which has increased its capacity to respond to growing accountability demands of the market players: between 1996 and 2018, the number of employees have more than doubled and reached 446 in 2018, compared to 181 in 1996.

--Figure 1 Here--

By contrast, SPK has relatively lower organizational capacity in managing its affairs, with a managerial autonomy score of 0.16 as of 2010. Unlike its counterpart in Spain, the agency's running costs are financed based on supervision fees in addition to an earmarked amount from the public budget. In case of profits, it is mandatory for the agency to return the exceeding amount to the general budget. This financial dependence limits the agency's exercise of managerial autonomy in how and where to channel its resources. Moreover, between 2001 and 2018, the SPK budget has been volatile and did not always report a surplus: the net amount on the balance sheet was negative in 2009, 2011 and 2017. In contrast to CNMV, the yearly profits are much lower with a few exceptional years. While the agency has hired more personnel since 2001, the rate of increase is lower than its Spanish counterpart, which has further constrained its capacity to respond to accountability demands of the market players.

Upward Accountability Exchanges

Our analysis reveals that the legal framework of the CNMV has a higher number of formal accountability requirements at the upward level. For example, formal rules require the CNMV to submit its budget and an annual report of its activities to the Parliament (Committee on Economics, Trade and Finance). Additionally, the agency management is required to make an appearance whenever they are called into a parliamentary hearing. Moreover, political principals of the agency are endowed with the formal power to dismiss the agency head or any other board member in case of misconduct. It is important to note that although the SMA specifies that the CNMV is a "public law entity with independent legal status and full public and private capacity" (art. 14), the Ministry of Economy intervenes on different matters via its permanent member in the management board, especially concerning regulatory reforms on the Spanish Security Market.

Unlike the case of CNMV, the upward accountability relations of SPK does not include a wide range of details on the content of the reports. For example, Law No. 4743, which was adopted on January 30, 2002, requires IRAs to inform the Planning and Budget Committee of the Turkish Grand National Assembly of their regulatory activities once a year, but it does not specify the content of information to be provided and nor the form it should be presented to the parliamentary committee. The requirement to inform the parliament is explicitly stated in the founding laws of the SPK. Additionally, SPK is obliged to submit annual reports of their activities to the Council of Ministers by the end of May. However—unlike in Spain—law does not specify the required contents of these reports. Moreover, the actual length of these reports is significantly shorter around less than 150 pages. The agency does not publish English translation of its annual reports. At the same time, SPK is required by law to submit annual reports together with its financial accounts to the affiliated ministries. Moreover, the agency has to present analyses when asked by the Ministry of Treasury and Finance.

In addition, the SPK exhibits more effort in upward voluntary accountability exchanges with the executive and legislative bodies. These include regular appearances in meetings that are semi-formal or informal where the agency representatives need to explain and justify their actions as demanded by the political actors. A first example to this is SPK's regular participation in the Financial Stability Committee. This macroprudential entity was created in 2011 under the Ministry of Treasury in response to the 2008 Global Financial Crisis, with the goal of detecting and preventing systemic risk build-up in Turkish markets. The committee has met regularly since its inception and SPK has participated regularly in these meetings until its dissolution in 2018, providing explanation and justification for its actions as well as offering technical support as needed.[27] A second similar entity is Financial Sector Commission.[28] Established in 2006, SPK, along with other financial regulators and Ministry of Treasury representatives, meets at least twice a year to prepare a detailed report that is presented to the Cabinet. These meetings include exchange of information, coordination and cooperation among different public sector entities to secure trust and stability in financial markets.[29] A third similar platform is Systemic Risk Evaluation Council. Founded in 2009 and renamed in 2012, this group includes banking and insurance regulators, the Central Bank and the Ministry of treasury to focus on exchange of information to detect financial risks and taking necessary measures to prevent any crisis.[30] SPK continued to participate in this group until the presidential elections in 2018.[31]

Downward Accountability Behavior

The Spanish agency's downward voluntary accountability has been visibly intense. The voluntary information included in annual reports has become more comprehensive each year, including detailed explanation and justification of CNMV's actions in more than 300 pages. Based on an evaluation of information provided in Annual Reports, we find that the number of responses to investor inquiries between 2001 and 2018 has been consistently high, with an average of 11,848.[32] During the same period, the average response rate—measured as number of responses to investor inquiries per personnel—stands at 31.[33] In addition to this information in annual reports, the agency also voluntarily publishes two additional reports. The first is entitled "Annual Report on Attention to the Complaints and Enquiries of Investors" where the agency provides a more detailed explanation and justification of its decisions and the criteria applied to resolutions regarding investor complaints and inquiries in a given year.[34] The second is entitled "Report on the CNMV's review of the annual financial reports." This publication includes detailed account on how the agency reviewed the audited accounts of registered firms, explaining and justifying its decisions regarding the actions taken by the CNMV.[35]

Recent changes in the marketplace have prompted the agency to proactively commit to voluntary accountability on new issue areas, including those related to fintech and cryptocurrency markets. To that end, CNMV launched a new inquiry service on Fintech in 2016. Until December 2018, CNMV has received a total of 258 requests on the portal and openly published its response along with the regulatory framework that applies to specific inquiries.[36] Going beyond requests for information, the Spanish agency also regularly issues press releases which are not mandatory. The data on the agency website reveals that this figure has increased since 2010 and more than doubled by the end of 2018 (See Figure 2). While the SPK also issues press releases which are not mandatory, the data on the agency website reveals that this figure has decreased since 2010. Figure 2 below reveals that while the Turkish agency issued 59 press releases in 2010, this number dropped to 14 in 2018.

--Figure 2 Here--

At the same time, CNMV has also voluntarily adopted a more detailed account of its Key Performance Indicators (CNMV Annual Report 2018). According to this new information, the 2018 data on institutional relations reveals that the agency has responded to only total of 116 requests from the Ministry of Economy, including parliamentary initiatives and questions, internal approvals, other reports. Compared to the scope and total number of voluntary downward accountability practices, the voluntary explanation and justification of agency's activities vis-à-vis the legislative and the executive remain low. These findings suggest that CNMV exhibits a greater commitment to downward as opposed to upward voluntary accountability.

Unlike CNMV, downward accountability relations of SPK are highly formalized. These are managed by *communiqués* issued by the agency and published in the Official Gazette. Previously, the Communiqué on the Determination and Implementation of Corporate Governance Principles No. 28158, dated 30/12/2011, under the section entitled "Public Disclosure and Transparency" stated that the principle of public disclosure and transparency is aimed at the presentation of timely, accurate, complete, understandable, analyzed and easily accessible information to the shareholders, stakeholders and to the public. Later, SPK issued a new communiqué which effectively established a Public Disclosure Platform (Kamu Aydinlatma Platformu, KAP) for the regular release of information and justification of agency decisions in 2010. KAP is an online system where "electronically signed notifications required by the capital markets and Borsa Istanbul regulations are publicly disclosed" and it seeks to "allow everyone to have access to correct, timely, fair and complete information about the Borsa Istanbul companies, over the world wide web simultaneously and at low costs."[37] An update on this was published in the Official Gazette on 27/12/2013 (No. VII-128.6), the agency set down the procedures and principles on signing the information, documents and statements of corporations, investment firms, fund founders and other firms and entities determined by the Board in electronic environment and transmitting those to KAP. In addition, the Central Registry Agency's "E-Governance: Corporate Governance and Investor Relations Portal" is used to inform the public directly and effectively.

Thanks to this extensive formalization of downward accountability, SPK feels less pressured to interact with the investors, firms or the general public any more than it is formally required to do so. Interviews with forum members including private audit firms reveal that SPK is very reluctant to interact with them on ad-hoc basis. For example, the agency takes a very long time when responding to demands for further clarification and justification of its actions (Interview #T3) and sometimes does not even respond within the two-week legal time limit. In contrast to the CNMV, the responsiveness rate of the agency to requests for information is very low, standing at 2,3 per employee. Some respondents argue that this is to be expected so as not to release sensitive information that may disrupt the market (Interview #T10). Overall, the extensively formalized nature of managing market expectations discourages the agency from developing comprehensive voluntary accountability relations with firms, investors and the broader public.

Discussion and Conclusion

These contrasting outcomes are best explained by variation on two dimensions: political autonomy and organizational capacity of the regulatory agency. In the case of Spain, CNMV already had a member of the executive in its board, the Minister appointed most board members, and agency's regulatory capabilities were constrained by the government in many aspects. Under these circumstances, the agency officials viewed existing formal accountability measures as sufficient to address any concerns of the Ministry, the legislative body and other bureaucratic entities.

At the same time, the competency of the CNMV has been frequently questioned by the political actors—especially at times of crisis—opening the door to blame-games. Capital Market Regulators regularly issued fines and sanctions on non-complying market players. A detailed overview of CNMV annual reports reveal that this information was included on a yearly basis. When these decisions were publicized via media channels, the agency was often blamed by opposition parties for failing to act on time or condoning non-compliance. This happened even though agency officials may have followed official procedures in a timely manner. In other cases when there was supporting evidence for failure to act, incumbents demanded greater competence while investors demanded further explanation and justification of the agency's actions.

In the case of Turkey, the formal requirements of upward accountability allowed the SPK sufficient flexibility to shape the content and the format of interaction. Given its limited organizational capacity, SPK preferred upward voluntary accountability when the political expectations were at conflict with those of market players. This was because the agency had limited resources to address concerns over fairness by a much greater number of market players: the SPK budget has not consistently reported a surplus in recent years (See Figure 1). The fact that SPK has enjoyed relatively higher autonomy until 2015 has enabled the management to prioritize political expectations regarding the competency of the agency.

Thanks to this frequent interaction with politicians, SPK management also found an opportunity to lobby for a reform that would further improve its political autonomy. However, the parliamentary debates in December 2012 clearly show that the opposition was not happy with the informal exchanges between the government and the agency management. Further, the main opposition party (Republican People's Party, CHP), was highly skeptical of agency demands for greater and proposed changes in the regulatory reform package, on the grounds that it eliminates any prospects for holding SPK accountable for its decisions.[38] At around the same time, the market players were demanding greater accountability, questioning several decisions by the SPK management under then-President Vedat Akgiray. Among others, these included dubious transactions by a company owned by the SPK president's brother. During this critical period and its aftermath, the agency neither responded to the growing public demand for transparency nor returned calls from media outlets and investor associations. The agency also did not have enough resources at its disposal to address these calls: in 2009 and 2011, SPK reported a negative balance twice under Akgiray's presidency (See Figure 1).

This clash between political incumbents who demanded greater competency and market players' call for fairness prompted the agency to prioritize greater voluntary accountability to the executive in the hopes that the proposed reform package would further enhance its political and managerial autonomy. The close relations between the agency and the government were further visible during the parliamentary debates where Akgiray sat right next to the Minister Babacan in the lodge allocated to the executive branch members. Eventually, the bill passed, but the upward expectations of greater competency resulted with a complete removal of the SPK board by Minister Ali Babacan on the order of the Recep Tayyip Erdogan in 2012.[39] In response to a parliamentary inquiry by the opposition party questioning this decision,[40] Minister Ali Babacan argued that the SPK management was "falling behind and were slow in adapting to the changing market conditions."[41] During this period, repeated attempts by the public to get more information on the case were neglected by the agency even after the removal of Akgiray and his team.[42] While the regular provision of voluntary accountability to the politicians enabled the executive to hold the agency accountable across a much broader spectrum of issues after the 2012 reforms, this did not guarantee SPK's independence in the long run, especially following the authoritarian turn under the AKP regime.

CNMV has also faced many tensions in the past, especially in cases of political interference in agency decisions.[43] These events prompt investors and relevant market players to simultaneously demand greater agency competency and fairness in the marketplace. Under these circumstances, the organizational capacity of CNMV has enabled the agency to increasingly prioritize voluntary explanation and justification of its actions to firms, investors and the broader public in order to manage their expectations regarding the terms of fair competition and effective governance. The agency's commitment to downward voluntary accountability has been further enabled by the lack of clear formal provisions on that front.

A recent episode of crisis further reveals the role of agency autonomy and organizational capacity on CNMV's voluntary preference for greater downward accountability. In 2011, a scandal that challenged the supervisory role of the CNMV erupted. In this case, the role of the CNMV in the preferential shares scandal was put in question by financial consumer associations, as the CNMV did not supervise the selling of shares to inexpert bank clients without properly informing them of the risk of these products. According to the president of ADICAE (the Association of Consumers and Users of Banks, Savings Banks and Insurances in Spain), Manuel Pardos, the CNMV was partially responsible for this wrongdoing as "it occulted the whole fraud, even at a qualitative level"[44] and criticized the role of former president, Julio Segura. During the crisis, Segura defended his role saying that the CNMV did not have the competence to prevent these shares from being sold to retail investors; according to him, the only thing the CNMV could do was "to ensure that all the relevant information was available in the forms."[45] Meanwhile, Partido Popular officials—who were at power when the news broke—saw this as an opportunity to shift the blame on their predecessor Zapatero government and the CNMV, demanding greater competency from the agency.[46] According to the agency officials and top managers, voluntary accountability relations with the parliament was considered rather superficial and not effective at all (Interviews #S1 & #S7).

As a consequence, the CNMV voluntarily prioritized downward accountability and took additional series of measures to address the growing expectations of investors and firms on transparency and efficiency. According to some ex-officials, the legal regulatory authority is the Ministry (Interview # S2) and agency autonomy was quite constrained by the existing arrangement. Under these circumstances, rather than engaging in efforts to fulfill the political expectations, the agency embraced downward voluntary accountability with firms and investors. Much of the criticism accused the agency of withholding information to help investors to make well-informed decisions was still lacking despite the large volume of documentation demanded by the CNMV.[47] Consequently, the agency launched a series of reforms aimed at improving existing communication channels. These reforms included greater transparency and control over the counselor's salaries and bonuses of supervised entities;[48] greater transparency behind approval of new financial products on the market, especially the ones that targeted financial retailers[49] and investment funds.[50] At that time, the CNMV progressively released its annual activity plan, budget and financial report, and the website of the agency provided information on the annual plans, the annual itemized budgets, and the annual accounts.[51]

Despite these efforts, not all forum members benefited equally from improved voluntary accountability during the initial stages. Some smaller stakeholders complained that these reforms created a greater regulatory burden for most financial firms (mostly small and medium-size companies). The new practices involved frequent exchanges with larger banks while independent investor associations were somewhat marginalized (Interviews #S2 & #S3). Most notably, the discussions in the Consultative Council (established in 2012) were dominated by larger banks that aimed to prevent additional sanctioning powers by the agency (Interview #S1). Despite this partial bias, most firms and investors operating within the sector acknowledged that in recent years their direct relations with CNMV have improved greatly, and voluntary accountability exchanges were satisfactory and rewarding (Interview #S9). On the other hand, the interaction between CNMV and consumers reveals some bias in these voluntary accountability practices. Consumers were included in the Consultative Council, and take part in the formal meetings, but there is very limited informal relationship with the agency, as it occurs often with other stakeholders (Interview #S2). Weak technical capabilities and low professional reputation are some of the reasons put forward by agency officials to justify this practice (Interview #S4 & #S6).

In sum, the two cases we examine in this paper provide empirical support for conceptualizing voluntary accountability of IRAs as a strategy for managing contrasting forum expectations via communication and information flows towards particular stakeholders. This is very important because these informal strategies cannot be simply framed as career commitments of dutiful bureaucrats; they represent relevant moves by agency leadership and its management, aiming to protect the agency identity and its institutional reputation. As the discussion reveals, the direction of commitment to voluntary accountability is largely a response to the claims of different forum members, including politicians and market players, aiming to manage their expectations regarding the role of the agency. Depending on agency independence and organizational capacity, the direction of voluntary accountability strategies of IRAs varies. Importantly, the context in which each agency operates is relevant to understand the challenges they have faced: while SPK was able to exhibit continuity in its autonomous behavior despite deteriorating democratic conditions, the CNMV was able to compensate its relatively weaker autonomy by seeking support from its audiences, despite the involvement of the executive in its decision-making processes.

Finally, since our results are based on a small-N comparison, the generalizability of our findings is limited. Nevertheless, we expect our theoretical contribution to replicate across unitary systems with a similar history of financial market liberalization and institutional reform.[52] In that sense, other EU members that have similar institutional features would be an ideal testing ground to assess the regional limits of our theoretical framework. Moreover, going beyond financial regulation, we expect our findings to apply to other agencies whose primary task is regulation and supervision rather than provision of services.[53] While the patterns of behavior are most salient in financial regulation—including banking, insurance and capital markets—voluntary accountability as expectation management is also practiced by IRAs in other sectors where the primary task is regulation and supervision, such as consumer protection, environmental protection and competition agencies, where conflict among forum members is common.

References

Aleksovska, M., Schillemans, T. and Grimmelikhuijsen, S. (2021). 'Management of Multiple Accountabilities Through Setting Priorities: Evidence from a Cross-National Conjoint Experiment.' *Public Administration Review*. https://doi.org/10.1111/puar.13357

Amable, B., Boyer, R., Levi-Faur, D., Parker, C. and Vogel, S. (2010) 'Crisis in the regulation regime—a new paradigm?' *Socio-Economic Review*, 8, 537-557.

Apaydin, F., and Jordana, J. (2020). 'Varying Power Configurations and the Accountability of Independent Regulatory Agencies.' *International Review of Public Policy*, *2*, 342-357.

Ashton, P. and Christophers, B. (2015) 'On arbitration, arbitrage and arbitrariness in financial markets and their governance: unpacking LIBOR and the LIBOR scandal' *Economy and Society*, 44, 188-217.

Baldwin R., Cave, M. and Lodge, M. (2012) *Understanding Regulation: Theory, Strategy and Practice.* Oxford, Oxford University Press.

Banner, S. (1997). 'What causes new securities regulation--300 years of evidence.' *Washington University Law Quarterly*, 75, 849-856.

Barman, E. and MacIndoe, H. (2012) 'Institutional Pressures and Organizational Capacity: The Case of Outcome Measurement.' *Sociological Forum,* 27, 70-93.

Beckert, J. (2013a) 'Imagined futures: Fictional expectations in the economy.' *Theory and Society,* 42, 219–240.

Beckert, J. (2013b) 'Capitalism as a system of expectations: Toward a sociological microfoundation of political economy.' *Politics & Society,* 41, 323–350.

Bertelli A. and Whitford, A. B. (2009) 'Perceiving Credible Commitments: How Independent Regulators Shape Elite Perceptions of Regulatory Quality.' *British Journal of Political Science*, 39, 517-537.

Biela J. and Papadopoulos, Y. (2014) 'The empirical assessment of agency accountability: A regime approach and an application to the German Bundesnetzagentur.' *International Review of Administrative Sciences,* 80, 362–381.

Bolton, A., Potter, R. A., & Thrower, S. (2016). 'Organizational capacity, regulatory review, and the limits of political control.' *The Journal of Law, Economics, and Organization*, 32, 242-271.

Bovens, M. (2007a) ‘Analysing and assessing accountability: A conceptual framework’ *European Law Journal,* 13, 447–468.

Bovens M. (2007b) ‘Public Accountability’ in Ewan Ferlie et.al. (eds) *The Oxford Handbook of Public Management*, Oxford, Oxford University Press.

Bovens, M., Schillemans, T., and Goodin, R. E. (2014) ‘Public accountability.’ *The Oxford handbook of public accountability*, Oxford, Oxford University Press.

Brandsma G.J. and Schillemans, T. (2012) ‘The accountability cube: Measuring accountability.’ *Journal of Public Administration Research and Theory,* 23, 953–975.

Braun, B. (2015) ‘Governing the future: the European Central Bank’s expectation management during the Great Moderation.’ *Economy and Society*, 44, 367-391.

Busuioc M. (2013) *European Agencies: Law and Practices of Accountability*. Oxford, Oxford University Press.

Busuioc, M., and Lodge, M. (2016) ‘The reputational basis of public accountability.’ *Governance*, 29, 247-263.

Çetin, T., Sobacı, M. Z., & Nargeleçekenler, M. (2016) ‘Independence and accountability of independent regulatory agencies: the case of Turkey’ *European Journal of Law and Economics*, 41, 601-620.

Fernández-i-Marín, X., Jordana, J. and Bianculli, A.C. (2016) ‘Are regulatory agencies independent in practice? Evidence from board members in Spain.’ *Regulation & Governance*, 10, 230-247.

Fromage, D., et al. (2019). 'ECB independence and accountability today: Towards a (necessary) redefinition?' *Maastricht Journal of European and Comparative Law*, 26, 3-16.

García-Juanatey, A., Jordana, J. and Sancho, D. (2017) 'Administrative Innovations and Accountability Failures: The Termination of the Spanish Telecommunications Agency' *South European Society and Politics*, 22, 385-404.

Gilardi, F. (2008). *Delegation in the Regulatory State*. Cornwall: Edward Elgar Publishing.

Gilardi, F. and Maggetti, M. (2010). 'The Independence of Regulatory Authorities' in Levi-Faur, David (ed.), *Handbook of Regulation*, Cheltenham, Edward Elgar.

Guidi M. (2015) 'Modelling the Relationship Between Independence and Accountability of Regulatory Agencies' in Bianculli, A.C., Fernandez-i-Marin, X., and Jordana, J. (eds), *Accountability and Regulatory Governance*. Basingstoke, Palgrave MacMillan.

Hanretty, C. and Koop, C. (2012) 'Measuring the formal independence of regulatory agencies' *Journal of European Public Policy*, 19, 198-216.

Hanretty, C. and Koop, C. (2013) 'Formal and actual agency independence.' *Regulation & Governance*, 7, 195-214.

Held, D. 1995. *Democracy and the Global Order*, Cambridge, Polity Press.

Hong, S.H. and You, J.S. (2018) 'Limits of regulatory responsiveness: Democratic credentials of responsive regulation.' *Regulation & Governance*, 12, 413-427.

Jordana J., Levi-Faur, D. and Fernández-i-Marín, X. (2011) ‘The Global Diffusion of Regulatory Agencies: Channels of Transfer and Stages of Diffusion’ *Comparative Political Studies*, 44, 1343–1369.

Jordana, J., Bianculli, A.C., and Fernández-i-Marín, X. (2015) ‘When accountability meets regulation.’ In Jordana, J., Bianculli, A.C., and Fernández-i-Marín, X (eds.) *Accountability and regulatory governance*. Basingstoke: Palgrave Macmillan, pp. 1-22.

Jordana, J., X. Fernández-i-Marín and A.C. Bianculli. (2018) ‘Agency proliferation and the globalization of the regulatory state: Introducing a data set on the institutional features of regulatory agencies.’ *Regulation & Governance*, 12, 524-540.

Karsten, N. (2015) ‘Scrutinize me, please! The drivers, manifestations and implications of accountability-seeking behaviour.’ *Public Administration*, 93, 684-699.

Klingner, D. E., Nalbandian, J., & Romzek, B. S. (2002). ‘Politics, administration, and markets: Conflicting expectations and accountability.’ *The American Review of Public Administration*, 32, 117-144.

Koenig-Archibugi, M. (2004). ‘Transnational Corporations and Public Accountability’ *Government and Opposition,* 39, 234-259.

Koop, C. (2011) ‘Explaining the accountability of independent agencies: The importance of political salience’ *Journal of Public Policy,* 31, 209–234.

Koop, C. (2014) ‘Theorizing and Explaining Voluntary Accountability.’ *Public Administration* 92, 565–581.

Koop, C. (2015) 'Assessing the Mandatory Accountability of Regulatory Agencies.' In In Jordana, J., Bianculli, A.C., and Fernández-i-Marín, X (eds.) *Accountability and Regulatory Governance,* Basingstoke: Palgrave Macmillan, pp. 78-104.

Koop, C. and C. Hanretty (2018) 'Political Independence, Accountability, and the Quality of Regulatory Decision-Making.' *Comparative Political Studies*, 51, 38–75.

Koop, C. and Reh, C. (2019). Europe's Bank and Europe's Citizens: Accountability, transparency – legitimacy? *Maastricht Journal of European and Comparative Law*, 26, 63-80.

Langenohl, A. (2010) 'Analyzing expectations sociologically: Elements of a formal sociology of the financial markets', Economic Sociology, The European electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, 12, 18-27.

Levi-Faur, D. and Jordana, J. (2005) 'The Global Diffusion of Regulatory Capitalism' *Annals of* the *American Academy of Political and Social Science,* 598, 12–32.

Lindberg S.I. (2013) 'Mapping accountability: Core concept and subtypes' *International Review of Administrative Sciences,* 79, 202–226.

Lind, E. and C. Arndt (2017) 'Regulations, fairness and trust", in *Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust*.' OECD Publishing, Paris, https://doi.org/10.1787/9789264268920-6-en.

Maggetti, M. (2007) 'De facto independence after delegation: A fuzzy-set analysis.' *Regulation and Governance*, 1, 271–294

Maggetti, M. (2012) ‘The Media Accountability of Independent Regulatory Agencies’ *European Political Science Review*, 4, 385-408.

Majone, G. (2001) ‘Two logics of delegation: agency and fiduciary relations in EU governance.’ *European Union Politics*, 2, 103-122.

McCubbins, M. and Schwartz, T. (1984) ‘Congressional Oversight Overlooked: Police Patrols versus Fire Alarms.’ *American Journal of Political Science,* 28, 165-179.

Ozel, I. (2012) ‘The politics of de-delegation: Regulatory (in) dependence in Turkey’ *Regulation & Governance*, 6, 119-129.

Papadopoulos, Y. (2007). ‘Problems of Democratic Accountability in Network and Multilevel Governance.’ *European Law Journal,* 13, 469–486.

Reiss, D. R. (2011) ‘Account Me In: Agencies in Quest of Accountability.’ *Journal of Law and Policy,* 19, 611 – 681.

Salter, J-P. (2019) ‘The multiple accountabilities of the European Banking Authority.’ *Journal of Economic Policy Reform*, 22, 257-272

Schillemans, T. (2011) ‘Does horizontal accountability work? Evaluating potential remedies for the accountability deficit of agencies’ *Administration & Society*, 43, 387-416.

Scott, C. (2001) ‘Analyzing Regulatory Space: Fragmented Resources and Institutional Design.’ *Public Law*, 2, 329-353.

Seidenfeld, M. (1999) ‘Bending the rules: Flexible regulation and constraints on agency discretion.’ *Administrative Law Review,* 51, 429-496.

Sosay, G. (2009) ‘Delegation and accountability: independent regulatory agencies in Turkey.’ *Turkish Studies*, 10, 341-363.

van Driel, H. (2019). ‘Financial fraud, scandals, and regulation: A conceptual framework and literature review.’ *Business History*, 61, 1259-1299.

Verschuere, B., Verhoest, K., Meyers, F. and Peters, B.G. (2006) ‘Accountability and accountability arrangements in public agencies.’ In Christensen, T. and Lægreid, P. (eds.) *Autonomy and regulation: Coping with agencies in the modern state*. Cheltenham, Edward Elgar.

Vibert, F. (2007) *The rise of the unelected: democracy and the new separation of powers*. Cambridge, Cambridge University Press.

Yesilkagit, K. (2004). ‘Bureaucratic Autonomy, Organizational Culture, and Habituation: Politicians and Independent Administrative Bodies in the Netherlands.’ *Administration & Society*, 36, 528–552.

Zheng, X. (2020). ‘A Tale of Two Enforcement Venues: Determinants and Consequences of the SEC’s Choice of Enforcement Venue After the Dodd-Frank Act.’ Available at SSRN: https://ssrn.com/abstract=3666336

Tables and Figures

Voluntary Accountability Practice	**Priority**	**Direction**
Participating in regular meetings, committees and/or workshops with the members of the executive and legislative	Competency	Upward
Responding to calls from the members of the executive and legislative	Competency	Upward
Responding to emails from the members of the executive and legislative	Competency	Upward
Maintaining an organizational website	Competency	Upward
Publishing annual activity plan	Competency	Upward
Publishing annual itemized budget	Competency	Upward
Issuing press releases	Fairness	Downward
Committing itself to a code of conduct	Fairness	Downward
Publishing the complaints procedure	Fairness	Downward
Publishing the procedures for lodging an appeal	Fairness	Downward
Evaluating client satisfaction	Fairness	Downward
Making agency performance subject to additional external evaluations	Fairness and Competency	Upward and Downward

Table 1

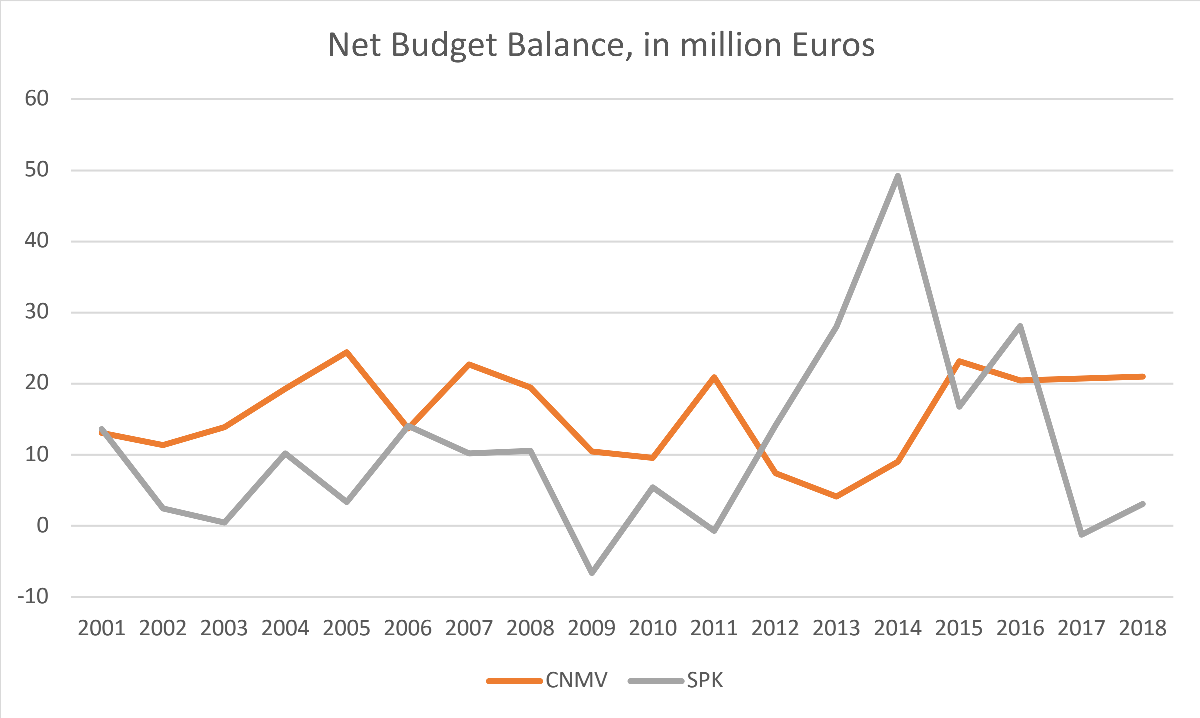

Figure 1. CNMV and SPK budget balance, in million Euros.

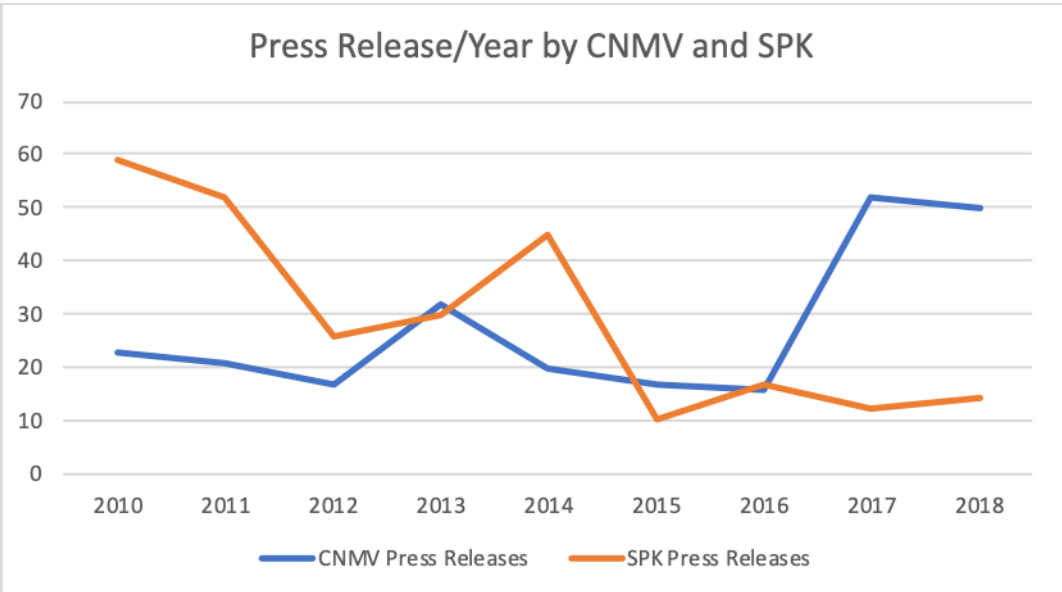

Figure 2. The number of press releases by both agencies. Source: SPK and CNMV websites.

Endnotes

[1] In regulatory governance, forum members include all stakeholders who interact with the agency, including the executive, legislative, the judiciary, other regulatory agencies, firms and consumers.

[2] The source of authoritative power may depend on various factors, including but not limited to the forum's level of expertise, the quality of the relationship between the agency and the forum (Aleksovska et al., 2021).

[3] The term voluntary accountability may be in tension with the traditional definition of accountability (as used in studies that adopt a principal-agent framework) as the former does not consider a *formal* requirement to explain and justify one's actions established by rule-makers, but an agencies' self-imposed requirement to perform a similar behaviour.

[4] Historically, the introduction of new technologies has been associated with rising cases of illegal behavior by market participants who seek to exploit regulatory loopholes, which frequently results in conflict by those who see it as a zero-sum game (Banner, 1997), (van Driel, 2019). In the case of contemporary financial markets, conflicts frequently arise when agency accountability regarding issues such as insider trading, market manipulation and fraudulent reporting are subject to question by market players and politicians (Cumming et al., 2015).

[5] Potential problems may include political capture, biased decision-making and lack of transparency. For example, a recent study by Zheng (2020) finds that Securities and Exchange Commission (SEC) in the US is more likely to choose administrative proceedings when dealing with cases involving politically connected large financial firms. These proceedings take place under conditions of lesser transparency, characterized by faster resolution and imposition of lower fines, as opposed to cases forwarded to federal courts, which raises questions regarding the fairness and competency of SEC (Zheng, 2020).

[6] Our analysis focuses on the period since 1998 for Spain and 1999 for Turkey—the years when these countries undertook significant reforms to comply with the EU financial regulatory framework—until 2018. While Spain has always had higher scores on liberal, egalitarian and participatory democracy indices since the transition to democracy, the relatively narrow gap between their additive polyarchy scores (which measure the extent to which the electoral principle of democracy has been achieved) suggests that these agencies operated under an institutional setting where the terms of political competition and accountability were relatively close by the end of 1990s (Spain's score was 0.96 in 1998 and Turkey's was 0.8 in 1999, source: VDem Dataset).

[7] Upward voluntary accountability refers to relationships between agency officials and their political principals.

[8] Downward voluntary accountability refers to exchanges between agencies and different social actors and stakeholders (such as firms, consumers and civil society organizations).

[9] This is because capital markets are very much open to manipulation and fraud and level of trust among market players is not high. See for example Ashton and Christophers, 2015. Formal accountability is sometimes inadequate to manage rival expectations regarding the fairness of the markets. For a more recent example to clashing expectations of politicians, bureaucrats and market players, see the case of Wirecard scandal: https://www.ft.com/content/6e0c6b5f-3461-463d-b49b-f572dbc39c26, accessed on April 19, 2021.

[10] For example, when independent Central Banks revise interest rates to guide market expectations of firms and consumers and justify their decision on the grounds of fairness, the politicians may question the competency of the central banks. The recent exchange between former US President Donald Trump and the Fed is an illustrative example. See https://www.nytimes.com/2020/03/19/business/economy/fed-powell-trump-mnuchin-response-coronavirus.html

[11] While a low level of independence may imply greater government interference, the government may also influence behavior of the agency by not directly interfering and practice what McCubbins and Schwartz (1984) call fire-alarm oversight.

[12] A recent example to this is how European Central Bank (ECB) justifies the motivation behind its public sector purchase program (PSPP, also known as quantitative easing) to its forum. PSPP seemingly contradicts the primary mandate of the ECB (i.e. price stability) and raises important accountability concerns since the program prioritizes financial stability in the Eurozone. To explain the logic behind the program, ECB has included a lengthy explanation of its motivations—even though this was not legally required. In doing so, the ECB was primarily driven to fend off critiques that targeted the institution for its lack of transparency and accountability, which became quite prominent in the aftermath of the Eurozone crisis (Fromage et al., 2019). This may partially have contributed to the upward rise of net citizen trust in the ECB since 2013 (Koop and Reh, 2019, p.64).

[13] In both cases--for much of the 1980s and until mid-1990s, capital markets exhibited somewhat modest growth: during the early stages of financial liberalization, the market capitalization of listed domestic companies remained well below 40% of the GDP. See World Bank Economic Indicators Database.

[14] Before ESMA, the agencies followed the guidelines of the previous network, Committee of European Securities Regulators (CESR). While Turkey is not a European Union (EU) member, the SPK is also involved in a process to harmonize capital markets regulations in line with ESMA, just like the CNMV in Spain. See https://www.spk.gov.tr/Sayfa/AltSayfa/770, accessed on August 1st, 2020.

[15] During the 2000s and early 2010s, a number of decrees and laws expanded some of the responsibilities of CNMV. As of 2020, the Legislative Decree 4/2015 summarizes the current stand. https://www.cnmv.es/docportal/Legislacion/realdecre/rld_4_en_rev.pdf

[16] CML was followed by a number of further laws and decrees that expanded its functions and responsibilities. The most significant of these changes was Law No. 4487 which passed in December 1999 and introduced a set of amendments to the Capital Market Law expanding the duties and the scope of its authority. In December 2012, SPK has been restructured once again with Law No. 6362 by making additional changes on CML.

[17] SPK, Capital Markets Board of Turkey, "Our Mission". Available at http://www.cmb.gov.tr/indexcont.aspx?action=showpage&menuid=0&pid=0&submenuheader=-1, accessed on July 1st, 2020.

[18] Recently, with the Presidential decree no. 703 and article 165, the agency is now tied directly to the office of the Presidency since March 2nd, 2018. For the purposes of this analysis, we exclude post-2018 period from this comparison because the fieldwork and data collection took place before these changes were put into place.

[19] In the case of SPK, upon the end of their term, none of the board members and agency heads have ended in the executive or legislative: most of them either stay in the agency or move to the private sector.

[20] In a recent study, Cetin et al. (2016) also reveal that SPK has been among the most independent agencies before and after 2011 (until 2016). It must be noted that political pressure on the agency has increased after the 2016 coup attempt—four board members were removed on the grounds that they were members of the Cleric Gulen's network. See: https://uzmanpara.milliyet.com.tr/haber-detay/gundem2/spk--10uncu-baskanini-bekliyor/79000/79022/. While our study does not look at the post-2018 period, anecdotal evidence points at a visible decline in the level of agency independence between 2018 and 2021, increasing multiple accountabilities disorder risk in the face of several corruption scandals under the presidential system.

[21] See https://www.ft.com/content/04ce38ec-e126-11db-bd73-000b5df10621. Conthe complained that the government was not impartial, pressuring the regulatory agency and interfering in a case of the acquisition of a major energy firm (see the president's resignation statement: https://www.expansion.com/blogs/conthe/2008/04/18/efialtes-en-la-cnmv.html).

[22] See "Albella, un nombramiento erraneo" El Siglo de Europa, 2016, No. 1180. Full text available at: https://elsiglodeuropa.es/hemeroteca/2016/1180/1180Sinmaldad.pdf

[23] See https://www.imf.org/en/News/Articles/2015/09/28/04/52/mcs042512

[24] According to the SMA law, the CNMV is a "public law entity with independent legal status and full public and private legal capacity" (art. 14, par. 1). This law specifies that the government and the Ministry of Economy shall exercise their powers "with strict respect for its (CNMV's) sphere of autonomy" (art. 14, par. 6). Moreover, the Internal Regulation of the CNMV must be approved by its own board (art. 14, par. 11). The SMA has laid down some general upward accountability rules towards parliament and government. On the one hand, in line with art. 13 of the SMA, CNMV's president should present annually a report on its activities and about the financial markets to the Parliamentary Committee on Economics, Trade and Finance (*Comité de Economía, Comercio y Finanzas*). As well as presenting this report, the President should appear before this Committee as often as parliament may require and respond to the questions that the members of this Committee may ask.

[25] See Article. 15 of the SMA.

[26] The profits reported in a given fiscal year are transferred to the Spanish State general budget on the proposition of CNMV.

[27] The last meeting where SPK also participated was held in June 2017. See https://www.dunya.com/finans/haberler/finansal-istikrar-komitesi-kur-riskini-degerlendirdi-haberi-367821

[28] See https://www.hurriyet.com.tr/ekonomi/finansal-sektor-komisyonu-calismaya-basliyor-4330286

[29] For recent examples where SPK representatives inform and justify their actions to the executive in 2018, see https://www.bddk.org.tr/Guncel/Detay/5.

[30] The annual reports of the agency since 2012 include a very brief summary of these activities. Our informal inquiry with two (one current and one former) SPK representatives confirms that the agency representatives informally and voluntarily explain and justify their actions in these meetings, as they see necessary. These conversations were realized between February and March 2020.

[31] See https://www.spk.gov.tr/Sayfa/Dosya/1299, p.33.

[32] Calculated by the authors based on information reported in annual reports. All of these reports are also published in English and include identical translation for international stakeholders. By contrast, SPK in Turkey only publishes these reports in Turkish without any English translation.

[33] Calculated by the authors based on information reported in annual reports. These figures are significantly higher than SPK in Turkey.

[34] These reports are published since 2003 and all are available for download at https://www.cnmv.es/Portal/Publicaciones/PublicacionesGN.aspx?id=23&lang=en , accessed June 15th 2020.

[35] These reports are published since 2005 and all are available for download at https://www.cnmv.es/Portal/Publicaciones/PublicacionesGN.aspx?id=20, accessed on June 16th 2020.

[36] 2018 Annual Report, p. 250.

[37] See https://www.kap.org.tr/en/menu-content/About-PDP/General-Information, accessed on June 1st, 2019.

[38] For example, during a parliamentary debate, MP Haluk Ahmet Gumus (CHP) said that the proposed law "endows SPK with extraordinary powers without defining its responsibilities and sanctions that may be imposed. In other words, SPK can act as it pleases, even if it commits errors in judgment, it is not clear how the nation will hold them accountable." TBMM Genel Kurul Tutanagi 24 Donem 3cu yasama yili, 34.cu birlesim, December 5th, 2012.

[39] Erdogan later launched an investigation via the office of the Prime Minister's Auditing Unit, investigating several charges against Akgiray. For a list of accusations see https://www.sozcu.com.tr/2013/ekonomi/akgiraya-ulusal-guvenlik-sorgusu-197015/. Accessed on July 14th, 2020.

[40] https://www.sozcu.com.tr/2012/gunun-icinden/chpden-sebebi-aciklayin-cagrisi-143372/

[41] See https://www.star.com.tr/ekonomi/kendi-hazirladigi-yasayla-isinden-olan-spk-baskanini-saibeler-yakti-haber-710237/, Accessed on July 15th, 2020.

[42] After five years of silence, the SPK finally issued a hefty fine on two companies owned by Akgiray's family members and another one owned by his brother (SPV Bilişim ve Dış Ticaret A.Ş.) for failing to comply with the filing procedure and market manipulation in 2017. https://www.borsatek.com/spkdan-bimekse-baskan-sonrasi-cezasi-22914h.htm, Accessed on June 2nd 2019.

[43] These include 1998 Telefonicas president case, who was investigated for accusations on insider trading by CNMV. Following a tense conflict with the Spanish government, the process ended with his resignation- which also ended the CNMV investigation (https://elpais.com/diario/2000/08/03/economia/965253601_850215.html; Arroyo and Vaquero 2004, 244); 2001 Gescartera case, a trading firm fraud with political linkages, that lead to the resignation of the agency head Pilar Valiente (See https://www.wsj.com/articles/SB1000938547341076200 and http://www.lasemana.es/afondo/afondo.php?cod=66), and the 2007 case where the president of the CNMV resigned after a confrontation with board members regarding a major tender offer in the electricity market (see fn. 21).

[44] http://ccaa.elpais.com/ccaa/2013/04/15/valencia/1366028064_361358.html

[45] http://economia.elpais.com/economia/2012/10/13/actualidad/1350150868_053532.html

[46] See https://www.elconfidencial.com/economia/2013-04-14/los-culpables-del-engano-de-las-preferentes-el-bde-las-incentivo-y-la-cnmv-las-tolero_374534/.

[47] http://economia.elpais.com/economia/2013/05/31/actualidad/1370020908_768660.html

[48] http://elpais.com/diario/2011/05/01/negocio/1304255666_850215.html

[49] http://elpais.com/diario/2010/07/07/economia/1278453607_850215.html

[50] http://economia.elpais.com/economia/2013/07/12/actualidad/1373623876_897958.html

[51] It is important to note that the newly introduced 2013 Spanish transparency law made this a general obligation.

[52] This excludes countries with common law tradition (such as the UK) where reforms to secure the independence of regulatory agencies are less likely to be contested on legal grounds and federal systems with multiple veto players (such as the US and Germany) that enable greater agency autonomy.

[53] This excludes regulatory agencies whose primary task is also to provide services such as pharmaceuticals, energy and/or telecommunications agencies.