Online Appendix to "Regulating Commission-Based Financial Advice: Evidence from a Natural Experiment"

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A   Additional Results

Figure A1: The Market Shares across Fund Categories

This figure presents the time-series of market share of active equity funds (the treatment group) and other funds (the control group) around the reform. The reform goes into effect at time 0.
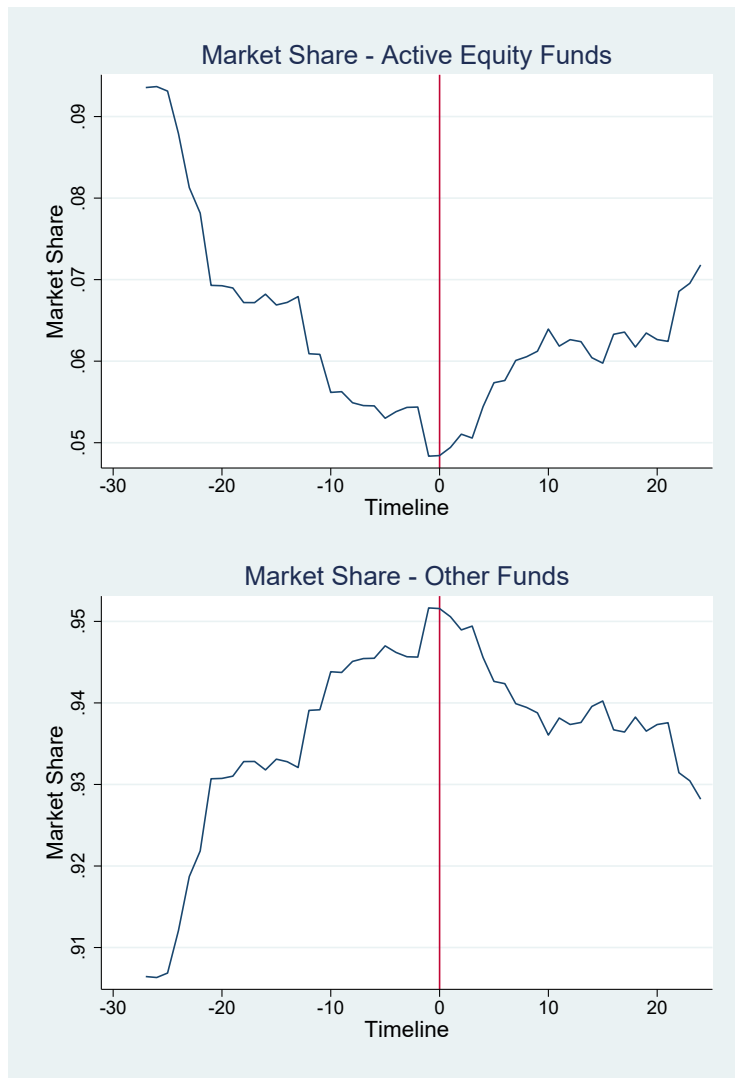
Figure A2: The Effect of Commissions on Expense Ratios and Net Fund Flows: Alternative Samples

This figure presents the time-series of average expense ratios and net fund flows across the treatment and control groups. In Panels A and C, the treatment group is actively-managed equity funds, and the control group consists of equity index funds. In Panels B and D, the treatment group is 157 actively-managed equity funds, and the control group consists of 157 funds from other asset categories in Table 1. The 157 fund-pairs are matched on fund characteristics as of April 2013. In all the panels, the variables are rescaled such that the outcomes for both groups start at zero in the beginning of the sample period. The reform goes into effect at time 0. The 95% confidence intervals are reported. See Section 3.1.2 for additional details on the estimation procedure.

Panel A: Expense Ratios - Equity Funds

Panel B: Expense Ratios - Matched Sample

Panel C: Net Flows - Equity Funds
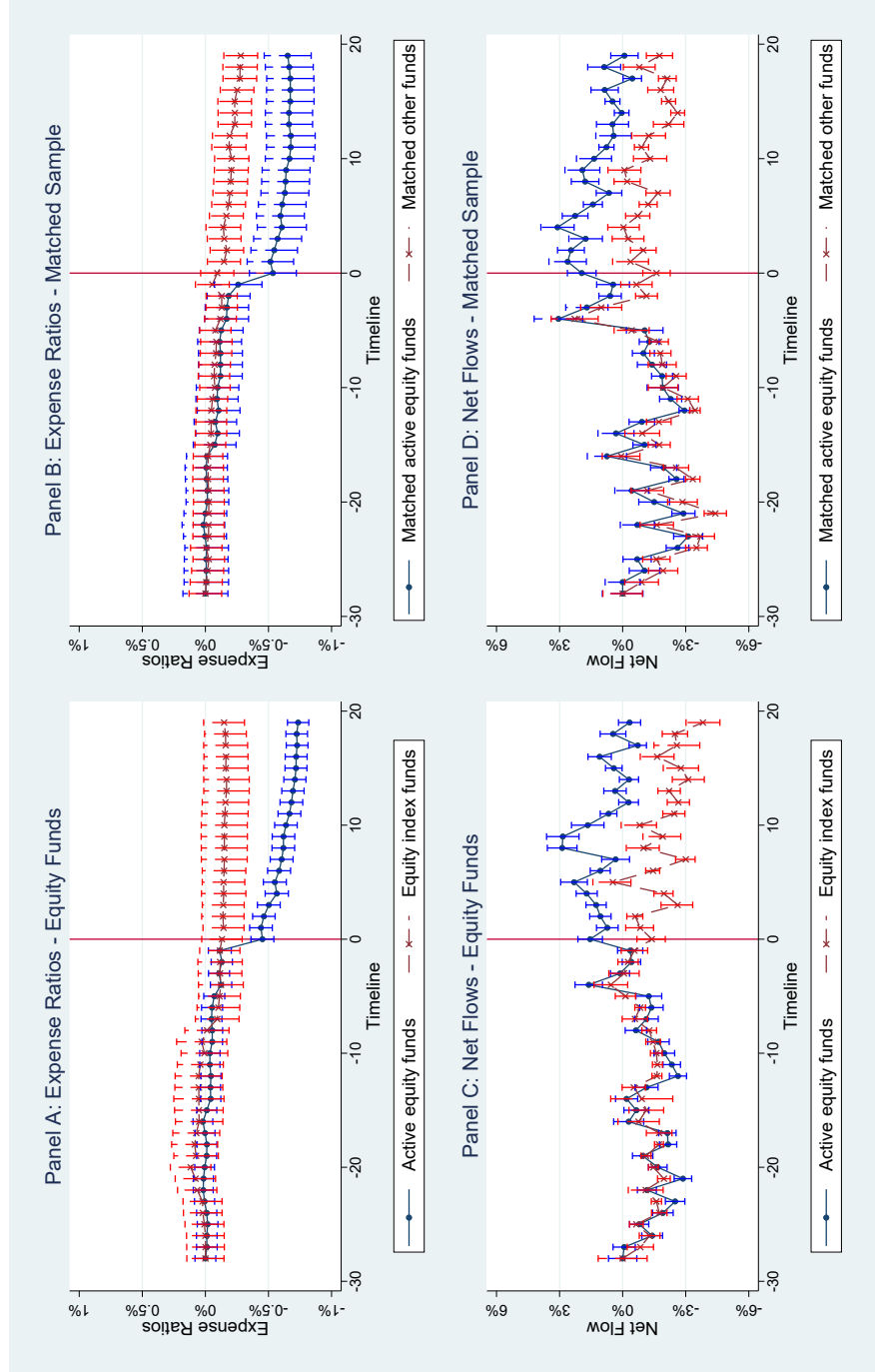
Panel D: Net Flows - Matched Sample

Figure A3: Aggregate Equity ETN Flows

This figure presents the monthly aggregate equity ETN net flows in Israel. Inverse (short) ETNs are excluded. The reform goes into effect at time 0.
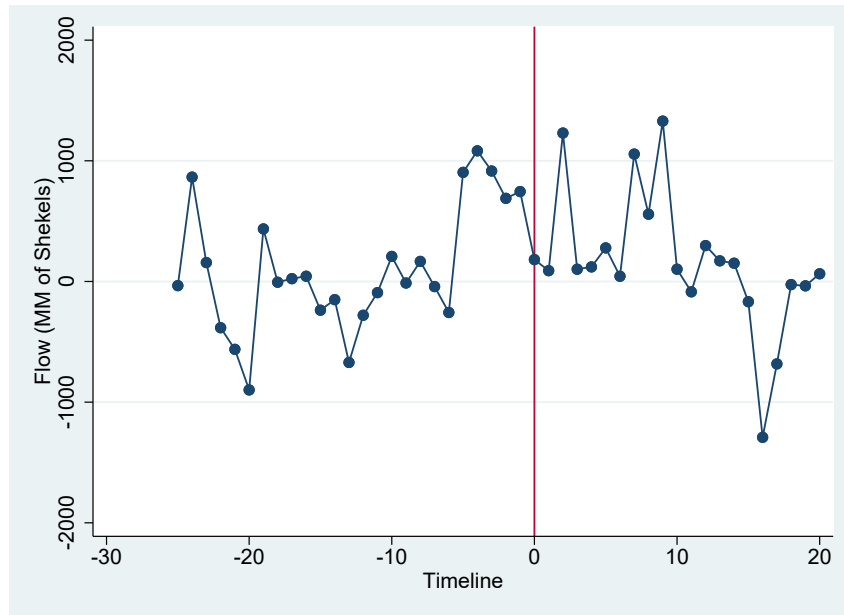
Table A1: The 10 Largest Mutual Fund Families in Israel as of 2013

This table reports the list of the 10 largest mutual fund families in Israel, as measured by their assets under management in 2013. *Market Share* is the ratio of the fund family AUM to the total mutual fund market AUM.

	Fund Family Name	Market Share
1	Meitav Dash	18.0%
2	Psagot	15.4%
3	Harel	14.2%
4	Migdal	10.6%
5	Excellence	9.4%
6	Altshuler-Shaham	7.4%
7	Yelin-Lapidot	5.8%
8	IBI	4.5%
9	Menora Mivtachim	4.4%
10	Ayalon	2.1%

Table A2: The Effect of Commissions on Fund Expense Ratios: Other Control Groups

This table reports the results from regressing expense ratios on the interaction between two indicator variables. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund, and *Post$_t$* indicator equals one for all the months after April 2013. The results are reported across two control groups: 1) equity index funds; 2) matched sample from other asset categories (see Section 3.1.1). *Expense Ratio$_{it}$* is the annual expense ratio. $log(AUM_{i,t-1})$ is the natural logarithm of the fund's total net assets. $log(FundAge_{i,t-1})$ is the natural logarithm of the fund's age in months. $R_{i,t-1}^{12\,months}$ is the fund's gross return over the past 12 months, $R_{i,t-1}^{6\,months}$ is the fund's gross return over the past 6 months, and $R_{i,t-1}^{1\,month}$ is the fund's gross return of the past month. $\sigma_{i,t-1}$ is the standard deviation of monthly returns over the past 12 months. *(0,1) Top 20%* indicator equals one if the fund's return over the past 12 months is in the top quintile among the funds in the same asset category. *(0,1) Bottom 20%* indicator equals one if the fund's return over the past 12 months is in the bottom quintile among the funds in the same asset category. $R_{f,t-1}$ is the AUM-weighted average return of all the funds in the fund family over the past 12 months. $R_{c,t-1}$ is the AUM-weighted average return of all the funds in the asset category over the past 12 months. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Control Group:		Equity Index Funds				Matched Sample		
Active Equity$_i$ × Post$_t$	-0.381***	-0.396***	-0.404***	-0.413***	-0.402***	-0.386***	-0.384***	-0.406***
	(0.070)	(0.054)	(0.059)	(0.060)	(0.062)	(0.054)	(0.060)	(0.054)
$log(AUM_{i,t-1})$			-0.059*	-0.059*			-0.061	-0.060
			(0.030)	(0.030)			(0.046)	(0.042)
$log(FundAge_{i,t-1})$			0.310***	0.306***			0.016	0.037
			(0.108)	(0.106)			(0.137)	(0.131)
$\sigma_{i,t-1}$			3.097**	3.131**			2.408	2.285
			(1.444)	(1.440)			(2.575)	(2.473)
$R_{i,t-1}^{12\,months}$			0.085	0.206			0.201	0.315
			(0.133)	(0.133)			(0.152)	(0.176)
$R_{i,t-1}^{6\,months}$			0.205**	0.202**			0.378	0.375
			(0.093)	(0.088)			(0.277)	(0.274)
$R_{i,t-1}^{1\,month}$			0.103	0.107			0.106	0.099
			(0.117)	(0.104)			(0.130)	(0.124)
(0,1) Top 20%			0.051***	0.050**			0.029	0.029
			(0.018)	(0.024)			(0.018)	(0.020)
(0,1) Bottom 20%			-0.061	-0.062			-0.012	-0.016
			(0.111)	(0.112)			(0.024)	(0.023)
$R_{f,t-1}$				0.182				-0.045
				(0.563)				(0.641)
$R_{c,t-1}$				0.355				0.200
				(0.269)				(0.195)
Observations	14,375	14,375	13,519	13,519	12,177	11,811	11,321	11,321
R-squared	0.897	0.898	0.890	0.890	0.890	0.904	0.912	0.912
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	No	Yes	Yes	Yes	No	Yes	Yes	Yes

Table A3: The Effect of Commissions on Net Fund Flows: Other Control Groups

This table reports the results from regressing net fund flows on the interaction between two indicator variables. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund, and *Post$_t$* indicator equals one for all the months after April 2013. The results are reported across three control groups: 1) equity index funds; 2) matched sample from other asset categories (see Section 3.1.1). *Net Flow$_{it}$* is the monthly net fund flow. $log(AUM_{i,t-1})$ is the natural logarithm of the fund's total net assets. $log(FundAge_{i,t-1})$ is the natural logarithm of the fund's age in months. $R_{i,t-1}^{12\,months}$ is the fund's gross return over the past 12 months, $R_{i,t-1}^{6\,months}$ is the fund's gross return over the past 6 months, and $R_{i,t-1}^{1\,months}$ is the fund's gross return of the past month. $\sigma_{i,t-1}$ is the standard deviation of monthly returns over the past 12 months. *(0,1) Top 20%* indicator equals one if the fund's return over the past 12 months is in the top quintile among the funds in the same asset category. *(0,1) Bottom 20%* indicator equals one if the fund's return over the past 12 months is in the bottom quintile among the funds in the same asset category. $R_{f,t-1}$ is the AUM-weighted average return of all the funds in the fund family over the past 12 months. $R_{c,t-1}$ is the AUM-weighted average return of all the funds in the asset category over the past 12 months. *,**, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Control Group:		Equity Index Funds				Matched Sample		
Active Equity$_i$ × Post$_t$	0.025**	0.024**	0.028**	0.026**	0.028**	0.025**	0.027**	0.025**
	(0.011)	(0.012)	(0.013)	(0.013)	(0.013)	(0.012)	(0.013)	(0.012)
$log(AUM_{i,t-1})$			-0.061***	-0.061***			-0.050*	-0.050
			(0.008)	(0.008)			(0.030)	(0.035)
$log(FundAge_{i,t-1})$			-0.011	-0.011			0.011	0.008
			(0.028)	(0.029)			(0.045)	(0.046)
$\sigma_{i,t-1}$			-0.522	-0.529			0.400	0.434
			(0.446)	(0.449)			(0.768)	(0.764)
$R_{i,t-1}^{12\,months}$			0.215**	0.211**			-0.090	-0.052
			(0.044)	(0.045)			(0.061)	(0.073)
$R_{i,t-1}^{6\,months}$			0.175***	0.175***			0.273	0.272
			(0.053)	(0.054)			(0.175)	(0.173)
$R_{i,t-1}^{1\,month}$			0.464***	0.464***			0.426*	0.414
			(0.101)	(0.101)			(0.244)	(0.255)
(0,1) Top 20%			0.029***	0.028***			0.055	0.049
			(0.008)	(0.008)			(0.038)	(0.033)
(0,1) Bottom 20%			-0.009	-0.008			-0.026	-0.021
			(0.007)	(0.007)			(0.022)	(0.022)
$R_{f,t-1}$				0.202**				0.296
				(0.082)				(0229)
$R_{c,t-1}$				0.205**				0.233
				(0.094)				(0.210)
Observations	13,189	13,189	12,588	12,588	12,177	11,811	11,321	11,321
R-squared	0.172	0.172	0.183	0.183	0.136	0.139	0.152	0.153
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	No	Yes	Yes	Yes	No	Yes	Yes	Yes

Table A4: Robustness to Alternative Control Groups: Each Asset Category Separately

This table reports the results from regressing expense ratios and net fund flows on the interaction between two indicator variables from four separate tests with each of the categories in Table 1 as a control group. $Active\ Equity_i$ indicator equals one if the fund is an actively-managed equity fund, and $Post_t$ indicator equals one for all the months after April 2013. $Net\ Flow_{it}$ is the monthly net fund flow. $Expense\ Ratio_{it}$ is the annual expense ratio. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)
	$y = Expense\ Ratio_{it}$			$y = Net\ Flow_{it}$		
Panel A: Active Mixed Funds						
$Active\ Equity_i \times Post_t$	-0.378***	-0.412***	-0.383***	0.023**	0.022**	0.025**
	(0.034)	(0.035)	(0.036)	(0.010)	(0.011)	(0.011)
Observations	58,619	58,619	53,604	54,208	54,208	50,401
R-squared	0.918	0.927	0.930	0.184	0.184	0.191
Panel B: Active Bond Funds						
$Active\ Equity_i \times Post_t$	-0.446***	-0.485***	-0.423***	0.031***	0.027***	0.024**
	(0.046)	(0.039)	(0.043)	(0.012)	(0.010)	(0.010)
Observations	20,153	20,153	18,895	18,647	18,647	17,682
R-squared	0.932	0.940	0.949	0.147	0.150	0.223
Panel C: Active Money Market Funds						
$Active\ Equity_i \times Post_t$	-0.444***	-0.477***	-0.469***	0.022**	0.023**	0.028**
	(0.038)	(0.037)	(0.047)	(0.010)	(0.011)	(0.012)
Observations	16,840	16,840	15,821	15,627	15,627	14,865
R-squared	0.927	0.928	0.935	0.180	0.182	0.210
Panel D: All Index Funds						
$Active\ Equity_i \times Post_t$	-0.428***	-0.423***	-0.420***	0.022**	0.028***	0.024**
	(0.070)	(0.045)	(0.058)	(0.010)	(0.011)	(0.012)
Observations	18,217	18,217	16,668	16,644	16,644	15,513
R-squared	0.933	0.939	0.944	0.223	0.224	0.288
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	No	Yes	Yes	No	Yes	Yes
Control variables	No	No	Yes	No	No	Yes

Table A5: Robustness to Non-linear Time Trend

This table reports the results from regressing expense ratios and net fund flows on the interaction between two indicator variables. $Active\ Equity_i$ indicator equals one if the fund is an actively-managed equity fund, and $Post_t$ indicator equals one for all the months after April 2013. The specifications include quadratic time trends interacted with the indicator for equity funds $Equity_i$. $Net\ Flow_{it}$ is the monthly net fund flow. $Expense\ Ratio_{it}$ is the annual expense ratio. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)
	$y = Expense\ Ratio_{it}$			$y = Net\ Flow_{it}$		
$Active\ Equity_i \times Post_t$	-0.406***	-0.380***	-0.417***	0.028***	0.024**	0.027**
	(0.036)	(0.027)	(0.025)	(0.009)	(0.011)	(0.013)
Observations	72,724	70,443	64,167	64,782	64,782	60,030
R-squared	0.924	0.938	0.941	0.168	0.171	0.173
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Quadratic time trend	No	Yes	Yes	No	Yes	Yes
Control variables	No	No	Yes	No	No	Yes

Table A6: Robustness to Time-varying Fund Family Policies

This table reports the results from regressing expense ratios and net fund flows on the interaction between two indicator variables. The specifications include the interactions between fund family fixed effects and month fixed effects. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund, and *Post$_t$* indicator equals one for all the months after April 2013. *Net Flow$_{it}$* is the monthly net fund flow. *Expense Ratio$_{it}$* is the annual expense ratio. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)
	$y = Expense\ Ratio_{it}$			$y = Net\ Flow_{it}$		
Active Equity$_i$ $\times$ *Post$_t$*	-0.405***	-0.415***	-0.408***	0.028***	0.029***	0.024**
	(0.034)	(0.033)	(0.033)	(0.009)	(0.010)	(0.012)
Observations	72,710	70,425	64,146	64,768	64,768	60,016
R-squared	0.929	0.942	0.945	0.191	0.192	0.199
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Fund family $\times$ Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	No	Yes	Yes	No	Yes	Yes
Control variables	No	No	Yes	No	No	Yes

Table A7: Robustness to Clustering Approaches

This table reports the results from regressing expense ratios and net fund flows on the interaction between two indicator variables. Standard errors are clustered by fund, by fund family or by fund family and month. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund, and *Post$_t$* indicator equals one for all the months after April 2013. *Net Flow$_{it}$* is the monthly net fund flow. *Expense Ratio$_{it}$* is the annual expense ratio. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	$y = Expense\ Ratio_{it}$			$y = Net\ Flow_{it}$		
Clustering By:	Fund	Fund Family	Fund Family and Month	Fund	Fund Family	Fund Family and Month
Active Equity$_i$ × *Post$_t$*	-0.408***	-0.408***	-0.408***	0.022***	0.022***	0.022**
	(0.032)	(0.032)	(0.040)	(0.008)	(0.008)	(0.010)
Observations	64,167	64,167	64,167	60,030	60,030	60,030
R-squared	0.937	0.937	0.937	0.170	0.170	0.170
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	Yes	Yes	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes	Yes

Table A8: The Estimation of Flow-to-Expense Ratio Sensitivity

This table reports the results from the estimation of flow-to-expense ratio sensitivity. The procedure is described in details in Section 5.1. *Net Flow$_{it}$* is the monthly net fund flow. *Expense Ratio$_{it}$* is the annual expense ratio. $log(AUM_{i,t-1})$ is the natural logarithm of the fund's total net assets. $log(FundAge_{i,t-1})$ is the natural logarithm of the fund's age in months. $R_{i,t-1}^{long}$ is the fund's gross return over the past 12 months, $R_{i,t-1}^{medium}$ is the fund's gross return over the past 6 months, and $R_{i,t-1}^{short}$ is the fund's gross return over the past month. $\sigma_{i,t-1}$ is the standard deviation of monthly returns over the past 12 months. *(0,1) Top 20%* indicator equals one if the fund's return over the past 12 months is in the top quintile among the funds in the same asset category. *(0,1) Bottom 20%* indicator equals one if the fund's return over the past 12 months is in the bottom quintile among the funds in the same asset category. $R_{f,t-1}$ is the AUM-weighted average return of all the funds in the fund family over the past 12 months. $R_{c,t-1}$ is the AUM-weighted average return of all the funds in the asset category over the past 12 months. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	$y = Net\ Flow_{it}$
Expense Ratio$_{it}$	-0.149***
	(0.019)
Expense Ratio$_{it}^2$	0.017***
	(0.004)
Expense Ratio$_{it}$ $\times log(AUM_{fc,t-1})$	0.011***
	(0.002)
Expense Ratio$_{it}$ $\times log(FundAge_{fc,t-1})$	0.003
	(0.004)
Expense Ratio$_{it}$ $\times \sigma_{fc,t-1}$	0.317
	(0.209)
Expense Ratio$_{it}$ $\times R_{fc,t-1}^{long}$	-0.167***
	(0.057)
Expense Ratio$_{it}$ $\times R_{fc,t-1}^{medium}$	-0.025***
	(0.007)
Expense Ratio$_{it}$ $\times R_{fc,t-1}^{short}$	-0.003
	(0.007)
Expense Ratio$_{it}$ $\times$(0,1) Top 20%	-0.462***
	(0.070)
Expense Ratio$_{it}$ $\times$(0,1) Bottom 20%	0.160***
	(0.045)
Expense Ratio$_{it}$ $\times R_{f,t-1}$	0.032
	(0.092)
Expense Ratio$_{it}$ $\times R_{c,t-1}$	0.117*
	(0.067)
Observations	31,896
R-squared	0.093
Month fixed effects	Yes
Control variables	Yes

B   Additional Background Information and Robustness Checks

B.1   Israeli Banks as the Main Distributors of Mutual Fund Shares

The Israeli banking system consists of 14 banking corporations. The system is quite concentrated with the top 5 banks owning 95% of the banking system's assets, and the top 2 banks owning 60%.[21] To illustrate the importance of banks for fund distribution, I collect the data on total commission revenues from the financial statements of the 5 major banks. I next calculate a ratio of the aggregate banks' commission revenues to the total commission payments calculated from the mutual fund industry data. The results in Panel A of Figure B1 show that 97% of the total commission payments go to the banks, and there are no changes around the 2013 reform. Consistent with Koffman (2012), this finding confirms the almost complete dominance of banks in the market for distribution of fund shares. Furthermore, this market does not exhibit any substantial segmentation since all the funds from all the fund families and asset categories are available in any bank.

Panel B of Figure B1 presents the time-series of the aggregate commission revenues as well as the ratio of commission revenues to total deposits. The revenues from commissions are steadily increasing, reflecting the growth of the mutual fund industry while the ratio of commissions to deposits remains fairly stable. Both variables do not exhibit any strong fluctuations around the 2013 reform. These results suggests that the aggregate commission revenues were largely unaffected by the reform due to the overall growth of the mutual fund industry's AUM and the especially strong growth among active equity funds.

When I examine the competition in selling fund shares among the banks, I also find that it also remains stable over this time period. Panel C of Figure B1 shows that the Herfindahl-Hirschman index (HHI) for revenues from commissions across the banks does not significantly vary over time, staying at the level close to 27%. Figure B2 shows that the dynamics of revenues from commissions in the cross-section of banks are very similar to the aggregate results.

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[21]See the Annual Banking Survey 2015, Banking Supervision Department, Bank of Israel.

Figure B1: The Revenues from Commissions in the Banking Sector

This figure presents the information on the revenues from commissions among the 5 largest banks in Israel in 2011-2015. Panel A shows the ratio of the total commission revenues from the banks' financial statements to all the commission payments calculated from the mutual fund data. Panel B shows the time-series of the aggregate revenues from commissions and the ratio of revenues from commissions to total deposits. Panel C reports the time-series of the Herfindahl-Hirschman index (HHI) for the revenues from commissions across the banks.
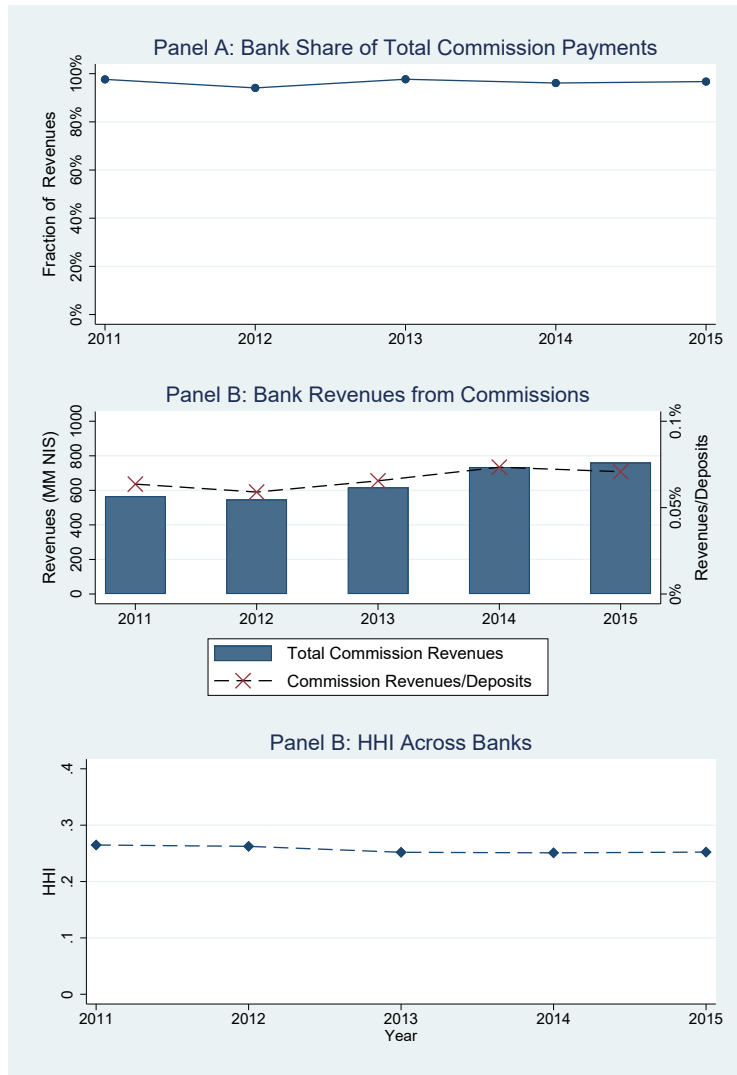
Figure B2: The Revenues from Commissions Across Banks

This figure presents the information on the revenues from commissions separately for each of the 5 largest banks in Israel in 2011-2015. The figure shows the time-series of the aggregate commissions revenues and the ratio of revenues from commissions to total deposits for banks Leumi, Hapoalim, Discount, FIBI and Mizrahi Tefahot.
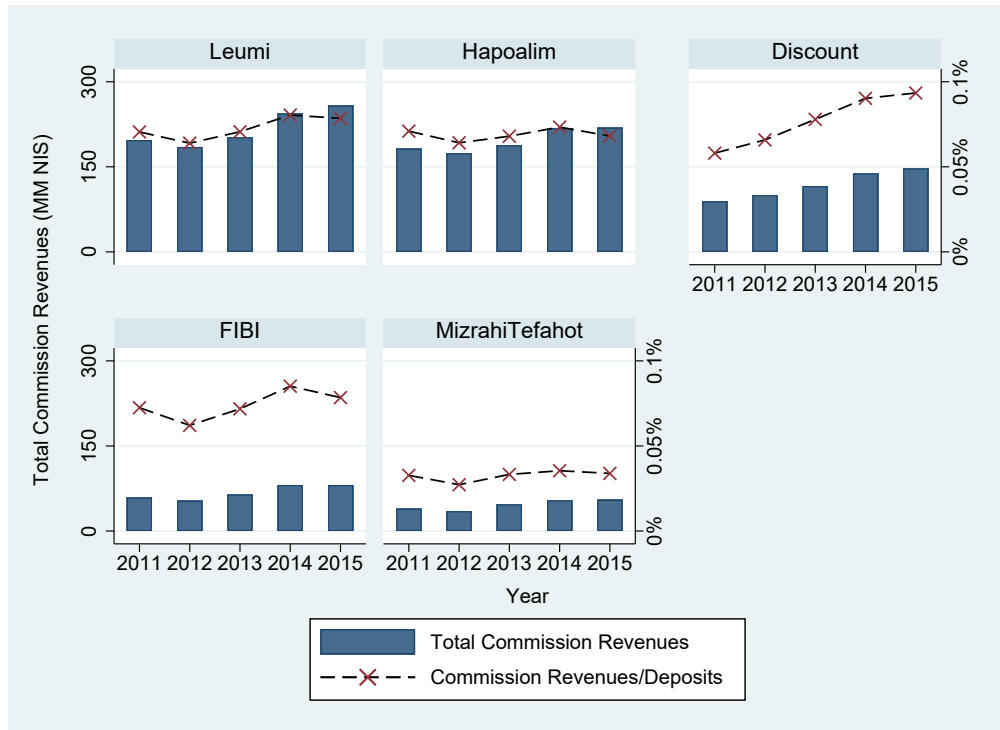
B.2 Additional Robustness Checks

B.2.1 Parallel Trends and Timing of the Effect

In this section, I examine the effects of the new regulations in a dynamic DiD setting. Since my identification strategy is based on the reform going into effect in May 2013, I verify that the effects on the outcomes start to appear in the data exactly around this date. While Figure 3 presents the baseline supportive evidence by visually comparing the funds cross-sectionally in each month, I develop more rigorous tests by evaluating the dynamic effects within funds. In particular, I examine the effects of the new regulations using the specification of the form:

$$y_{itc} = \psi_i + \psi_t + \sum_{m \neq January\ 2011} (\gamma_m \times Active\ Equity_i \times 1_{t=m}) + zX_{i,t-1,c} + u_{itc}, \tag{B1}$$

where γ_m are coefficients on the treatment indicator, $Active\ Equity_i$, that vary non-parametrically by event time. I omit the first sample month (January 2011) indicators from the specification so the γ_m's can be interpreted relative to this baseline period. In particular, these coefficients represent the difference in outcomes between actively-managed equity funds and other funds in each month relative to January 2011.

Table B1 presents the results. For brevity, I report the estimates for the six months prior to the reform ($t < 0$) and the six months after the reform ($t \geq 0$). Overall, the dynamic DiD estimation within funds provides strong support for the parallel trend assumption and shows the precise timing of the reform's effects. The results in columns (1)-(3) show that in each month prior to the reform, the difference in expense ratios between actively-managed equity funds and other funds is economically small and statistically insignificant. When the new regulations go into effect, the difference increases to around 40 basis points, statistically significant at the 1% level, and remains stable in the post-reform period. The findings on net flows are also in line with the baseline results. While the difference in flows is statistically indistinguishable from zero prior to the reform, it increases immediately post-reform and stays at the new level (columns (4)-(6)). I further discuss the comparison of the short-term and long-term effects of the regulation in Section B.2.2.

B.2.2 Long-term and Short-term Effects

In this section, I explore the role of media coverage, examining the difference between the long-term and short-term effects of the reform. These tests build on the ample evidence of media coverage effects on financial markets which shows that these effects are short-lived (Peress (2014), Tetlock, Saar-Tsechansky and Macskassy (2008)). In the context of mutual fund investors, Solomon, Soltes and Sosyura (2014) find that the effects of media coverage on fund flows are largely driven by the most recent news. Consequently, if the effects of the reform remain after the initial short-term period, they are less likely to be solely driven by the early media coverage around the reform.

To conduct this analysis, I estimate a dynamic DiD specification (Equation (B1) from Section B.2.1), pooling the treatment effects across sets of consecutive months in the post-reform period. In particular, I replace the month-specific dummies $1_{t=m}$ in the post-reform period with the three coefficients: 1_{0-5}, which pools over months $t \in [0,5]$, 1_{6-11}, which pools over months $t \in [6,11]$, and 1_{12-17}, which pools over months $t \in [12,17]$. This specification allows to compare the effects of the regulation over the three subsequent periods of six months. Other than the introduction of the pooled coefficients, the specification is identical to that in Equation (B1).

The results in Table B2 suggest that the impact of the reform still remains after the initial period of few months. The effect of the regulation over the first half-year is similar to the effect over the second half-year. The magnitude becomes 30% $(1 - 0.016/0.023)$ smaller over the third half-year, suggesting that the effects gradually disappear. At the same time, the p-values from the tests of differences between the coefficients suggest that these differences are statistically indistinguishable from zero. While this evidence does not fully rule out the boosting effect of the media coverage immediately around the reform, the results on the long-term effects suggest that the increase in flows is unlikely to be solely attributed to the reaction to media. The evidence on the slow adjustment is also in line with individual investor tendency to maintain the same portfolio for long periods of time and rebalance it very infrequently (Kim, Maurer and Mitchell (2016), Van Rooij, Lusardi and Alessie (2011)).

Table B1: The Estimation of Commissions Effect by Dynamic DiD Approach

This table reports the results from regressing expense ratios and net fund flows on the series of interactions between two indicator variables. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund, and $1_{t=m}$ indicator equals one for each month m. $m = 0$ indicates May 2013, and January 2011 is omitted from the specification serving as a baseline period. The table reports coefficients for the six months before and the six months after the May 2013 reform. *Net Flow$_{it}$* is the monthly net fund flow. *Expense Ratio$_{it}$* is the annual expense ratio. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)
	$y = Expense\ Ratio_{it}$			$y = Net\ Flow_{it}$		
Pre-reform:						
Active Equity$_i$ × $1_{t=-6}$	-0.013	-0.014	-0.022	-0.011	-0.016	0.023
	(0.018)	(0.018)	(0.026)	(0.010)	(0.010)	(0.023)
Active Equity$_i$ × $1_{t=-5}$	-0.011	-0.015	-0.021	-0.015	-0.012	0.029
	(0.018)	(0.019)	(0.023)	(0.012)	(0.012)	(0.018)
Active Equity$_i$ × $1_{t=-4}$	-0.021	-0.014	-0.015	0.014	0.013	0.021
	(0.021)	(0.022)	(0.026)	(0.012)	(0.012)	(0.020)
Active Equity$_i$ × $1_{t=-3}$	-0.019	-0.014	-0.013	0.017	0.014	0.018
	(0.022)	(0.023)	(0.027)	(0.011)	(0.011)	(0.018)
Active Equity$_i$ × $1_{t=-2}$	-0.018	-0.021	-0.014	0.013	0.014	0.016
	(0.022)	(0.023)	(0.026)	(0.009)	(0.009)	(0.015)
Active Equity$_i$ × $1_{t=-1}$	-0.016	-0.022	-0.016	0.015	0.019	0.014
	(0.023)	(0.024)	(0.029)	(0.011)	(0.011)	(0.017)
Post-reform:						
Active Equity$_i$ × $1_{t=0}$	-0.406***	-0.396***	-0.398***	0.023***	0.026***	0.025***
	(0.024)	(0.024)	(0.031)	(0.007)	(0.007)	(0.008)
Active Equity$_i$ × $1_{t=1}$	-0.390***	-0.391***	-0.398***	0.027***	0.021***	0.023***
	(0.024)	(0.024)	(0.030)	(0.007)	(0.007)	(0.008)
Active Equity$_i$ × $1_{t=2}$	-0.395***	-0.407***	-0.395***	0.025***	0.024***	0.022**
	(0.024)	(0.025)	(0.032)	(0.007)	(0.009)	(0.009)
Active Equity$_i$ × $1_{t=3}$	-0.394***	-0.418***	-0.398***	0.023***	0.027***	0.028***
	(0.027)	(0.028)	(0.035)	(0.008)	(0.010)	(0.010)
Active Equity$_i$ × $1_{t=4}$	-0.418***	-0.423***	-0.413***	0.024***	0.022**	0.023**
	(0.029)	(0.030)	(0.037)	(0.008)	(0.011)	(0.011)
Active Equity$_i$ × $1_{t=5}$	-0.410***	-0.427***	-0.391***	0.026**	0.021**	0.027**
	(0.029)	(0.030)	(0.036)	(0.011)	(0.010)	(0.012)
Observations	72,724	70,443	64,167	64,782	64,782	60,030
R-squared	0.921	0.930	0.937	0.168	0.169	0.179
Fund fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Time trend by category	No	Yes	Yes	No	Yes	Yes
Control variables	No	No	Yes	No	No	Yes

Table B2: The Time-varying Effects of Commissions on Net Fund Flows

This table reports the results from regressing expense ratios and net fund flows on the series of interactions between two indicator variables. *Active Equity$_i$* indicator equals one if the fund is an actively-managed equity fund. The rest of the time indicators pool over the three different six-month periods after the May 2013 reform: 1_{0-5} pools over months $t \in [0,5]$, 1_{6-11} pools over months $t \in [6,11]$, and 1_{12-17} pools over months $t \in [12,17]$. January 2011 is omitted from the specification serving as a baseline period. *Net Flow$_{it}$* is the monthly net fund flow. The p-values of the tests for differences between coefficients are reported. *,**, and *** denote statistical significance at the 10%, 5% , and 1% levels, respectively. Standard errors double-clustered by fund and month are in parentheses.

	(1)	(2)	(3)
	$y = Net\ Flow_{it}$		
Active Equity$_i$ × 1_{0-5}	0.025***	0.027***	0.024**
	(0.009)	(0.010)	(0.010)
Active Equity$_i$ × 1_{6-11}	0.023***	0.024**	0.023**
	(0.009)	(0.010)	(0.011)
Active Equity$_i$ × 1_{12-17}	0.016**	0.017**	0.016**
	(0.008)	(0.008)	(0.008)
P-value of tests for differences between coefficients			
H_0 : *Active Equity$_i$* × 1_{0-5} = *Active Equity$_i$* × 1_{6-11}	0.875	0.832	0.946
H_0 : *Active Equity$_i$* × 1_{0-5} = *Active Equity$_i$* × 1_{12-17}	0.455	0.482	0.510
H_0 : *Active Equity$_i$* × 1_{6-11} = *Active Equity$_i$* × 1_{12-17}	0.561	0.639	0.611
Observations	64,782	64,782	60,030
R-squared	0.168	0.170	0.175
Fund fixed effects	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes
Time trend by category	No	Yes	Yes
Control variables	No	No	Yes