

“When Information Flows: Textual Evidence on Stakeholder Consultation and Regulatory Calibration“

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Regulatory agencies routinely solicit stakeholder input through public consultations. Capture theories predict uniform softening as industry pushes for leniency. Yet, if consultations reveal genuine information about heterogeneous compliance costs, we should observe both hardening and softening across guidelines. Disentangling these mechanisms matters for the design of administrative procedure and regulatory calibration. We examine this dynamic using novel data from the European Banking Authority (EBA), whose soft-law guidelines (regulatory instruments) influence banking supervision across the EU. From 2011–2025, the EBA issued guidelines spanning capital adequacy, governance, consumer protection, and financial crime, all shaped through multi-month public consultations. We introduce a scalable computational approach to measure regulatory hardness in legal text. Using Python pipelines, we extract and classify modal-verb usage in all EBA guidelines and construct hardness indices capturing shifts in strong obligations, recommendations, and permissions. This method quantifies how stringency evolves during consultation with more precision and at scale. Our analysis uncovers heterogeneity in consultation outcomes: some guidelines harden, others soften, with revisions clustering into distinct adjustment patterns consistent with information revelation rather than uniform capture. Crises amplify these effects. Guidelines finalized during COVID-19 display systematically different recalibration margins, and even crisis-unrelated topics soften, consistent with economy-wide (rather than sector-specific) compliance-cost shocks. The results indicate that consultation serves a meaningful information aggregation role, especially under stress when cost observability and calibration accuracy become critical. More broadly, we show that computational textual analysis can reveal regulatory process dynamics that traditional legal methods might not identify at scale, offering a potential empirical template for studying consultation mechanisms across EU and international agencies.