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EVIDENCE FROM THE ASSET-
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FREEZE OF 2007**

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ABSTRACT

How do Global Banks Scramble for Liquidity? Evidence from the Asset-Backed Commercial Paper Freeze of 2007*

In August of 2007, banks faced a freeze in funding liquidity from the asset-backed commercial paper (ABCP) market. We investigate how banks scrambled for liquidity in response to this freeze and its implications for the real economy. Commercial banks in the United States raised deposits and took advances from Federal Home Loan Banks (FHLBs). In contrast, foreign banks – with limited access to the deposit market and FHLB advances – lent less in the overnight interbank market and borrowed more from the Federal Reserve’s Term Auction Facility (TAF) auctions. Relative to before the ABCP freeze and relative to their non US dollar lending, foreign banks with ABCP exposure charged higher interest rates on syndicated loan packages denominated in dollars. The results point to a funding risk in global banking, manifesting as currency shortages for banks engaged in maturity transformation in foreign countries.

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In August of 2007, significant maturity transformation undertaken by the global financial sector came to a screeching halt. The market dislocation began by affecting banks that had borrowed short-term (typically with a maturity less than a week) in the asset-backed commercial paper (ABCP) market – via special purpose vehicles (ABCP “conduits”) guaranteed by these banks – and invested in subprime mortgage-backed and other asset-backed securities. Within a few days after August 9, 2007, ABCP spreads (relative to the federal funds target rate) rose by over 100 basis points, and the ability of bank-sponsored conduits to roll over ABCP fell significantly (see Figure 1, adapted from Acharya, Schnabl and Suarez (2009), as well as their paper for detailed evidence). This “freeze” in the ABCP market put severe funding stress on bank balance sheets as in many cases sponsoring banks ended up taking the conduit assets back on their balance sheets.¹ Interestingly, Acharya and Schnabl (2010) document that while much of the ABCP exposure was US dollar denominated, a substantial portion of this ABCP exposure was concentrated amongst foreign banks. Of the total \$1,235 billion ABCP outstanding, only \$489 billion was sponsored by banks from the United States. Other significant ABCP underwriters include banks headquartered in Germany and the United Kingdom (about \$200 billion each), and large banks from a number of Western European economies (often in amounts large relative to the size of their balance sheets and capitalization). Equally importantly, about 60% of the total ABCP outstanding of German, French and UK banks was denominated in USD, rather than in Euros or pounds. Many of these foreign banks with large exposure to US ABCP did not have large US regulated banking operations.²

¹ See also Acharya and Richardson (2009), Brunnermeier (2009), Diamond and Rajan (2009), Gorton (2009), Greenlaw et al. (2008), Kacperczyk and Schnabl (2009), and Krishnamurthy (2010) for summaries of how the financial crisis of 2007-08 unfolded, the liquidity and credit problems faced by banks in different markets, and the underlying causes behind banks being exposed in a substantial manner to these problems.

² Acharya and Schnabl (2010) document that ranked by ABCP outstanding to Tier 1 capital, only three of the top ten banks were US headquartered (Citigroup, Bank of America and JP Morgan ranked 1st, 3rd and 5th, respectively). The

How did these global banks scramble for US dollar liquidity in response to the ABCP freeze? What avenues did they explore in private markets and from public (government or central bank) sources to meet their USD funding needs? Were banks successful in muting the impact of the ABCP freeze; or, did the freeze immediately lead to some loss of intermediation by banks to the real sector? Were the responses different between US dollar and non US dollar loans, and between US and foreign banks given their differential access to the US dollar funding markets? These are some of the questions we attempt to answer in this paper.

Our first main finding is that in the immediate aftermath of the ABCP freeze, banks headquartered in the United States were able to tap into alternative funding sources, especially in the deposit market and in the form of advances from the Federal Home Loan Banks (FHLBs) (as documented by Ashcraft, Bech and Frame (2008) and He, Khang and Krishnamurthy (2010)).³ In contrast, foreign banks which had engaged in significant maturity transformation denominated in US dollars were not able to access the deposit market in the United States in the same amounts as their US counterparts. Foreign banks scrambled for liquidity by trying to raise deposits reducing their lending in the interbank market, and much later by actively participating in the Term Auction Facilities (TAF) set up by the Federal Reserve.⁴ This asymmetry highlights an important funding risk in global banking, manifesting as currency shortages for banks engaged in significant maturity transformation in foreign countries.

others (in increasing rank) were all foreign: ABN AMRO, HBOS, HSBC, Deutsche Bank, Societe Generale, Barclays and Rabobank.

³ Federal Home Loan Banks were set up in 1932 when Congress created twelve regional FHLBs owned by the savings and loans (S&L) institutions and some life insurance companies. As a creation of the federal government, the FHLB System can borrow funds in the capital markets at favorable rates, and individual FHLBs can lend these funds to their member-owners, who were the primary originators of mortgages at the time. In an important sense, the FHLB System was an early “government-sponsored enterprise” (although that term was not used until decades later).

⁴ The TAF is a temporary program conducted by the Fed between December 17, 2007 and March 8, 2010 which provides term funding to depository institutions on a collateralized basis, at interest rates and amounts set by auction.

In addition to their role in ABCP, foreign banks play a large role in underwriting syndicated loans in the US. More than 63% of facilities in 2007 had at least one foreign bank in the underwriting syndicate and 35% had a foreign bank leading the syndicate. Despite this important role in underwriting US dollar loans, many foreign banks do not have large US regulated US subsidiaries. The ratio of total US regulated assets to underwritten revolvers outstanding as of August 2007 was 256x for US banks and only 7x for foreign banks.⁵ And, of banks with exposure to US ABCP, the ratio of total US regulated assets to exposure was 10.9x for US banks compared to only 6.0x for foreign banks.

We examine the importance of the funding asymmetry between the US and the foreign banks for the transmission of bank-level funding risk to corporations in the form of access to and terms for borrowing through syndicated lines of credit. Our second main finding is that, relative to before the ABCP freeze and relative to non US dollar loans, foreign banks with ABCP exposure charged higher spreads on syndicated loans denominated in US dollars. Importantly, we find this effect to be present even in the period following the ABCP freeze of August 2007 until mid-December 2007 when the Federal Reserve initiated dollar-funding support for foreign banks. As Figure 1 illustrates, this period is one of relative calm for the large corporations in the United States, whose syndicated loans we study, as evinced in the remarkably stable behavior of the S&P500 index between 8th August and mid-December 2007. This makes it more credible that the rise in USD syndicated loan costs relative to Euro loan costs, when lenders are European relative to US banks, is caused by the differential currency funding structures for these two sets of banks, rather than US macro conditions. Finally, a further confirmation of the transmission of

⁵These calculations assume that the share of underwriter in a syndicated loan is proportional to the number of underwriters.

bank funding stress comes from the fact that the effect on syndication loan premiums we document is stronger for corporations that do not have public equity.

We stress that our difference-in-differences approach helps control for variation in some inherent characteristics across banks, differences in banks between before and after the shock, and between US dollar and Euro-denominated syndicated loan, for a given bank (allowing us to hold constant the bank solvency shock, if any). At the same time, the approach allows us to exploit the variation among banks due to funding shock (ABCP exposed versus not) and due to differential access to funding in the US dollar markets (foreign versus US banks). The differences are statistically significant, and economically within the relevant range for cost of credit lines and their substitutes such as cash holdings.

We now provide a more detailed introduction to our research methodology and results. Consider the sources of immediate funding available to banks. We divide them into two types: *private* and *government*. In private sources, we include federal funds in the unsecured overnight interbank market, sale and repurchase agreements (“repos”) which are collateralized and can be considered close substitutes to ABCP and deposit markets (demand deposits as well as time deposits). In government sources, we include Discount Window borrowing, and FHLB advances. In order to understand if there was residual funding demand, we examine access to TAF auction repos with the Federal Reserve, although that liquidity was not immediately available after the ABCP freeze (that is, not until December 2007).

These liquidity sources differ in ease of access and in the case of private sources also in terms of associated funding risk. For instance, while interbank and repo markets are relatively arm’s length and easier to access in normal times on a day-to-day basis, they are far more fragile, particularly relative to insured deposits in terms of the risk of a “run” (such as the ABCP freeze).

FHLB advances against most kinds of mortgage assets are obtained relatively easily, but are available only to commercial banks who are FHLB members, that is, many foreign banks do not have access to these funds. Discount Window funding can be readily accessed by solvent banks with pledgeable US assets, but banks may be reluctant to access these funds due to the “stigma” attached to Discount Window lending. Finally, while there was substantial demand from foreign institutions at the TAF auctions, which allowed greater access to Federal Reserve funding without the stigma associated with the Discount Window, these auctions were not in place until mid-December 2007.⁶ While we cannot measure the extent to which foreign banks accessed local deposits and swapped them into US dollars, we focus on the period before December 11, 2007 when the Federal Reserve instituted swap lines with most foreign central banks in an attempt to alleviate US dollar funding pressure.⁷

We find that these differences mattered. The US banks grew their government funding substantially relative to the foreign banks, especially through FHLB advances; they also grew significantly their overall US dollar deposits, but importantly through time deposits. In contrast, foreign banks grew their net repo borrowing and were not able to increase their borrowing at their US subsidiaries in the interbank market as much as US banks did. In part, this reflects the fact that deposits at this time grow in proportion to US assets, and foreign banks have less US assets.

⁶Armantier, Ghysels, Sarkar and Shrader (2010) provide compelling evidence of a “stigma” attached to borrowing (effectively, of a lack of sufficient borrowing) from the Discount Window during the financial crisis of 2007-08. The TAF had several features designed to remove this stigma: i) an auction format requiring simultaneous bidding, ii) a market-based interest rate rather than a penalty premium set by the Fed, iii) a cap on the bid amount to allow for the wide allocation of funds and to reduce the likelihood of individual identification, iv) settlement of funds with a three day lag to signal that participation was not driven by pressing needs for funds. See Armantier, Krieger and McAndrews (2008) for an overview of the design and creation of TAF. See also <http://www.federalreserve.gov/monetarypolicy/taffaq.htm> for additional information on the TAF auctions.

⁷ See http://www.federalreserve.gov/monetarypolicy/bst_liquidityswaps.htm for information on the dollar liquidity swap lines.

Overall, while US banks were able to access more stable government and longer-term sources of funding, foreign banks did not increase funding by as much and their funding remained relatively short-term or demandable. We hypothesize that this differential access in terms of funding following the scramble for liquidity in the fall of 2007 meant that foreign banks, particularly ABCP-exposed foreign banks, were exposed to a greater dollar liquidity crunch. We expect that foreign banks became less willing to take on US dollar funding risk on their asset side and through extension of commitments on the liability side, or in other words, do so but demand a greater compensation in return by charging higher spreads to borrowers.

To test this hypothesis, we exploit the idea that funding should have a direct effect on commercial banks' lending, focusing on syndicated loans made in US dollars.⁸ In particular, we examine bank participation in syndicated loans, recorded at time of their origination in the Loan Pricing Corporation's DealScan dataset. We design a difference-in-differences test to study the terms (spread, maturity and amount) of syndicated loans denominated in US dollars and loans that are denominated in Euros or Pounds (we will refer to these loans as European loans for simplicity). We exploit several types of differences-in-differences, the first difference being between US dollar and Euro-denominated loans, the second between foreign banks and US banks, and the third difference being between after and before August of 2007 (in order to

⁸ Kashyap, Rajan and Stein (2002) argue that as long as deposits raised by banks are not too correlated with corporate demand for immediate credit, banks can act as liquidity providers on both sides of their balance-sheets. Acharya, Almeida and Campello (2009) provide rationale for why in times of aggregate risk, banks reduce provision of lines of credit in the aggregate (as their ability to smooth liquidity shocks reduces), and that banks more exposed to aggregate risk experience greater reduction. Gatev and Strahan (2006) and Gatev, Schuermann and Strahan (2009) document that banks benefit from deposit inflows when commercial paper spreads widen and this enables them to meet loan commitment drawdowns; Pennachi (2006) shows that this effect was nonexistent prior to the formation of the FDIC in 1934; and, Acharya and Mora (2011) document using deposit rates and flows data that during the 2007-September 2008 period (and in earlier periods of stress) banks in fact struggled to raise deposits, especially weaker banks, which had to offer substantially higher deposit rates (a cost that we expect would be passed on in the form of costlier loans and credit lines).

exploit within-firm variation). Finally, we also employ a quadruple-difference test where we study the impact of exposure to ABCP.

We find that the contractual feature of bank credit that is affected in our difference-in-differences test is mainly the spread (rather than maturity or amount).⁹ Compare, for example, Bank of America, BNP Paribas, and West LB. All three banks were exposed to the US ABCP market, with ABCP outstanding of \$45 billion (34.5% of equity), 5 billion (8.6% of equity) and 30 billion (368.3% of equity), respectively. Comparing the pre and post period, Paribas and West LB grew the average spread on its US dollar loans by 16 basis points and 15 basis points respectively, while the average spread on Bank of America's US dollar loans fell by 22 basis points. In contrast, in their European loans, Paribas and West LB lowered spread by 41 and 48 basis points on average, respectively, and Bank of America lowered similarly spreads by 41 basis points.

While this example does not control for differences in the characteristics of the loans made, we find that even after controlling for observables, US dollar loans by foreign exposed banks after the ABCP shock had higher spreads by 6 basis points, controlling for bank fixed effects and borrower and loan characteristics. Differences are greater for borrowers that do not have publicly traded equity. All else equal, relative to the earlier part of 2007, affected foreign banks increase spreads for private US dollar borrowers by 17 basis points, while lowering spreads for Euro borrowers by 41 basis points.

Besides documenting an important dollar funding risk for foreign banks engaged in maturity transformation in the United States, our results suggest that the transmission channel of the

⁹ This empirical point is consistent with the evidence in Adrian, Colla and Shin (2012) who argue that in the crisis of 2007-09, for large firms bond financing made up for the quantity of credit not provided through bank loans, albeit at higher yields just like heightened bank loan premiums.

ABCP freeze when studied just for the US banks may understate the true underlying strength of the channel. Since most US banks had access to FHLB advances and could also employ their deposit franchises to raise US dollar funding, their response in terms of transmitting the ABCP freeze to the real sector is already muted by prevailing government interventions and market structures. In this sense, studying the transmission channel of foreign banks facing US dollar funding risk on to US dollar borrowers provides for a cleaner identification.¹⁰

The rest of the paper is organized as follows. Section 1 discusses the related literature. Section 2 documents the information available on foreign banks and their funding in the US. Section 3 examines how banks scrambled for liquidity following the ABCP freeze, via private and government sources of funding. Section 4 investigates the transmission of bank funding risk – and realized funding – to the real sector. Section 5 presents concluding remarks.

1. Related Literature

Our paper is related to Bord and Santos (2011) and Irani (2011) that also analyze the effect of the ABCP freeze. Bord and Santos (2011) find that US banks that increased their use of funding from the Federal Home Loan Bank system or the Fed's Discount Window following the ABCP freeze charged higher fees to grant new lines of credit to corporations. The increase was driven by credit lines that pose more liquidity risk to banks and affected predominantly bank dependent borrowers. Similarly, Irani (2011) finds that the deterioration of contract terms into 2009 from exposed banks is concentrated among speculative grade borrowers, long-term credit lines, and borrowers with weak banking relationships or without access to the commercial paper market. He further finds that relative to other syndicate members, exposed banks are more likely to exit relationships with borrowers; investment grade borrowers are more likely to exit relationships

¹⁰ While these results suggest that access to deposits and government funding – stable liabilities – can help stabilize the banking sector and the transmission channel in a crisis, their ex-post efficacy must be weighed against any ex-ante moral hazard they induce.

with exposed banks; and such exit is typically associated with worsening of contract terms, except for investment grade borrowers. These papers do not exploit the differentiation between US-based and foreign banks, which is the focus of our paper. The economic magnitude of our findings on the impact of ABCP exposure of a bank on the cost of its credit lines appears an order smaller than in these other papers. This is likely due to the fact that we are looking at the differential response between US-based and foreign banks, as well as between their US-based and foreign borrowers, which controls more conservatively for differences in the macroeconomic environment and the degree of pure (dollar) funding shock.

Our paper is also related to the recent literature on the transmission of funding shocks across borders through operations of global banks. Cetorelli and Goldberg (2010) examine the global transmission of shocks emanating from the financial crisis of 2007-08 and find that regions with higher aggregate exposure to dollar funding shocks lent less following the shock to emerging markets countries. Giannetti and Laeven (2012) show that there is a rebalancing of banks loan portfolios back to home markets (that is, in countries where banks are domiciled) in the 2008 financial crisis. Schnabl (2011) investigates the liquidity shock of the Russian default, and finds that it was transmitted by global banks to borrowers in Peru.

Perhaps closest to our paper is Ivashina, Scharfstein and Stein (2012), who compare the amount of lending across currencies by European banks suffering from solvency and US dollar funding shocks, the latter being from money market funds' withdrawal from short-term lending to European banks, during the second half of 2010-11. They too find that foreign banks contracted dollar lending more than they contracted Euro lending. While both time periods are times with differential access to US dollar funding for foreign banks, in 2011 the US global banks that lend in both currencies were *not* affected by solvency or funding shocks unlike their European

counterparts, preventing the difference-of-difference analysis or liquidity shocks – between US and European banks, and in US dollar and Euro lending – as conducted in this paper.

Ivashina, Scharfstein and Stein (2012) also argue that the differential access to dollar funding from money market funds for the European banks led to substantial violations of the covered interest parity (CIP) between US dollar and Euro exchange and interest rates. Such CIP violations existed – in fact, became substantive for the first time in recent crises – right after the ABCP freeze of 8th August 2007 (see Figure 2, adapted from Hrungr, 2012), even though the magnitude of violations is naturally smaller in this early phase of financial crisis relative to the highest levels reached in the second half of 2011. While Ivashina, Scharfstein and Stein (2012) stress the private – money market based – USD funding differential between the US and European banks, our paper stresses the differential deposit base as well as the access to public funding sources such as through the Federal Home Loan Bank (FHLB) system and the Federal Reserve system. The importance of segmentation in funding different currencies for banks in different domiciles, arising from public funding sources, is also validated by Bottazzi, Luque, Pascoa and Sundaresan (2012), who focus on the role of currencies as collateral in funding contracts (such as in repurchase agreements, or repo, in private markets or with central banks).

In another related set of papers, banks reliant on core deposit funding have been shown to be able to insulate access to finance even in the face of shocks to their lenders (Ivashina and Scharfstein (2010); Cornett, McNutt, Strahan and Tehranian (2010) and Gozzi and Goetz (2010)). However, these papers do not study the effect of the funding source (private versus government) and of the differential access to these sources on foreign bank lending. Liu (2011) analyzes the effect of financial crises over the past 20 years globally on banks operating with branches in crisis-affected and non-crisis countries. She finds that banks with deposit exposure cut back lending

significantly in branches outside the crisis country (funding shock); and the magnitude of this effect is twice as large as that stemming from non-depository asset exposure only (capital shock).¹¹ Duchin et al (2010) exploit cash holdings of businesses to separate effects due to fall in demand at the onset of the crisis in 2007 and show that loan supply effects were important in the first year of the crisis. Carvalho et al (2011) find in the financial crisis of 2007-08 that client stock returns are associated with negative shocks to banks.

Our analysis is complementary to both of these sets of papers in that we are focused on the effect of *lending in the crisis-affected country from foreign banks* whose limited access to funding in the crisis country (relative to domestic banks) helps us isolate the supply effect of bank lending terms on credit lines to the real sector.

2. Foreign Banks

2.1. Institutional Background

In the aftermath of the collapse of the ABCP market in 2007, banks with exposure to conduits financed with ABCP needed short term liquidity to finance their assets (see Acharya, Schnabl and Suarez (2009) for detailed evidence). In a nutshell, global commercial banks funded long-term assets such as mortgage- and asset-backed securities (MBS and ABS), credit card receivables, through overnight wholesale funding in the ABCP market. The “conduits” through which the ABCP was issued had little equity capital of their own, other than the guarantees provided by sponsoring banks (which found it attractive to do so due to the favorable treatment of such guarantees in the regulatory capital requirements). When the underlying assets, especially MBS and ABS, experienced a drying up of liquidity following the housing-market collapses in various parts of the world, the ABCP investors “ran” on the conduits, that is,

¹¹ In similar spirit, Aiyar (2010) provides evidence that the external funding shock for banks in the United Kingdom translated into greater reduction in lending in the UK by foreign subsidiaries and branches compared to banks that were domestically-owned (in the UK).

reduced the overnight rollovers and charged higher spreads for doing so. Specifically, the run began on August 9, 2007, following the announcement by hedge funds of BNP Paribas on the August 8, 2007, that their sub-prime MBS investments could no longer be marked to market due to evaporation of liquidity in market for these securities.

Being exposed to this run through the guarantees, the sponsoring banks had to either take over the conduit assets “on balance-sheet”, which resulted in greater capital requirements, or generate overnight funding against the assets through alternative sources to the ABCP. Acharya, Schnabl and Suarez (2009) document that this ABCP run – effectively on the global commercial banks – was very large, with the market collapsing from its peak of over \$1,200 billion in beginning of August 2007 to just over \$600 billion by the end of 2008. Throughout the paper, we label this the “freeze” in ABCP or the ABCP “shock.” We are particularly interested in understanding differences in access to liquidity between exposed US and foreign banks, and thus we first outline sources of short-term liquidity available to US and foreign banks.

Foreign banks can access US dollar liquidity in the short run in many ways. In terms of private sources of immediate funding, they may have US cash on hand, in the form of reserves or interest bearing balances with other banks. They can borrow from other banks on an unsecured basis in the fed funds or Eurodollar market or on a secured basis in the repo market. They can also borrow from US depositors and money market funds or issue dollar denominated commercial paper. In addition, foreign banks can borrow from home country depositors or issue local currency commercial paper and swap that into US dollars in foreign exchange markets. Finally, they can sell liquid assets.

US branches and agencies of foreign banks that hold reserves can also access liquidity from US government sources, including the Discount Window. An alternative source of government

funding is advances from FHLBs, but these funds are available only to foreign banks with US commercial bank subsidiaries. While many programs were ultimately designed to alleviate US dollar and liquidity shortages, including swap lines with many foreign central banks (e.g. the Term Auction Facility (TAF) auction and the Term Asset-Backed Securities Loan Facility (TALF)), we restrict the analysis in our paper to the period before December 11, 2007, when the first of these programs was instituted, to better isolate the liquidity shock.

Foreign banks engage in US banking through six principal types of organizations: representative offices, branches, agencies, banks, Edge Act and Agreement international banking corporations, and international banking facilities (IBFs). Reporting requirements vary depending on organizational structure. *Representative offices* are subject to minimal regulation and file no reports with the FFIEC, OCC, or Federal Reserve. These offices engage in representational and administrative functions but do not conduct bank activities. *Branches and agencies of foreign banks (FBOs)* file FFIEC 002 (Report of Assets and Liabilities of US Branches and Agencies of Foreign Banks). The activities of a branch of an FBO are similar to those conducted by a branch of a US bank, including wholesale and foreign deposit acceptance as well as other credit fiduciary activities. However, the FDIC does not insure the deposits of foreign bank branches and branches of FBOs are not required to join the Federal Reserve System. Foreign banks can establish *subsidiary US banks or bank holding companies*, which file the Call Report (FFIEC 0031) or Y-9C.¹² These subsidiary banks have the same legal and regulatory restrictions and reporting requirements as domestic banks. Foreign banks can also create separate *Edge Act subsidiaries* to engage in international banking activities. No regulatory data on these exist in either the Call Report, Y9-C or 002 filings except for a breakdown of interest income accruing

¹² After the enactment of the Foreign Bank Supervision Enhancement Act of 1991, foreign banks accepting insured deposits must establish a US subsidiary bank. The difference between branches and agencies is that the agency primarily makes commercial and corporate loans, but does not have deposit-taking authority.

from Edge and Agreement subsidiaries. Finally, foreign banks may create an *international banking facility (IBF)* as an extension of the previous five structures. These facilities are used to book deposits unrestricted by US reserve requirements or other deposit insurance premiums. The activities of the IBF are consolidated in the 002 filing for branches and agencies of foreign banks. In addition, FBOs can own other structures including savings associations, industrial LLCs, and other securities LLC companies for which no Federal Reserve regulatory filings are available. Finally, no regulatory information is available for foreign banks' holding of dollar-denominated assets or dollar funding at non-US subsidiaries.

We review the availability of these data for foreign banks, and aggregate the various filings into a picture of foreign banks' change in US funding at this time. Unfortunately, comprehensive data are not available for all possible liquidity sources on a daily bank-by-bank basis, and we are forced to examine funding mostly by looking at changes in quarterly figures. In order to get some estimates at a higher frequency, we also take advantage of information from the Federal Reserve's weekly survey of banks (approximately 815 domestic and 60 foreign-related institutions in 2007). Data items are a subset of call report items that are aggregated and released publicly. However, participation in this panel is voluntary and not all banks file in all weeks.

3. Bank Funding of ABCP Exposed Banks in 2007

3.1. Data

We use Moody's data to identify 53 banks that are exposed to US dollar denominated ABCP and thus exposed to a liquidity shock in August 2007 (see Acharya, Schnabl and Suarez (2009) for a detailed discussion of these data). On average, exposed banks have \$13.2 billion of US dollar denominated ABCP assets. The average exposure is very high relative to Tier 1 equity – a mean of 53x. In order to have a comparison set of banks, we add information on US bank holding

companies (BHCs) and foreign banks that file US regulatory reports. We limit US banks to the 427 bank holding companies with more than \$500 million in assets, since banks with ABCP tend to be larger,¹³ and include all 82 foreign banks with any US regulatory filings, since they are likely to be similar to foreign banks with a US presence. The resulting dataset includes 567 banks, of which 22% are foreign. Of banks with ABCP exposure, 75% are foreign. We use Bankscope to gather information on foreign banks' total assets and Tier 1 equity. ABCP-exposed foreign banks are much larger than non-ABCP exposed foreign banks, with mean total assets of \$784 billion and \$176 billion, respectively. Summary statistics for these banks are presented in Table 1.

For information on foreign banks' funding we aggregate several different US regulatory reports (Call Report (FFIEC 031), FFIEC 002, FR Y-9C) filed by foreign banks' offices (FBOs), and other subsidiaries supervised by the Federal Reserve.¹⁴ Of the foreign exposed banks, approximately 63% file a US regulatory report of some kind. The remaining seventeen exposed banks file no US regulatory reports, and thus assumed to have no US deposits.¹⁵ Since the regulatory report data are available on a quarterly basis, we compare funding as of the quarter immediately before (June 30, 2007) and after (September 30, 2007) the ABCP market shock on August 9, 2007.

In Figure 1, we outline the availability of US regulatory filings for foreign banks in the sample.

¹³ The smallest US ABCP-exposed domestic bank holding company (BHC) has \$100.7 billion in assets while the mean of all non ABCP-exposed domestic BHCs is only \$9.9 billion.

¹⁴ Foreign banking organizations report some consolidated regulatory capital information quarterly on the FR Y-7Q; however balance sheet line items are not available in this reporting form. We effectively assume that all funding and loans reported in US regulatory filings are dollar denominated. However, domestic BHCs may have foreign deposits and loans included in these numbers. Similarly, foreign banks may hold dollar denominated assets or liabilities at non US entities which will not be included in their US regulatory filings.

¹⁵ The banks in the sample that file no regulatory reports are as follow: KBC Groep NV, Credit Agricole SA, Dresdner Bank AG, Landesbank Hessen-Thueringen Girozentrale, Bayerische Hypo-und Vereinsbank AG, WestLB AG, Bayerische Landesbank, Natixis, Danske Bank A/S, Norddeutsche Landesbank Girozentrale, Eurohypo AG, ING Groep NV, Hypo Real Estate Holding AG, Sachsen Bank KG, Nomura Holdings Inc, LBB Holding AG, and Nationwide Building Society.

Figure 1: Availability of US Regulatory Reports for Foreign Banks

US Regulatory filings	ABCP Exposure	
	No ABCP	ABCP
Y9-C Filer		
Y9-C and 002 Filers	13	11
No Y9-C Filer		
CALL Filer(s) Only	6	0
CALL and 002 Filers	5	2
002 Filers Only	60	14
No Regulatory Report Filers		
No Y9-C, CALL or 002	3	13
TOTAL:	87	40
H8 (FR 2644)	35	20
In reporting panel	265	31

3.2. Private Funding

We begin by looking at the change in funding for all banks in the sample between the second and third quarter of 2007. We examine the following liability items: Total US Deposits, Net Repo, Net Fed Funds, Fed Funds Sold, and Other Borrowed Money (less FHLB advances). We also measure changes in Cash and Balances and Available for Sale Securities, asset categories that may serve as sources of short-term liquidity. Exact definitions of the variables can be found in Appendix A.

On average, banks in the sample increase short-term liquidity in the third quarter of 2007, both by increasing short-term liabilities and by decreasing short-term assets. The last two columns of Table 2, Panel A present summary statistics separately for the ABCP-exposed banks. Between the second and third quarters of 2007, as shown in Table 2, Panel A, banks increase deposits and dramatically increase borrowing from government sources. There are large differences between banks with and without exposure – on average, banks increase deposits by \$435 million, while ABCP-exposed banks increase deposits by more than \$2.5 billion.

Within the sum of US deposits, we also examine changes in the following subcategories of deposits: Demand Deposits, Core Deposits, Time Deposits (<100k), Time Deposits (>100k), and Other Deposits. On average, as banks search for liquidity at the end of 2007, they grow time deposits and other deposits, but not demand and core deposits. Net repo and fed funds are falling as well, and banks, particularly exposed banks are reducing their cash balances.

We aggregate funding variables into the total *Private Funding Change* – the sum of the change in Net Fed Funds, Total US Deposits, Net Repo, Cash and Balances, Available for Sale Securities, and Other Borrowed Money (less FHLB advances). ABCP exposed banks increase funding by more than six times as much as non-exposed banks at this time.

Differences between exposed and non-exposed banks are not the only differences we see at this time. In Panel B of Table 2, we separate the sample between domestic and foreign banks and find dramatic differences between foreign and US banks' access to liquidity. For example, while on average banks exposed to ABCP grow deposits more than do non-ABCP-exposed banks; the difference is driven by the US banks. In fact, foreign banks with ABCP exposure grow deposits by three times less than do exposed US banks. This seems to suggest that foreign exposed banks were not able to switch to more stable sources of funding as US banks did. Within types of deposits, exposed US banks grow their time deposits and other deposits, while foreign banks grow their more flighty large time deposits only. US exposed banks also raise other debt financing, increasing other borrowed money, selling available for sale securities and shrinking cash balances, while foreign exposed banks pay back other borrowed money, and grow cash balances.

Panel B of Table 2 also separates foreign banks between those with and without ABCP exposure. We do see that foreign banks with exposure to ABCP are growing funding by more than their

non-exposed peers, although perhaps not by as much more as we would have expected. Foreign banks with ABCP grow deposits by three times as much as their non-exposed peers. They also increase repo by more, but shrink other borrowed money.

Of course, this analysis is univariate in nature. In Table 3, we present the results of a number of specifications in which the change in funding (the difference between balances as of 3Q 2007 and 2Q 2007) is the dependent variable. As explanatory variables, we include bivariate controls for whether the bank is foreign and for whether the bank is exposed to US dollar ABCP. In addition, we add a control for the log of the bank's total assets as well as its US regulated assets. In the fall of 2007, we see that the increase in total US deposits is associated with the amount of total assets – for each additional 10% in US assets, banks increase total US deposits by [\$34 million]. Looking across the six regression specifications, each with a dependent variable measuring a source of short term funding, we do not find any statistically significant relationship between the interaction of US ABCP exposure and foreign banks. In short, banks increase deposits proportionately to their US regulated assets, but exposed foreign banks do not increase funding in any area by more than do similarly exposed US banks. In fact, when we examine different types of deposits in columns 7 through 9, all exposed banks seem to be losing core deposits at this time, but US banks seem to be making up the difference with time deposits and other wholesale deposits.

In summary, US banks with ABCP exposure grew private funding by more than six times as much as their foreign exposed peers. And while their funding needs were likely much higher than those of other foreign banks, ABCP exposed foreign banks grew funding by only 1.7x as much as did their foreign peers without ABCP exposure.

3.3. Weekly funding

Since funding conditions may be affected in the shorter term, but perhaps may be resolved within one quarter's time, we also examine in the bottom half of Panel B of Table 2 the subset of 276 banks (27 ABCP-exposed banks) in our sample that file weekly reports. We look at changes in balances between August 1 and August 15, 2007. Because these filings have different line items, we can also look at transfers between foreign bank subsidiaries, which would approximate liquidity raised outside of the US and swapped into dollars.¹⁶ We examine both the change in Net Due from (to) Related Institutions and the change in Borrowing from US Commercial Banks at this interval. The former is a measure of intrabank liquidity flowing to US regulated entities from their non-US corporate parents and affiliates, while the latter measures interbank lending within the US.

Looking within the two-week time period around the ABCP funding shock, foreign exposed banks raise substantial amounts of liquidity from their affiliates, growing the net amount due to foreign parents by more than \$2 billion between August 1 and August 15 of 2007, on average, and \$4 billion from quarter-end June to quarter-end September. This is in contrast to the behavior of other foreign banks at this time, and is consistent with the transfers documented in Cetorelli and Goldberg (2012).

While exposed foreign banks are raising money from their affiliates, they are losing liquidity from US banks over the quarter -- foreign exposed banks return almost \$126 million borrowed from US commercial banks in the two weeks around the shock (almost \$300 million from quarter to quarter), while their exposed US peers borrow an additional \$3 billion more.

3.4. Government Funding

¹⁶ While this information includes transfers among foreign commercial banks and their US offices, it represents a lower bound on access to dollars, since it measures only funds sent to US regulated subsidiaries.

We next compare funding from government sources, specifically the Discount Window and advances from Federal Home Loan Banks (FHLBs). We calculate the change in funding from the Discount Window primary credit program by summing the borrowing amount of primary credit at the Discount Window for the months (September, October, November, December) and subtracting the amount for the months (April, May, June, July). These data come from the proprietary Federal Reserve database and exclude borrowing done through secondary credit and seasonal credit lending programs. While not all banks access the Discount Window, we have complete information for all banks that borrow. Although the aggregate borrowing level was low, US banks borrowers increase Discount Window borrowing by three times as much as their exposed foreign peers.

We also measure the quarterly change in Federal Home Loan Bank advances over all maturities reported on the Call Report. As shown in Panel A of Table 4, in aggregate, ABCP exposed banks borrow more than 10 times as much from the FHLB as do their non-exposed peers. In fact, only 27 of the 128 foreign banks in the sample even had access to FHLB advances. Going back to our earlier example, during this period, Bank of America borrowed more than \$16 billion from FHLBs, while Paribas borrowed only \$345 million and West LB did not take out any FHLB advances. Adding up both sources of government funding, we obtain *Government Funding Change* and again we find that the US banks expand funding much more than do foreign exposed banks. Examining borrowing from the discount window and the FHLB, and adding linear controls for bank size, we see the same strong results in Panel B of Table 4 – funding is significantly associated with US regulated assets, but not with total assets, and foreign exposed banks access dramatically less liquidity than do their US peers.

The last line in Panel A of Table 4 sums up the total amount of funding that banks add in the third quarter of 2007, before the TAF is instituted. It is the sum of private and government funding in our previous analysis, *Total pre-TAF Funding Change*. By this measure, we see the funding gap clearly illuminated. In aggregate, ABCP exposed banks increase their funding from private and government sources by dramatically more than do their non-exposed peers. However, foreign banks with ABCP exposure grow their funding dramatically less than US banks with ABCP exposure do (approximately 1/8th as much). In fact, they only grow their funding by as much as do non-ABCP exposed foreign banks, on average.

3.5. Residual Funding Demand

As a measure of the unmet demand for US dollar liquidity, we next examine borrowing from the Term Auction Facility (TAF), which was instituted in December 2007, and calculate the sum of the amount borrowed in the TAF auctions held on December 17th and 20th of 2007.¹⁷

On average, foreign ABCP exposed banks borrow more from the TAF than do any other category of bank, although not all banks bid at the TAF auctions. In Panel B of Table 4, we run simple OLS regressions to understand if our results are driven by bank scale. We control for the size of banks' total assets, as well as banks' US assets held through Federal Reserve regulated subsidiaries, because US assets may determine access to deposits. We find that foreign banks in general are disproportionately likely to access the TAF. While exposed banks borrow more from the TAF on average, there is no statistically significant difference between foreign and US exposed banks. Adding together the TAF and FHLB funding, we see a dramatic difference in

¹⁷ On December 17, 2007, the Federal Reserve conducted a 28-day TAF auction of \$20 billion at a stop-out rate of 4.65 percent. The awarded loans settled on December 20, 2007, and matured on January 17, 2008. On December 20, 2007, the Federal Reserve held another TAF auction of \$20 billion in 35-day credit at 4.67 percent stop-out rate. Loans settled on December 27, 2007, and matured on January 31, 2008. TAF transaction data is publicly available through http://www.federalreserve.gov/newsevents/reform_taf.htm

access to US government funding – foreign exposed banks access much less government funding than do US exposed banks.

We note that our analysis has some limitations. We have no comprehensive information on US dollars or dollar denominated assets of non-US entities, and we lack information on US dollar commercial paper issuance of foreign banks.¹⁸ This lack of information itself is symptomatic of a mismatch between bank exposure to US assets and incomplete information on banks that are headquartered outside of the US. It is worth noting that while exposed US banks accessed dramatically more funding, in terms of amounts relative to Tier 1 Capital, foreign banks actually had 2.5% more US ABCP exposure than did US banks, on average.

4. Real Market Response

4.1. Syndicated Loans

Having documented differential access of domestic and foreign banks to US dollar funding sources, we turn to the syndicated loan market to understand if the ABCP funding shock had real effects on corporate credit and differentially so between US and foreign banks, and for USD versus foreign currency denominated loans.

We use the Loan Pricing Company's (LPC) DealScan database to analyze the terms of syndicated loans arranged in 2007. LPC data have been extensively described in previous literature (see, for example, Ivashina (2009)). We link (by hand) banks from our sample to LPC using bank names and RSSD information from the National Information Center hierarchy to assign a match when the LPC lender name matches to any of the bank's subsidiaries. These banks comprise 20% of unique LPC lender names, and matched banks participate in 92% of the

¹⁸ Comprehensive data on CP issuance has been made available only since August 2008. While some of this information is on Bloomberg, the fields are not well populated.

loans made in 2007.¹⁹ We are able to find matches for 312 of the 567 sample banks (117 foreign banks). We limit the analysis to observations with sales data from LPC to better control for borrower quality. Of the 312 banks, only 159 of these underwrote syndicated loan facilities with available data in our sample period of January 1, 2007 to December 11, 2007 (154 underwrote USD-denominated loans, 69 underwrote Euro-denominated loans, 64 underwrote both USD- and Euro- denominated loans, and 149 underwrote revolving credit lines). The remaining banks did not underwrite syndicated loans reported to LPC in this period. In addition to information on the lending syndicate, we use this database for information on each loan facility, including all-in-drawn spread, maturity, amount, purpose and the sales and industry of the borrower.

It is notable that just as we see a mismatch between foreign banks' US ABCP exposure and their US regulated assets, we see a mismatch between foreign banks that underwrite US dollar denominated syndicated loans and their US regulated assets. Table 5 presents summary statistics on the underwriting of US dollar syndicated loans by foreign and US banks. Adding up all loans likely to be outstanding as of August 9, 2007, defined as facilities with a start date before and maturity after August 9, 2007 (162,555 facilities), and assuming that each member of the underwriting syndicate underwrites an equal amount of each facility, the numbers are striking – exposed US and foreign banks underwrite roughly the same amount of syndicated loans. These underwriting commitments are approximately 30% of banks' total assets, but 4.5 times foreign banks' US regulated assets.

Of course, many of these loans are underwritten but sold off. To be more conservative, we assume that banks keep only their portion of the revolver, and retain no exposure to the term

¹⁹ LPC lender names and IDs are not unique by bank. Large banks such as JP Morgan may have as many as 22 lender IDs in LPC. In 2007, there were 9,489 syndicated loans made excluding Bond and Note loan types. The banks in our sample were lenders in the syndicate for 92% of the loans (98% of the total facility amount outstanding) and a lead arranger in 89% of the loans (95% of the total facility amount outstanding).

loans. Even under this assumption, we find that foreign exposed banks' revolving credit line commitments are 1.8 times as large as their regulated US assets. To be even more conservative, if we assume that banks keep only 25% of their underwritten share of the revolver and 5% of the term loans, ABCP-exposed foreign banks still have an exposure to US dollar denominated loans that approached 60% of their regulated US assets (the comparable number for US banks is 8%). In part, this reflects that fact that large syndicated loan underwriters such as Deutsche Bank and Credit Suisse have relatively small regulated assets in the US, relative to their total assets. While this small asset base relative to total assets would not be relevant if US dollars could be raised at will and in a frictionless manner, aggregate dollar shortages as well as frictions in raising market funding (due to moral hazard and adverse selection concerns) render such a small asset base as a significant exposure to future dollar funding risk.

Do US dollar funding frictions affect the terms of loans that foreign exposed banks grant? We use information on 4,634 syndicated loan facilities in the pre ABCP crisis period and 1,754 in the post period (August 9, 2007 to December 11, 2007), a total of 15,111 lender-facility observations. In the pre-period, 10,215 are denominated in US dollars, and 600 in Euros or Pounds; of the facilities in the post-period, 4,039 are denominated in US dollars, and 257 in Euros or Pounds.²⁰ We also use information about the Moody's loan ratings from the DealScan database. If the Moody's loan rating is not available, we use the first available of the following ratings: S&P Loan Rating equivalent, Moody's Senior Debt, S&P Senior Debt, Moody's Senior Implied, and Fitch Short Term.

We begin by comparing loans arranged before and after the shock to ABCP funding markets in US dollars and in Euro or Pounds (GBP). We first tabulate the average terms of loans made before and after the shock in Table 6. On average, after the ABCP market shock spreads fall by

²⁰ See Carey and Nini (2007) for a discussion of the US versus European syndicated loan data.

almost twice as much in the Euro/GBP market as they do in US dollar denominated loans. However, these results do not control for systematic differences in the types of banks, borrowers, and loans granted.

We also see differences in the terms of the USD and Euro/GBP denominated loans between exposed US and foreign banks. In the beginning of 2007, on average, ABCP-exposed banks seem to be making similar USD loans, with mean loan spreads around 150 basis points. In Europe, relative to USD loans, both exposed US and foreign banks seem to be making riskier loans, with mean spreads around 200 basis points. US banks seem to be participating in larger loan facilities in the European market, with an average loan size greater than \$1 billion. Euro/GBP loan packages also appear to be of slightly longer maturity, on average. After the ABCP market shock, US and foreign banks still seem to be making riskier (higher spread) loans in the European market, US banks appear to participate in larger loan facilities in Europe and on average Euro/GBP denominated loans seem to be of similar or slightly longer maturity than USD loans. These univariate differences point out the importance of controlling for bank and currency fixed effects.

4.2. Empirical Methodology

In order to control for important differences in the type of loans that banks make and for differences in different loan markets, we employ a differences-in-differences strategy, where we estimate the terms of loan facilities extended before and after the ABCP shock, in US dollars and other currencies, by foreign and domestic banks, and by ABCP and non ABCP-exposed banks. We can thus estimate how loan terms changed in the following segments: i) after the ABCP shock, ii) in US dollar loans vs. non US dollar loans, iii) for foreign banks after the ABCP shock, and iv) for foreign banks with ABCP exposure after the ABCP shock, while controlling for bank

fixed effects, borrower characteristics and loan characteristics. Specifically, we estimate the following equation:

$$LPC Term_{b,l,f} = \alpha + \gamma_0(USD) + \Lambda\Psi(Post) + \Gamma\Psi(Post)(USD) + \tau(X_b) + \varphi(Y_l) + \omega(Z_f)$$

where b indexes banks, l indexes loan facilities and f indexes borrower firms; $\Lambda = [\lambda_i]$ and $\Gamma = [\gamma_i]$, for $i=1, \dots, 4$, are row vectors of coefficients; and Ψ is a column vector of variables of interest defined as:

$$\Psi = [1, (Foreign), (US ABCP Exposure), (Foreign)(US ABCP Exposure)]^T.$$

The dependent variable is a term from the loan package, either spread, amount, or maturity. We include fixed effect controls for each bank (X_b). In addition, we add Y_l a vector of controls for loan characteristics associated with terms of syndicated loans, including loan security, and fixed effects controls for the loan purpose. We also include Z_f controls for borrower firm characteristics including sales divided by package amount and fixed effects for the borrower industry, and rating. In our sample, approximately 29% of loans are rated. In some of the spread specifications, we include controls for other co-determined loan characteristics such as maturity and amount. Standard errors are clustered at the loan package level. Detailed variable definitions are available in Appendix A.

Our variables of interest are the following: *Post*, which is defined as a dummy variable equal to 1 on or after August 9, 2007; *US ABCP Exposure*, an indicator variable equal to 1 if a bank has US dollar ABCP exposure; *Foreign*, a dummy variable equal to 1 if the bank's ultimate parent is headquartered outside of the US; and *USD*, a dummy variable equal to 1 if the currency of the loan is US dollars.

We thus can estimate differences in loan terms after controlling for observable loan characteristics, borrower characteristics and for any fixed differences among currencies and

banks. Results emerge from differences in the differences in bank terms between currencies before and after the ABCP shock. Of course, there are limitations to any analysis of syndicated loan data. First, loans are priced in a syndicate, and therefore terms are jointly determined. This would bias us against finding any results, since a withdrawal of credit by foreign banks might be mitigated by additional credit provision by other syndicate members. Second, syndicated loans are underwritten by the syndicate banks, but they may originate the loan to sell-off some of or the entire loan package. Third, we can only analyze the prices of the loans that are actually made after the liquidity shock (the intensive margin). In Section 4.5, we attempt to understand the extent to which the extensive margin changes, although we are limited by the lack of data on loan demand.

4.3. Loan Pricing after the ABCP Funding Shock

We hypothesize that banks exposed to the ABCP shock have suffered more of a liquidity shock than have banks without ABCP exposure. This liquidity shock is denominated in US dollars, and since we find evidence that US banks have differential access to US dollar liquidity in Section 3 (by raising deposits and accessing FHLB financing), we expect there to be differential impacts in the US lending market relative to other currencies, assuming that there are frictions in liquidity across currencies for foreign banks. Thus in order to estimate the impact of a negative liquidity shock to lending, we look to see if foreign exposed banks offer different terms than do US exposed banks, or foreign or domestic non-exposed banks.

We begin in Table 7 by looking at the pricing of loans before and after the ABCP shock, starting with specifications that include loan level and rating controls but not lender fixed effects. While not statistically significant before adding controls for bank type, after controlling for bank fixed

effects, prices on US dollar loans increase more in the post shock period, as do prices for loans made by exposed banks (see third and fourth specifications of Table 7).

Significant differences emerge, however, when we allow the effect of ABCP exposure to vary by loan currency. Foreign banks with exposure to ABCP raise interest rates on US dollar loans after the ABCP funding shock, particularly when compared to US exposed banks or to non-exposed foreign banks. The effect is statistically and economically significant, a marginal effect of almost 80 basis points, even after controlling for loan maturity, size, and loan rating (specification 4). Adding up the coefficients, exposed foreign banks are raising prices after the US ABCP shock. The average effect is an additional 6 basis points on US dollar loans – at a time when they are dropping interest rates on their non-USD loans. Since we may expect relationship banks to play a more important role in the syndicate, we identify banks that participated in a borrower’s previous syndicated loan (*relationship*). We find similarly large effects for this subset of borrowers, but not differentially so. We would also expect to see stronger effects for bank-dependent borrowers. We split the sample between banks with and without public equity. We find the largest marginal effect for exposed foreign banks on borrowers that do not have public equity. We investigated to see if borrower characteristics mattered, but did not find many results of statistical significance, perhaps because we observe detailed borrower characteristics only for the sample with public equity (for which data is available).

In theory, a liquidity shock might be expected to have the strongest effects on the terms of the liquidity that banks provide to their customers through revolving lines of credit. Looking at US banks and only US loans in the same period, Bord and Santos (2011) find that banks that accessed the liquidity facilities of the Federal Reserve raised prices on the undrawn fees for revolving credit lines to their customers. Surprisingly, in our analysis, the effect is relatively

limited when we restrict the sample to revolvers (not shown). However, we are estimating our results on all-in spread, rather than on undrawn spread, because we have very few observations with information on undrawn spreads for non US dollar revolvers.

Finally, since loan facilities are typically part of a larger loan package, we want to make sure that the pricing differences we find are present in aggregate loan packages. Therefore, we aggregate facilities of a single borrower into a loan package and calculate a weighted average spread on all facilities. The results are of similar magnitude and economic significance.

4.4. Other Loan Terms

Table 8 provides an analysis of important loan terms such as facility amount, maturity, and rating. As with spread, we look at each loan term with and without lender fixed effects to better understand how loan terms are affected both overall and within banks. Since loan terms may be jointly determined, we include controls for other loan terms such as spread, amount, or maturity. Beginning with loan amounts, we do not find statistically significant differences in the post-shock period. US dollar denominated loan amounts decline slightly relative to other loans, although the effect is not statically significant.

Turning to facility maturity (specifications (3) and (4)), we find that exposed foreign banks seem to be shortening maturities on loans after the shock: we estimate a negative coefficient on *Foreign * US ABCP Exposure * Post* after including controls for bank fixed effects and loan ratings. In contrast to our expectations, foreign exposed banks actually seem to be extending maturities on their USD loans relative to their loans in other currencies (positive but not statistically significant coefficient on *USD * Foreign * US ABCP Exposure * Post*). However, when adding up all the marginal effects, we see that relative to the pre-shock period, both

exposed US and foreign banks are shortening shortening maturities on their US loans and extending maturities on their Euro loans (Foreign banks: -1.2 US vs. 3.7 Euro).

Finally, we look at the riskiness of loans. In these specifications, we are simply trying to understand if the average rating of loans done in the post-shock period has changed. Therefore, we do not include controls for loan characteristics such as sales, or other loan terms. Generally, all banks seem to be making less risky loans in the post shock period. Overall, foreign banks are making less risky USD loans (negative coefficient on $USD * Foreign * Post$ in specifications 5 and 6). Moreover, exposed banks are making less risky USD loans (negative coefficient on $USD * Foreign * Post$), although exposed foreign banks are not reducing the riskiness of their loans by quite as much (insignificant positive coefficient on $USD * Exposure * Foreign * Post$). In summary, the impact of differential funding access of domestic and foreign banks to US dollar funding seems predominantly on the cost (spreads) of syndicated loans, rather than on their maturity, size, or risk.

4.5. Extensive margin

It is plausible that the real effect of a liquidity shock is in the loans that do not get made at all. While we cannot identify all borrowers that would have liked to borrow in the syndicated loan market (the full extensive margin), we can examine borrowers that previously accessed this market to see if they are able to refinance their existing loans. For this purpose, we use the set of syndicated loans outstanding at the time of the ABCP shock, and test if US dollar borrowers with foreign exposed banks in their syndicate are less likely to refinance their loans.

In Table 9, we present a Cox proportional hazard analysis of refinancing. We regress a dummy variable indicating if the borrower received a new syndicated loan package between August 9

and December 11, 2007, on our set of lender characteristics, controlling for features of the loan being refinanced that we expect to be associated with the probability of refinancing. As before, our main variables of interest are *US ABCP Exposure*, *Foreign*, and the interaction of the two variables. Since we only look at loan refinancing after August 9, we no longer need a dummy variable for the post-ABCP shock period.

While the previous analysis considered only loans issued in 2007, for this analysis, we want to begin with a sample of loans that were outstanding at the time of the ABCP shock. For this reason, we look backward for a period of five years and begin with the 8,768 loan packages outstanding as of August 9, 2007 underwritten by sample banks (65,662 loan package-lender observations). In this analysis, we focus on the loan package as our unit of observation, because we are interested in understanding how the crisis affects borrowers' access to loans, not the refinancing of any particular facility. Since bank liquidity shocks might disproportionately affect revolving credit lines, we also look at the subsample of 47,537 revolver-lender observations that were arranged in the five years prior to the shock and outstanding as of August 9, 2007.

In order to isolate the effect of the loan underwriter on refinancing, we include controls for characteristics of the initial loan that might affect the probability of refinancing: the time to maturity of the original loan as of August 9, 2007, the price of risk at the time of the original loan, loan rating, loan purpose, and the industry of the borrower. Detailed definitions of the control variables are provided in Appendix A. We also include a *Must Refinance* dummy variable to allow for a nonlinear effect for loans maturing between August 9 and December 11, 2007. The controls generally have the expected sign, with loans of longer time to maturity being less likely to be refinanced.

We find that foreign exposed banks are less likely to refinance USD dollar revolving loans in the months following the ABCP shock. The effect is economically large, although the estimated coefficients (-0.217 in specification (5) and -0.432 in specification (6)) are not statistically significant. This also highlights the importance of controlling for risk in the spread regressions of the previous sections, since it is likely that the risk of loans extended by foreign exposed banks in US dollars is falling at this time relative to their other currency loans.

5. Concluding Remarks

Our primary finding in this paper is that foreign banks borrowing in the ABCP market and operating in the United States, in particular, had to scramble for liquidity when the ABCP market froze. Their limited access to deposit and government funding sources suggests that they relied mainly on the relatively more fragile wholesale markets for funding. In turn, they passed on the cost of this fragility to their US dollar borrowers in the form of greater costs for provision of syndicated loan packages.

It is interesting to consider a few issues concerning other sources of funding for the foreign banks. Clearly, as the US banks relied on their own deposit markets and government funding, foreign banks may have also had access to such funding in their home countries. However, what these banks were scrambling for were primarily US dollars. Eventually, US dollars were made available through swap lines set up by the Federal Reserve with other central banks. However, this did not happen until December 11th 2007 (see McGuire and Goetz (2009), for example), giving us at least a quarter of data starting with the ABCP funding shock in August 2007, from which we can identify the lending channel operating through foreign bank dollar shortages. That the TAF auctions conducted by the Federal Reserve starting in December 2007 had significant take-up by foreign banks, and that the dollar swap lines provided to foreign central banks were

heavily used appear to suggest that foreign banks' US dollar needs were not fully met at least until December 2007.

Another source of US dollar funding for foreign banks considered in the work of Cetorelli and Goldberg (2011) is that of management of liquidity across an entire banking organization, with funds flowing across international affiliates and within geographically diverse banks. They find that faced with a shock to the parent in the ABCP market, global banks activated internal capital markets shuffling funds in and out of specific locations based on the relative importance of such locations as local funding pools. While we do not analyze how such management of liquidity contributes to – or affects – our results, if such liquidity management were relatively costless, then it should have only made it harder for us to find a differential effect between foreign and domestic banks operating in the US.

Finally, two policy issues are relevant for discussion in the context of our results. First, we find evidence that suggests that dollar-funding shortages can affect not only the stability of foreign banks, but also induce spillover onto the US real economy, especially to corporations borrowing from foreign banks. For instance, the recent 10% contraction in short-term paper extended by money market funds to European banks may also potentially be associated with such a spillover and may be fruitful ground for further inquiry.²¹ A robust conclusion is that ensuring prudential regulation of domestic banks in a country may not be sufficient for guarding against financial fragility if the economy is a large center of global banking activities.

Second, while we can draw conclusions about the changes in loan pricing after August 2007 we cannot say whether spreads on syndicated loans made by foreign banks were too low pre August 2007 or whether the spreads rose excessively so post August 2007 (or both). Our empirical

²¹ The foreign bank presence in borrowing from the money-market funds in fact dates back to pre-crisis periods, as documented by Baba, McCauley and Ramaswamy (2009).

analysis, which is based on difference in differences, cannot rule in favor of one thesis or the other. Acharya and Richardson (2009) argue that bank risk-taking in the pre-crisis period was driven by regulatory arbitrage motive. Acharya, Schnabl and Suarez (2009) show convincingly that the reliance on ABCP by commercial banks was primarily the result of advantageous capital treatment accorded to issuance of such paper (and guarantees to it) by most national regulators. Shin (2011) calls the resulting provision of intermediation a “global banking glut,” arguing that it led to the underpricing of dollar-denominated maturity mismatch and in particular to compressed loan premiums. Our results are supportive of these conclusions, but also potentially consistent with an ex-post credit crunch (too high spreads relative to efficient ones) due to transmission by foreign banks of their adverse funding conditions to corporations. Investigating this issue further presents a significant but worthy challenge.

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Appendix A: Variable Definitions

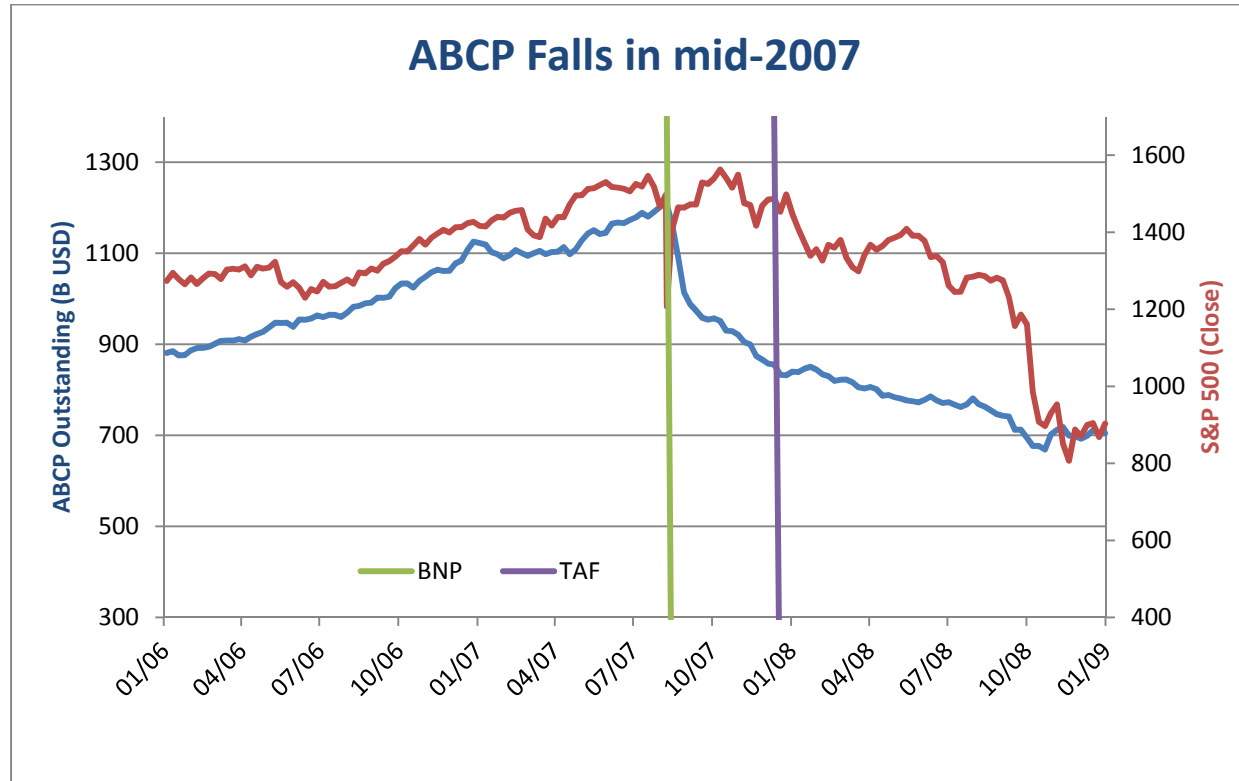
Variable	Definition
<i>Changes in Funding Variables (calculated as level change between 2007:Q2 and 2007:Q2)</i>	
<i>US Deposits</i>	Total noninterest-bearing (including total demand deposits and noninterest-bearing time and savings deposits) and interest-bearing deposits (FR Y9C: bhdm6631, bhdm6636, bhfn6631, bhfn6636; FFIEC 031: rcon6631, rcon6636, rcfn6631, rcfn6636; FFIEC 002: rcfd2205)
<i>Repo, Net</i>	The amount of securities sold under agreements to repurchase less securities bought under agreements to repurchase (FR Y9C: bhckb995, -bhckb989; FFIC 031: rcfdb995, -rcfdb989; FFIEC 002: rcfdc422, rcfdc423, -rcfdc414, -rcfdc415)
<i>Fed Fund, Net</i>	Net fed funds from regulatory filings (FR Y9C: bhdm993, -bhdm987; FFIEC 031: rcon993, -rcon987; FFIEC 002: rcfdc420, rcfdc421, -rcfdc412, -rcfd856, -rcfdc413)
<i>Fed Funds Sold</i>	Amount of fed funds purchased (FR Y9C: bhdm987, FFIEC 031: rcon987, FFIEC 002: rcfdc412, rcfd856, rcfdc413)
<i>Other Borrowed Money (less FHLB advances)</i>	Other borrowed money from nonrelated commercial banks and others less FHLB advances (<i>Other borrowed money</i> defined as FFIEC031: rcfd055, rcfd056, rcfd057, rcfd058)
<i>Cash and Balances</i>	Cash and balances due from depository institutions (FR Y9C: bhck0081, bhck0395, bhck0397; FFIEC 031/ FFIEC 002: rcfd0010)
<i>Available for Sale Securities</i>	Securities that are available for sale (FR Y9C: bhck1773; FFICE 031/ FFIEC 002: rcfd1773)
<i>Demand Deposits</i>	Demand deposits (FR Y9-C: bhcb2210; FFIEC 031/ FFIEC 002: rcon2210)
<i>Core Deposits</i>	The sum of deposits under \$100,000 plus all transactions deposits
<i>Time Deposits (<100k)</i>	Total time deposits of less than \$100,000 (FR Y9-C: bhcb6648, bhod6648; FFIEC 031/ FFIEC 002: rcon6648)
<i>Time Deposits (>100k)</i>	Total time deposits of more than \$100,000 (FR Y9-C: bhcb2604, bhod2604; FFIEC 031/ FFIEC 002: rcon2604)
<i>Other Deposits</i>	NOW, ATS and other transaction accounts, money market deposit accounts and other savings accounts not classified as demand deposits or time deposits
<i>Total Private Funding</i>	the sum of the changes in <i>Fed Funds Net</i> , <i>Total US Deposits</i> , <i>Repo Net</i> , <i>Cash and Balances</i> , <i>Available for Sale Securities</i> , and <i>Other Borrowed Money (less FHLB advances)</i>
<i>Changes in Funding Variables (calculated as level change between August 1 and August 15, 2007)</i>	
<i>Net Due from (to) Related Institutions Change</i>	The amount that is sent to (received from) related institutions that are not US banks. (FR 2644: walb2154, -walb2944; FR 2069: wrss2163, -wrss2941)
<i>Borrowing from US</i>	The change in the amount borrowed in aggregate from other

Variable	Definition
<i>Commercial Bank Change</i>	US banks (FR 2644: walba286; FR 2069: wrssa286)
<i>DealScan Variables</i>	
<i>Spread</i>	All-in-drawn spread (in basis points) corresponding to the total cost (interest rate and fees) paid over LIBOR for each dollar drawn down under the loan facility
<i>Amount</i>	Logarithm of the total loan facility in millions
<i>Maturity</i>	Maturity of the facility in months
<i>Unsecured</i>	Dummy equal to 1 if the loan is either not secured or missing data
<i>Number of lenders</i>	Number of lenders in the syndicate
<i>Borrower Industry</i>	Dummy variable for the 2-digit SIC industry code of the borrower
<i>Deal purpose</i>	Dummy for the loan purpose (aggregated to business purposes, project financing, or other (CP backup, IPO related finance, pre-export, securities purchase, undisclosed, guarantee, lease finance, purchase hardware, or other))
<i>Leverage</i>	Sales divided by package amount
<i>Rating</i>	Dummy variable for Moody's loan rating (26 dummies). If the Moody's loan rating is not available, we use the first available of the following ratings: S&P Loan Rating equivalent, Moody's Senior Debt, S&P Senior Debt, Moody's Senior Implied, Fitch Short Term, and S&P Long-term Credit
<i>No loan rating</i>	Dummy equal to 1 if the loan and borrower is not rated
<i>Refinancing Variables</i>	
<i>Time to Maturity</i>	The distance between August 9, 2007, and the maturity of the original loan
<i>Risk Price</i>	Spread of Moody's seasoned Baa corporate bond yield less the Moody's seasoned Aaa corporate bond yield at the issuance date of the original loan

Appendix B: Availability of Information on Sources of Funding Liquidity

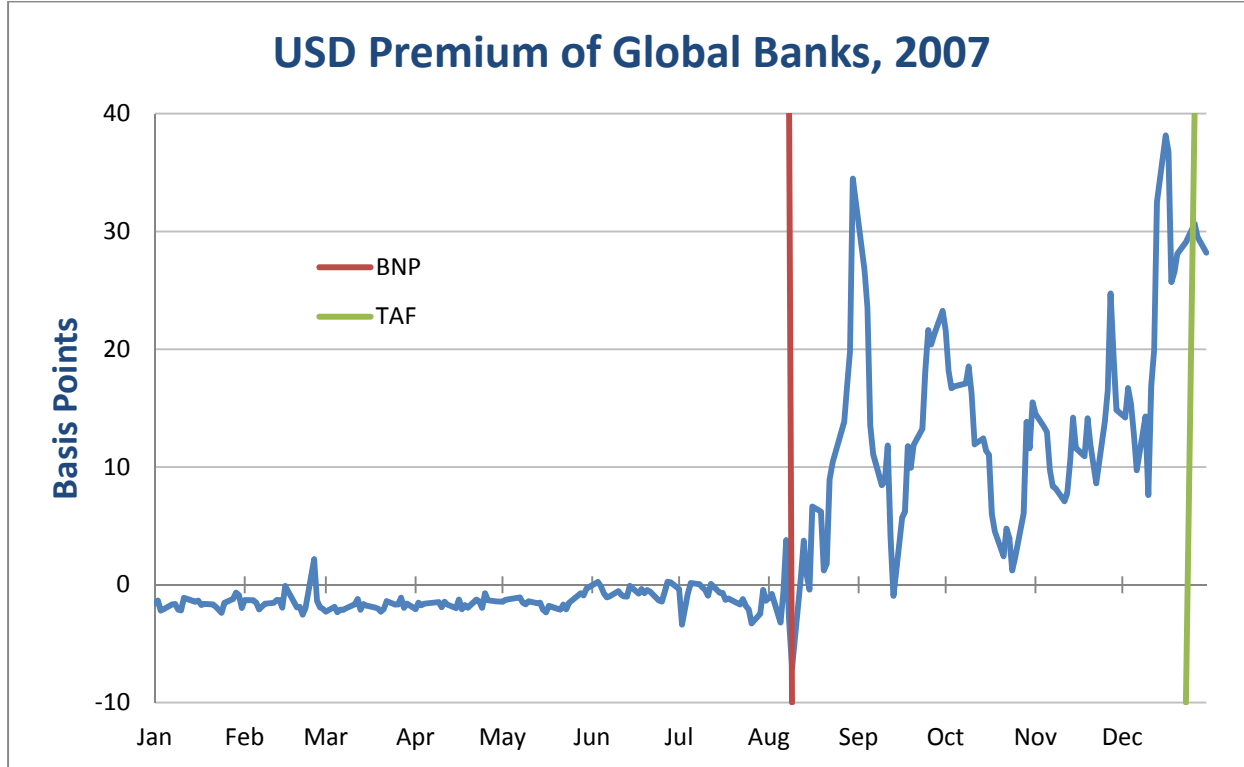
Source of ST liquidity	Data	Not captured
<i>Private</i>		
Cash	Quarterly (includes non-dollar denominated currency and coin, and cash in interest-bearing balances offshore)	US dollars held outside of US (at FBO headquarters etc.)
AFS Securities	Quarterly	AFS securities at FBO headquarters, disaggregated AFS holdings at the domestic branch and offices of foreign banks (002 filers)
Net Fed Funds / Eurodollar	Daily estimates (extracted from payments data), Quarterly at US regulated subsidiary only	May include correspondent banking, term fed funds, Eurodollar loans and tri-party repo. May miss activity not settled in Fedwire and loans with unusually high or low rates compared to the daily effective fed funds rate
Repo	Quarterly	Repo of assets at foreign headquarters
US Deposits (including Demand deposits, time deposits, and other deposits)	Quarterly	US dollar deposits held at FBO level (the y-7q reports figures at the FBO level but does not detail deposit figures)
Local currency funding swapped into US dollars	Weekly information on transfers from headquarters for subset of banks	Banks which are not included in H8 (voluntary) panel, US dollar funding not sent through regulated subsidiary
Commercial Paper	Quarterly for BHCs (Data tracked in Y-9C but not CALL or 002.)	Commercial banks not part of a BHC and 002 filers (available CP data from DTCC begins August 29, 2008; CP facility data from Bloomberg not populated)
<i>Government</i>		
Discount window	Daily (access only for US branches and agencies of foreign banks that hold reserves)	None
TAF	Daily (access for US depository institutions and US branches and agencies of foreign institutions in good standing and maintaining deposits subject to reserve requirements)	None
FHLB advances	Quarterly (access only for member US commercial banks and BHCs)	None

Figure 1



Adapted from Acharya, Schnabl and Suarez (2009). The red line is the level of the S&P 500 at close; the blue line is the total amount of ABCP outstanding in billions USD; the green line indicates 8/9/07, when BNP Paribas suspended withdrawals from 3 subprime mortgage backed funds; the purple line indicates 12/12/07, when the Federal Reserve announced TAF to alleviate pressure in short-term funding markets.

Figure 2



Adapted from Hrungrung and Sarkar (2012). The blue line measures CIP deviations for USD loans; the red line indicates 8/9/07, when BNP Paribas suspended withdrawals from 3 subprime mortgage backed funds; the green line indicates 12/12/07, when the Federal Reserve announced TAF to alleviate pressure in short-term funding markets.

Table 1, Panel A: Summary Statistics

	units	Full Sample				ABCP Exposed			
		n	Mean	Std. Dev.	p(50)	n	Mean	Std. Dev.	p(50)
<i>Firm Characteristics</i>									
Foreign Lender dummy	--	567	0.2	0.4	0.0	53	0.8	0.4	1.0
US ABCP Outstanding	\$million	567	1237.3	6208.0	0.0	53	13236.7	16050.0	6724.0
US ABCP Exposure	%	567	4.9	27.8	0.0	53	52.6	76.3	30.1
Total Assets, 2006q4	\$billion	567	103.9	299.3	2.6	53	739.2	563.3	543.7
Total US Assets, 2006q4	\$billion	567	22.9	129.5	1.5	53	166.8	383.3	12.0
US Tier 1 Capital/US Assets, 2006q4	%	534	9.4	9.5	8.3	47	7.6	24.8	3.6

Table 1, Panel B: Summary Statistics by Bank Type

	Sample	Exposed	Banks with ABCP			Foreign Banks		
			Foreign	US	Difference, For - US	No ABCP	ABCP	Difference, ABCP-No ABCP
Number of banks	567	53	40	13		87	40	
US ABCP Outstanding	1,237.3 (6,208.0)	13,236.7 (16,050.0)	10,919.3 (10,562.3)	20,367.4 (26,090.5)	-9,448.1	0.0 (0.0)	10,919.3 (10,562.3)	-10,919.3
US ABCP Exposure	4.9 (27.8)	52.6 (76.3)	53.3 (84.6)	50.5 (44.4)	2.8	0.0 (0.0)	53.3 (84.6)	-53.3
Total Assets, 2006q4	103.9 (299.3)	739.2 (563.3)	783.8 (554.7)	602.0 (590.1)	181.8	175.7 (289.3)	783.8 (554.7)	-608.1
Total US Assets, 2006q4	(22.9) (129.5)	(166.8) (383.3)	72.5 (144.0)	457.0 (669.6)	-384.5	6.3 (12.4)	72.5 (144.0)	-66.2
US Tier 1 Capital/US Assets, 2006q4	9.4 (9.5)	7.6 (24.8)	7.8 (27.7)	7.0 (1.4)	0.8	7.1 (8.5)	7.8 (27.7)	-0.7

Panel A of Table 1 displays summary statistics of bank characteristics. Panel B of Table 1 displays summary statistics for banks with ABCP separately for foreign and domestic banks and for foreign banks with and without ABCP. The sample consists of 567 banks (53 with US ABCP exposure). Characteristics include: *US ABCP Outstanding* (the amount of US dollar ABCP outstanding in millions); *US ABCP Exposure* (the percentage of US ABCP as of 1/1/2007 relative to bank equity), which comes from Moody's Investor Service and Bankscope as detailed in Acharya and Schnabl (2011); *Total Assets, 2006q4* is the total assets of the consolidated bank and comes from Bankscope; and *Total US Assets, 2006q4* is the assets of the bank in the US and comes from regulatory reports. *Tier 1 Capital/Assets, 2006q4* is the Tier 1 regulatory capital over total assets for 2006q4.

Table 2, Panel A: Change in Funding (\$ millions)

	units	Full Sample						ABCP Exposed		
		n	Mean	Std. Dev.	p(25)	p(50)	p(75)	n	Mean	Std. Dev.
<i>Sources of Funds</i>										
<u>PRIVATE</u>										
Fed Funds Net Change	\$million	567	-40.4	923.0	-16.2	0.0	22.8	53	-213.7	2,556.4
Fed Funds Sold Change	\$million	567	-8.8	381.1	-10.7	0.0	5.4	53	3.5	429.3
Cash and Balances Change	\$million	567	-17.1	880.2	-8.5	-0.6	3.7	53	-202.5	2,825.5
Repo Net (Sold-Purchased) Change	\$million	567	-50.6	2,253.6	0.0	0.0	6.4	53	-500.5	7,282.2
Total US Deposits Change	\$million	567	434.8	3,370.4	-23.2	3.1	33.5	53	2,571.8	9,166.4
Demand Deposits Change	\$million	567	-58.4	326.6	-19.3	-1.8	0.9	53	-231.8	619.9
Core Deposits Change	\$million	567	-25.4	340.7	-25.0	-1.9	6.9	53	-189.1	489.5
Time Deposits(<100k) Change	\$million	567	36.1	324.5	-4.2	0.0	5.3	53	97.1	497.3
Time Deposits(>100k) Change	\$million	567	275.5	2,383.6	-6.9	1.4	14.4	53	1,850.1	6,715.0
Other Deposits Change	\$million	567	184.7	2,001.8	-8.6	0.7	26.2	53	910.8	5,649.3
Other Borrowed Money (less FHLB advances)	\$million	567	154.9	2,874.8	0.0	0.0	0.9	53	1,646.3	9,250.3
<i>H.8 FR 2644 Sub-sample (change from June 27, 2007 to Sept 26, 2007)</i>										
Net due from Related Institutions Change	\$million	276	56.3	3,582.2	0.0	0.0	0.0	27	-2,032.6	7,285.9
Net due to Related Institutions Change	\$million	276	96.2	1,281.2	0.0	0.0	0.0	27	950.2	3,686.9
Net due to less from Change	\$million	276	39.9	3,667.9	0.0	0.0	0.0	27	2,982.8	8,098.0
Borrowing from US Commercial Bank Change	\$million	276	106.7	1,728.0	0.0	-0.3	0.0	27	496.9	4,583.8
<i>H.8 FR 2644 Sub-sample (change from August 1, 2007 to August 15, 2007)</i>										
Net due from Related Institutions Change	\$million	281	25.3	2,499.9	0.0	0.0	0.0	29	-800.4	5,192.8
Net due to Related Institutions Change	\$million	281	85.6	1,110.1	0.0	0.0	0.0	29	680.0	2,986.9
Net due to less from Change	\$million	281	60.3	2,760.5	0.0	0.0	0.0	29	1,480.5	6,214.3
Borrowing from US Commercial Bank Change	\$million	281	137.9	1,476.0	-3.1	0.0	14.5	29	517.4	3,761.4
<u>GOVERNMENT</u>										
Primary Discount Window Change	\$million	567	22.6	246.1	0.0	0.0	0.0	53	124.3	467.1
FHLB Advances Change	\$million	567	137.4	1,037.3	0.0	0.0	10.0	53	750.8	466.7
Term Auction Facility (TAF) Change	\$million	567	39.8	236.6	0.0	0.0	0.0	53	181.9	2,859.4
<u>TOTALS</u>										
Total Funding Change	\$million	567	678.2	5,600.1	-11.2	13.1	81.5	53	4,190.8	16,454.3
Total Government Funding Change	\$million	567	160.0	1,156.1	0.0	0.0	13.9	53	875.1	3,097.1
Total Private Funding Change	\$million	567	518.2	5,076.7	-18.2	10.6	72.7	53	3,315.6	14,824.4

Table 2, Panel B: Change in Funding, by Bank Type

	Banks with ABCP			Foreign Banks		
	Foreign	US	Difference, For - US	ABCP	No ABCP	Difference, ABCP - No ABCP
Mean Quarterly Change (2007Q3 - 2007Q2) (\$millions)						
US Assets	3,955.1 (17,279.3)	18,861.7 (38,868.1)	-14,906.6	3,955.1 (17,279.3)	421.0 (3,233.1)	3,534.0
<i>Funding (Private)</i>						
<i>Liabilities</i>						
Total US Deposits	1,649.8 (7,260.1)	5,408.6 (13,462.6)	-3,758.8	1,649.8 (7,260.1)	828.7 (3,821.7)	821.1
Repo Net	520.8 (4,286.3)	-3,642.8 (12,486.5)	4,163.6	520.8 (4,286.3)	-104.2 (857.5)	625.0
Fed Funds Net	-356.8 (2,614.4)	226.5 (2,414.0)	-583.4	-356.8 (2,614.4)	-164.7 (1,003.0)	-192.1
Fed Funds Sold	-31.8 (584.7)	-447.1 (1,126.6)	415.3	-31.8 (584.7)	-4.5 (602.3)	-27.3
Other Borrowed Money (less FHLB advances)	-812.6 (4,367.5)	9,212.1 (15,054.4)	-10,024.7	-812.6 (4,367.5)	11.8 (555.8)	-824.4
<i>Assets</i>						
Cash	271.3 (1,923.9)	-1,660.5 (4,417.4)	1,931.8	271.3 (1,923.9)	-31.6 (330.5)	303.0
Available for Sale Securities	183.1 (1,850.5)	-505.0 (5,524.3)	688.1	183.1 (1,850.5)	317.2 (1,720.1)	-134.1
Total Private Funding	1,455.6 (11,355.1)	9,038.9 (22,051.0)	-7,583.3	1,455.6 (11,355.1)	857.1 (4,868.9)	598.4
<i>US Deposits</i>						
Demand Deposits	-112.7 (387.0)	-598.4 (992.7)	485.7	-112.7 (387.0)	-20.0 (95.0)	-92.7
Core Deposits	-141.2 (454.7)	-336.5 (579.1)	195.3	-141.2 (454.7)	-21.7 (101.7)	-119.5
Time Deposits (<\$100k)	-4.7 (59.4)	410.4 (958.8)	-415.0	-4.7 (59.4)	-1.2 (10.6)	-3.5
Time Deposits(>\$100k)	1,612.1 (7,291.5)	2,582.2 (4,673.2)	-970.1	1,612.1 (7,291.5)	660.8 (2,766.7)	951.3
Other Deposits	178.8 (1,418.6)	3,162.9 (11,156.9)	-2,984.0	178.8 (1,418.6)	189.6 (1,751.7)	-10.7
Total US Deposits	1,649.8 (7,260.1)	5,408.6 (13,462.6)	-3,758.8	1,649.8 (7,260.1)	828.7 (3,821.7)	821.1

Table 2, Panel B: Change in Funding, by Bank Type (cont'd)

	Banks with ABCP			Foreign Banks		
	Foreign	US	Difference, For - US	ABCP	No ABCP	Difference, ABCP - No ABCP
<i>H.8 FR 2644 Sub-sample (change from June 27, 2007 to Sept 26, 2007)</i>						
Number of banks	21	6		21	28	
Net Due To Less From	4,176.0 (8,804.5)	-1,193.5 (2,003.7)	5,369.5	4,176.0 (8,804.5)	-2,349.2 (7,676.1)	6,525.2
Borr. from US comml bank	-295.8 (1,623.2)	3,271.7 (9,318.7)	-3,567.5	-295.8 (1,623.2)	226.8 (938.1)	-522.6
<i>H.8 FR 2644 Sub-sample (change from August 1, 2007 to August 15, 2007)</i>						
Number of banks	23	6		23	31	
Net Due To Less From	1,939.1 (6,926.5)	-277.6 (700.5)	2,216.7	1,939.1 (6,926.5)	-831.3 (5,680.3)	2,770.4
Borr. from US comml bank	-125.9 (1,131.9)	2,983.8 (8,024.3)	-3,109.7	-125.9 (1,131.9)	108.4 (1,121.2)	-234.3

Table 2, Panel A displays summary statistics of the change in funding. Table 2, Panel B displays summary statistics of the change in private funding separating foreign and domestic and ABCP exposed and non-exposed banks. Detailed definitions of variables are in Appendix A. The sample consists of 567 banks (53 banks have US ABCP exposure).

Table 3: Determinants of the Change in Funding

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
							Deposits Detail		
Change in:	Net FF/Euro (Borrow- Lend)	FF/Euro Lending	Net Repo (Sold- Purchased)	Total US Deposits	Cash and Balances	AFS Securities	Time (<100k)	Core	Total Deposits - Core Deposits
US Exposure	183.4 (744.5)	-583.3* (333.3)	-3,716.9 (3,605.8)	4,920.9 (3,729.4)	-1,714.8 (1,270.9)	-338.7 (1,643.5)	283.7 (280.8)	-361.5** (179.4)	5,282.4 (3,738.3)
Foreign dummy	-224.3 (172.3)	-103.7 (75.5)	-195.4 (365.1)	754.2 (525.3)	-91.4 (155.7)	433.2 (315.0)	-79.6 (61.9)	-55.1 (61.1)	809.3 (527.4)
US Exposure*Foreign	-397.7 (772.9)	492.5 (323.4)	4,308.3 (3,500.1)	-4,245.7 (3,710.1)	1,992.7 (1,237.0)	275.5 (1,577.0)	-327.6 (260.3)	224.2 (168.0)	-4,470.0 (3,727.1)
US Assets (2006q4)	-41.1 (47.1)	-19.7 (12.9)	-53.1 (137.8)	337.3** (138.8)	-31.2 (51.4)	11.5 (59.9)	16.3* (8.8)	-27.5*** (7.8)	364.8** (141.5)
Total Assets (2006q4)	10.6 (40.4)	25.9 (17.1)	15.6 (92.4)	42.7 (116.9)	11.3 (40.2)	-28.5 (69.4)	15.2 (14.5)	8.2 (13.9)	34.4 (118.6)
Constant	233.5 (205.5)	-40.9 (104.1)	295.4 (452.4)	-2,741.5*** (753.6)	157.3 (147.9)	109.5 (498.7)	-199.1** (92.6)	137.4 (89.2)	-2,878.9*** (765.6)
Observations	567	567	567	567	567	567	567	567	567
Adjusted R-squared	0.01	0.03	0.06	0.12	0.09	0.00	0.06	0.05	0.14

Table 3 shows the changes in private funding of 567 banks in our panel. Dependent variables are quarterly change to 2007q3 from 2007q2 of: *Net FF Borrow/Lend*, the amount of Fed funds borrowed less the amount lent; *FF/Euro Lending*, the amount of Fed Funds lent; *Net Repo*, the amount of securities sold under agreements to repurchase less the securities bought under agreements to repurchase; *Total US Deposits*, total US Deposits; *Cash and Balances*, the cash and balances due from depository institutions; *AFS Securities*, the amount of available-for-sale securities; *Primary Discount Window*, the borrowing amount of primary credit at the discount window excluding all borrowing done through secondary credit and seasonal credit lending programs; *TAF*, the sum of the amount borrowed in the two 28-day Term Auction Facility auctions held on December 17th and 20th of 2007; *FHLB Advances*, the amount of Federal Home Loan Bank advances over all maturities; *Time Deposits (<100k)*, the total time deposits of less than \$100,000. *Time Deposits (>100k)* is the total time deposits of more than \$100,000; *Core Deposits*, the amount of transaction deposits and insured time deposits; *Total Deposits – Core Deposits*, the amount of total deposits less all core deposits. The independent variables: *US Exposure*, equal 1 if the high-holder bank has exposure to US ABCP; *Foreign dummy*, equal to 1 if the high-holder bank is foreign; *US Exposure*Foreign*, is the interaction between US Exposure and Foreign dummy; *US Assets (2006q4)*, are the US assets of the bank as of 2006q4; *Total Assets (2006q4)*, are the total banking assets as of 2006q4. ***, **, and * indicate p-values of 1%, 5%, and 10%, respectively.

Table 4, Panel A: Summary Statistics Change in Government Funding

	Banks with ABCP			Foreign Banks		
	Foreign	US	Difference, For - US	ABCP	No ABCP	Difference, ABCP - No ABCP
Mean Changes in Government Funding (changes in \$millions)						
<i>Funding (Government)</i>						
Primary Discount Window	51.4 (341.9)	348.6 (702.3)	-297.2	51.4 (341.9)	13.9 (107.6)	37.5
FHLB Advance	27.9 (255.3)	2,975.2 (5,302.5)	-2,947.3	27.9 (255.3)	48.9 (276.9)	-21.0
Total pre-TAF Govt Funding	79.3 (402.6)	3,323.8 (5,695.0)	-3,244.5	79.3 (402.6)	62.8 (359.7)	16.5
TAF	240.2 (525.6)	2.7 (7.3)	237.5	240.2 (525.6)	133.1 (443.4)	107.1
Total pre-TAF Total Funding	1,534.9 (11,425.6)	12,362.8 (25,555.9)	-10,827.9	1,534.9 (11,425.6)	919.9 (4,879.2)	614.9

Table 4, Panel A displays summary statistics of the changes in government funding separating foreign and domestic and ABCP exposed and non-exposed banks. The sample consists of 567 banks (53 banks have US ABCP exposure).

Table 4, Panel B: Change in Government Funding

	(1)	(2)	(3)	(4)
<i>Dependent Variable</i>	FHLB Advances	Discount Window	TAF	TAF+FHLB Advances
Foreign Lender dummy	-89.2 (228.2)	-1.8 (59.2)	115.1*** (36.5)	25.9 (225.9)
US ABCP Exposure	2,665.9* (1,449.3)	304.5 (205.7)	-49.3 (52.0)	2,616.6* (1,437.1)
Foreign Lender* US ABCP Exposure	-2,781.9** (1,385.3)	-279.6 (191.9)	135.9 (84.5)	-2,646.0* (1,372.5)
US Total Assets, 2006q4	105.6** (50.7)	20.7** (8.5)	19.4*** (6.7)	125.0** (49.9)
Total Assets, 2006q4	32.8 (58.7)	4.1 (14.6)	7.2 (7.9)	40.1 (58.0)
Observations	567	567	567	567
Adjusted R ²	0.24	0.08	0.14	0.26

Table 4, Panel B shows the results of regression specifications with the dependent variable of changes in government funding. The dependent variable in specification (1) is *FHLB Advances*, the sum of all *FHLB advances*, the specification (2) is *Primary Discount Window*, the borrowing amount of primary credit at the discount window excluding all borrowing done through secondary credit and seasonal credit lending programs, the specification (3) is *TAF Borrowing*, the amount borrowed from the borrowed in the Term Auction Facility auctions held on December 17th and 20th of 2007, and specification (4) is *TAF+FHLB* (the sum of *TAF borrowing* and the change in *FHLB Advances*). Detailed definitions of variables are in Appendix A. Other explanatory variables include: *Foreign Lender dummy*, which equals 1 if the bank is headquartered outside of the US and *US ABCP Exposure*, which equals 1 for banks with US ABCP exposure, and the interaction of the *Foreign Lender dummy* and *US ABCP Exposure*. Robust standard errors are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% level.

Table 5: Mismatch between US Dollar Underwriting and US Regulated Assets

Sum		Means	
Amount/n		% of total assets	% of US assets (from Fed filings)
Domestic, Exposed	3,085.1	33.3%	44.4%
Domestic, Non-exposed	1,007.3	44.0%	44.0%
Foreign, Exposed	3,474.1	26.5%	459.5%
Foreign, Non-exposed	725.6	8.4%	363.7%
Sum		Means	
Revolver Only		% of total assets	% of US assets (from Fed filings)
Domestic, Exposed	1,591.6	18.7%	27.7%
Domestic, Non-exposed	491.2	20.5%	20.5%
Foreign, Exposed	1,593.8	12.5%	178.2%
Foreign, Non-exposed	325.7	2.4%	88.4%
Sum		Means	
25%* Revolver + 5%*Term Loans		% of total assets	% of US assets (from Fed filings)
Domestic, Exposed	472.6	5.4%	7.8%
Domestic, Non-exposed	148.6	6.3%	6.3%
Foreign, Exposed	492.5	3.8%	58.6%
Foreign, Non-exposed	101.4	0.9%	35.9%

The sample includes all outstanding US Dollar currency denominated loans in LPC made by the 567 banks in our panel, defined as any facility with a start date before August 9, 2007 and an end date after August 9, 2007 (n=162, 555 facility-lenders). Revolvers with maturities of less and greater than one year are grouped as Revolvers; all other facilities loan types are grouped as Term Loans. *Domestic, Exposed* are domestic headquartered banks with exposure to US ABCP; *Domestic, Non-exposed* are domestic headquartered banks with no exposure to US ABCP; *Foreign, Exposed* are foreign headquartered banks with exposure to US ABCP; *Foreign, Non-exposed* are foreign headquartered banks with no exposure to US ABCP. The sum total of outstanding amounts, as well as mean outstanding amounts as a percentage of total bank assets and US bank assets.

Table 6: Summary Statistics of Syndicate Lending Terms

	Foreign Banks				US Banks				All Banks			
	N	Mean	Std. Dev.	Change in Mean	N	Mean	Std. Dev.	Change in Mean	N	Mean	Std. Dev.	Change in Mean
<i>USD Loans</i>												
<u>Pre-Paribas</u>												
Amount (\$m)	4067	891.6	1323.7		6148	607.9	1097.8		10215	720.8	1200.8	
Spread (bps)	4067	154	124.8		6148	169.4	125.1		10215	163.3	125.2	
Maturity (yrs.)	4067	5.129	1.457		6148	5.103	1.402		10215	5.113	1.424	
<u>Post-Paribas</u>												
Amount (\$m)	1712	851.2	1183.6	-40.45	2327	718.4	1234.5	110.5	4039	774.7	1214.8	53.84
Spread (bps)	1712	132.1	115.9	-21.82	2327	155.2	132.1	-14.22	4039	145.4	126	-17.84
Maturity (yrs.)	1712	4.803	1.531	-0.325	2327	4.752	1.423	-0.351	4039	4.773	1.47	-0.34
<i>EUR/GBP Loans</i>												
<u>Pre-Paribas</u>												
Amount (\$m)	482	987.9	1377.4		118	915.6	1789.2		600	973.7	1466.1	
Spread (bps)	482	182.5	139.2		118	224.3	125.9		600	190.7	137.6	
Maturity (yrs.)	482	5.839	2.6		118	5.8	2.158		600	5.832	2.517	
<u>Post-Paribas</u>												
Amount (\$m)	220	964.9	1001.9	-22.93	37	1721.8	1730.1	806.1	257	1073.9	1162.1	100.2
Spread (bps)	220	153.8	124.2	-28.71	37	178.9	196.3	-45.49	257	157.4	136.7	-33.33
Maturity (yrs.)	220	6.106	1.556	0.266	37	5.554	2.176	-0.246	257	6.026	1.665	0.195

Table 6 shows lending summary statistics by bank headquarters. The sample is the 15,111 facilities underwritten by the 567 banks in our panel between January 1 and December 12, 2007, before and after August 9, 2007 and denominated in US dollars and Euros or British pounds. Statistics are presented for loans made by foreign and US banks, as well as for all loans in the right most columns. Loan amount is the amount of the loan facility in millions of US dollars. Euro/GBP loans are converted by LPC using the currency conversion rate at the facility start date. Spread is the all-in-drawn spread from LPC in basis points. Maturity is the maturity of the loan in years.

Table 7: Spread Pre and Post ABCP Shock

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
					Relation- ship	No Relation- ship	Public	Private
Post	-15.39 (29.24)	-12.80 (27.13)	-14.32 (20.28)	-37.19 (27.29)	-67.78* (36.47)	-16.24 (37.61)	-43.08 (39.96)	-41.50 (50.19)
USD	16.03 (14.39)	-4.479 (23.45)	20.28 (13.73)	9.780 (22.22)	-29.24 (32.54)	35.07 (25.82)	-9.307 (31.75)	36.85 (30.47)
Post * USD	19.20 (29.43)	19.55 (27.20)	22.93 (20.55)	46.65* (27.59)	70.14* (36.88)	28.11 (38.32)	48.28 (39.74)	66.98 (51.14)
Post * Exposed	12.10 (11.65)	64.23* (36.08)	12.06 (14.66)	81.51** (33.22)	70.45** (33.32)	113.2** (48.60)	64.46*** (24.15)	99.42* (57.08)
USD * Exposed	6.760 (8.166)	18.80 (14.22)	1.450 (10.07)	8.209 (14.90)	45.19* (27.32)	-0.188 (23.73)	20.95 (21.09)	-7.168 (19.43)
Post * USD * Exposed	-7.609 (12.31)	-59.57 (36.25)	-11.22 (14.76)	-78.76** (33.53)	-61.55* (33.69)	-112.1** (49.65)	-56.65** (24.49)	-109.8* (58.29)
Exposed	-10.56 (7.870)	-22.66* (13.68)						
Foreign	-7.716* (4.481)	-33.63 (24.86)						
Exposed * Foreign	5.603 (3.514)	22.01 (16.36)						
Post * Foreign		0.109 (39.96)	28.53 (34.16)	88.94 (54.19)	12.75 (43.88)	77.61** (35.69)	36.31 (54.33)	
USD * Foreign		30.00 (25.06)	15.43 (23.85)	68.80 (43.30)	10.80 (27.94)	40.22 (32.42)	10.92 (35.23)	
Post * USD * Foreign		-9.816 (41.12)	-31.44 (35.50)	-77.19 (55.07)	-21.65 (46.18)	-75.69** (36.58)	-28.66 (57.41)	
Post * Exposed * Foreign		-63.92 (46.93)	-83.22** (38.84)	-105.4** (45.04)	-109.9* (56.68)	-25.94 (32.94)	-135.4** (62.89)	
USD * Exposed * Foreign		-17.63 (16.68)	-9.271 (16.65)	-53.31* (30.68)	-14.84 (26.12)	-5.485 (21.16)	-23.96 (24.74)	
Post * USD * Exposed * Foreign		66.78 (47.59)	79.93** (39.15)	85.44* (45.79)	115.8** (57.56)	19.18 (33.74)	129.5** (63.52)	
Lender Fixed Effects	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Rating Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Spread Control	No	No	No	No	No	No	Yes	Yes
Amount Control	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Maturity Control	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	15111	15111	15111	15111	8614	6497	10012	5099
adj. R-sq	0.532	0.533	0.549	0.549	0.570	0.519	0.590	0.439

Table 7: Spread Pre and Post ABCP Shock (Continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
					Relation- ship	No Relation- ship	Public	Private
<i>Marginal Effects</i>								
<u>Exposed</u>								
Domestic Lender, USD Loan	8.30	11.41	9.45	12.21	11.26	12.97	13.01	15.10
Domestic Lender, Euro Loan	-3.29	51.43	-2.26	44.32	2.67	96.96	21.38	57.92
Foreign Lender, USD Loan	8.301	4.56	9.45	6.01	3.05	9.97	8.17	16.85
Foreign Lender, Euro Loan	-3.29	-12.38	-2.26	-10.37	-13.79	-0.19	73.05	-41.17
<u>Not Exposed</u>								
Domestic Lender, USD Loan	3.81	6.75	8.61	9.46	2.36	11.87	5.20	25.48
Domestic Lender, Euro Loan	-15.39	-12.80	-14.32	-37.19	-67.78	-16.24	-43.08	-41.50
Foreign Lender, USD Loan	3.81	-2.96	8.61	6.55	14.11	2.97	7.12	33.13
Foreign Lender, Euro Loan	-15.39	-12.69	-14.32	-8.66	21.16	-3.49	34.53	-5.19

Table 7 shows the results of regressions for 15,111 syndicated loan facilities underwritten in 2007. The dependent variable is *Spread*, the all-in-drawn spread in basis points. Each specification includes the following loan level controls: the log of loan amount, maturity, sales divided by loan amount, an unsecured dummy, the number of lenders in the facility, the number of facilities in the loan package, and fixed effects for the 1-digit SIC code of the borrower, deal purpose and loan type. In addition, controls for *loan rating* (categorical variable) are included in all specifications. Controls for lender fixed effects are included in specifications (3) through (8). Specifications (5) and (6) split the sample between borrowers for which the lender has previously participated in the lending syndicate in the last five years and those with no previous relationship. Specifications (7) and (8) split the sample between borrowers with and without publicly traded equity. Detailed definitions of variables are provided in Appendix A. *Post* is equal to 1 if the loan start date occurs after August 9, 2007. *USD* is a dummy variable equal to one if the loan is denominated in US dollars. *Foreign* is equal to 1 if the bank is foreign. *Exposed* is a dummy variable equal to 1 if the lender has any US ABCP exposure. Robust standard errors clustered on package are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% level.

Table 8, Panel A: Amount, Maturity, and Rating

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)
	Amount		Maturity		Rating	
Post	0.321 (0.281)	0.763* (0.391)	-1.641 (7.562)	-13.90* (7.235)	-1.391 (2.431)	-5.419 (3.659)
USD	-0.604*** (0.208)	-0.222 (0.224)	-6.848 (4.567)	-7.301 (4.576)	-3.124*** (1.008)	-1.500 (1.529)
Post * USD	-0.208 (0.285)	-0.608 (0.396)	-0.608 (7.580)	11.19 (7.256)	0.863 (2.469)	4.874 (3.672)
Post * Exposed	-0.191 (0.228)	-0.374 (0.276)	5.268 (5.749)	16.41* (8.651)	0.576 (1.896)	1.194 (2.812)
USD * Exposed	-0.0295 (0.134)	-0.328 (0.210)	3.403 (3.619)	6.613 (6.130)	-2.095*** (0.785)	-1.231 (1.691)
Post * USD * Exposed	0.215 (0.232)	0.421 (0.277)	-4.842 (5.773)	-16.02* (8.671)	-0.0693 (1.919)	-0.750 (2.827)
Post * Foreign		-0.576 (0.396)		14.94 (9.588)		4.732 (2.902)
USD * Foreign		-0.533* (0.276)		-0.153 (7.215)		-2.649 (1.695)
Post * USD * Foreign		0.432 (0.411)		-13.32 (9.559)		-4.638 (3.033)
Post * Exposed * Foreign		0.261 (0.285)		-13.77* (8.179)		-0.875 (2.949)
USD * Exposed * Foreign		0.444* (0.239)		-3.524 (5.828)		-0.567 (1.768)
Post * USD * Exposed * Foreign		-0.261 (0.306)		13.25 (8.262)		0.967 (3.035)
Lender Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Rating Controls	Yes	Yes	Yes	Yes	No	No
Spread Control	Yes	Yes	Yes	Yes	No	No
Amount Control	No	No	Yes	Yes	No	No
Maturity Control	Yes	Yes	No	No	No	No
N	15111	15111	15111	15111	15111	15111
adj. R-sq	0.467	0.468	0.341	0.342	0.251	0.255

Table 8, Panel A: Amount, Maturity, and Rating (Continued)

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)
	Amount		Maturity		Rating	
<i>Marginal Effects</i>						
<u>Exposed</u>						
Domestic Lender, USD Loan	0.14	0.20	-1.82	-2.32	-0.02	-0.10
Domestic Lender, Euro Loan	0.13	0.39	3.63	2.51	-0.82	-4.23
Foreign Lender, USD Loan	0.14	0.06	-1.82	-1.22	-0.02	0.09
Foreign Lender, Euro Loan	0.13	0.07	3.63	3.68	-0.82	-0.37
<u>Not Exposed</u>						
Domestic Lender, USD Loan	0.11	0.16	-2.25	-2.71	-0.53	-0.55
Domestic Lender, Euro Loan	0.321	0.763	-1.641	-13.90	-1.391	-5.419
Foreign Lender, USD Loan	0.11	0.01	-2.25	-1.09	-0.53	-0.45
Foreign Lender, Euro Loan	0.321	0.19	-1.641	1.04	-1.391	-0.69

Table 8, Panel A shows the results of regressions for 15,111 syndicated loan facilities underwritten in 2007. The dependent variables are *Amount*, the log of facility amount in millions, *Maturity*, the maturity of the facility in months, and *Rating*, the loan rating. Each specification includes the following loan level controls: sales divided by loan amount, an unsecured dummy, number of lenders in the facility, number of facilities in the loan package, and fixed effects for the 1-digit SIC code of the borrower, deal purpose, and loan type. In addition, controls for loan rating (categorical variable) are included in specifications (1) through (4) and lender fixed effects are included in all specifications. Detailed definitions of variables are provided in Appendix A. *Post* is equal to 1 if the loan start date occurs after August 9, 2007. *Foreign* is equal to 1 if the bank is foreign. *USD* is a dummy variable equal to one if the loan is denominated in US dollars. *Exposed* is a dummy variable equal to 1 if the lender has any US ABCP exposure. Robust standard errors clustered on package are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% level.

Table 8, Panel B: Amount and Maturity Subsamples

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Amount				Maturity			
	Relation- ship	No Relation- ship	Public	Private	Relation- ship	No Relation- ship	Public	Private
Post	1.517*** (0.416)	0.144 (0.309)	0.589 (0.485)	0.731* (0.411)	-29.15*** (8.647)	-0.615 (6.582)	-11.45 (8.050)	-3.751 (4.406)
USD	0.126 (0.361)	-0.375 (0.246)	-0.364 (0.276)	-0.245 (0.285)	-9.975 (7.844)	-5.046 (4.983)	-3.109 (6.391)	-13.02*** (4.145)
Post * USD	-1.432*** (0.417)	0.101 (0.318)	-0.595 (0.485)	-0.378 (0.440)	25.01*** (8.710)	-0.183 (6.564)	7.790 (8.075)	2.579 (4.873)
Post * Exposed	-1.431*** (0.508)	0.310 (0.281)	-0.433 (0.329)	-0.135 (0.342)	21.18* (12.05)	11.22 (9.476)	11.33 (8.655)	6.037 (8.146)
USD * Exposed	-0.707* (0.372)	-0.225 (0.225)	-0.384 (0.267)	0.0493 (0.247)	12.24 (10.94)	-0.992 (6.055)	8.780 (7.827)	0.0735 (5.053)
Post * USD * Exposed	1.466*** (0.514)	-0.182 (0.300)	0.506 (0.330)	0.142 (0.347)	-19.62 (12.14)	-12.57 (9.508)	-10.50 (8.705)	-5.832 (8.341)
Post * Foreign	-1.821*** (0.689)	0.0194 (0.390)	-0.148 (0.435)	-0.138 (0.454)	38.01*** (14.35)	2.248 (8.221)	17.98** (8.301)	-3.987 (5.975)
USD * Foreign	-1.549*** (0.462)	-0.127 (0.293)	-1.050*** (0.278)	0.384 (0.336)	24.67* (13.38)	-6.528 (5.643)	15.15* (8.435)	-12.64** (4.956)
Post * USD * Foreign	1.764** (0.693)	-0.261 (0.406)	0.144 (0.441)	-0.123 (0.523)	-36.56** (14.48)	-1.032 (8.260)	-18.95** (8.296)	11.84* (6.522)
Post * Exposed * Foreign	0.973 (0.783)	-0.119 (0.391)	-0.684 (0.461)	0.285 (0.421)	-28.07** (13.49)	-16.34 (10.18)	-10.49 (8.513)	-9.120 (8.244)
USD * Exposed * Foreign	1.230*** (0.374)	0.282 (0.334)	0.651** (0.261)	-0.130 (0.301)	-15.39 (11.65)	-0.104 (6.578)	-9.918 (6.752)	2.380 (5.200)
Post * USD * Exposed * Foreign	-1.044 (0.785)	0.151 (0.409)	0.589 (0.460)	-0.193 (0.492)	27.28** (13.59)	16.46 (10.24)	11.48 (8.604)	3.928 (8.702)
Lender Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Spread Control	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Amount Control	No	No	No	No	Yes	Yes	Yes	Yes
Maturity Control	Yes	Yes	Yes	Yes	No	No	No	No
N	8614	6497	10012	5099	8614	6497	10012	5099
adj. R-sq	0.442	0.509	0.459	0.462	0.365	0.399	0.333	0.483

Table 8, Panel B: Amount and Maturity Subsamples (Continued)

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Relation- ship	Amount No Relation- ship		Public	Private	Relation- ship	Maturity No Relation- ship	
<i>Exposed</i>								
Domestic Lender, Euro	0.086	0.454	0.156	0.596	-7.97	10.605	-0.12	2.286
Domestic Lender, USD	0.12	0.373	0.067	0.36	-2.58	-2.148	-2.83	-0.967
Foreign Lender, Euro	-0.762	0.3544	-0.676	0.743	1.97	-3.487	7.37	-10.821
Foreign Lender, USD	-0.008	0.1634	-0.032	0.191	-1.92	-0.812	-2.81	1.694
<i>Not Exposed</i>								
Domestic Lender, Euro	1.517	0.144	0.589	0.731	-29.15	-0.615	-11.45	-3.751
Domestic Lender, USD	0.085	0.245	-0.006	0.353	-4.14	-0.798	-3.66	-1.172
Foreign Lender, Euro	-0.304	0.1634	0.441	0.593	8.86	1.633	6.53	-7.738
Foreign Lender, USD	0.028	0.0034	-0.01	0.092	-2.69	0.418	-4.63	6.681

Table 8, Panel B shows the results of regressions for 15,111 syndicated loan facilities underwritten in 2007. Specifications (1), (2), (5), and (6) split the sample between borrowers for which the lender has previously participated in the lending syndicate in the last five years and those with no previous relationship. Specifications (3), (4), (7), and (8) split the sample between borrowers with and without publicly traded equity. The dependent variables are *Amount*, the log of facility amount in millions, and *Maturity*, the maturity of the facility in months. Each specification includes the following loan level controls: sales divided by loan amount, an unsecured dummy, number of lenders in the facility, number of facilities in the loan package, and fixed effects for the 1-digit SIC code of the borrower, deal purpose, and loan type. In addition, controls for loan rating (categorical variable) and lender fixed effects are included in all specifications. Detailed definitions of variables are provided in Appendix A. *Post* is equal to 1 if the loan start date occurs after August 9, 2007. *Foreign* is equal to 1 if the bank is foreign. *USD* is a dummy variable equal to one if the loan is denominated in US dollars. *Exposed* is a dummy variable equal to 1 if the lender has any US ABCP exposure. Robust standard errors clustered on package are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% level.

Table 9: Extensive Margin

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable:	Refinance Dummy					
Observation Level:	Lender-Package			Lender-Facility		
Sample:	Full	Revolver Only	Risky Loans	Full	Revolver Only	Risky Loans
Foreign	0.604 (0.433)	-0.072 (0.390)	0.833 (0.811)	0.562 (0.550)	-0.033 (0.396)	0.665 (0.863)
US ABCP Exposure	0.551 (0.393)	-0.135 (0.354)	0.699 (0.757)	0.509 (0.454)	-0.127 (0.350)	0.555 (0.703)
Foreign*US ABCP Exposure	-0.538 (0.398)	0.269 (0.400)	-0.634 (0.800)	-0.378 (0.486)	0.243 (0.386)	-0.275 (0.760)
Time to maturity (Orig Loan)	-0.000 (0.000)	0.000 (0.000)	0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
Must Refinance Dummy	0.361 (0.246)	-0.466 (0.364)	0.818** (0.342)	0.441* (0.267)	-0.331 (0.375)	-0.117 (0.374)
BAA-AAA Spread (Original Loan)	-0.015*** (0.003)	-0.016*** (0.004)	-0.013** (0.005)	-0.014*** (0.004)	-0.015*** (0.004)	-0.017** (0.008)
Loan Rating (Original Loan)	-0.088*** (0.021)	-0.049* (0.025)	-0.025 (0.041)	-0.097*** (0.023)	-0.059** (0.024)	-0.020 (0.051)
Unrated Loan Dummy (Original Loan)	0.335 (0.339)	-0.041 (0.350)	0.158 (0.487)	0.758** (0.356)	0.027 (0.344)	0.318 (0.599)
USD Dummy	0.858* (0.464)	0.383 (0.502)	1.055 (0.767)	0.730 (0.557)	0.426 (0.514)	0.673 (0.842)
USD Dummy*Foreign	-0.737 (0.451)	-0.006 (0.405)	-0.645 (0.834)	-0.478 (0.571)	-0.039 (0.408)	-0.125 (0.902)
USD Dummy*US ABCP Exposure	-0.513 (0.389)	0.137 (0.355)	-0.687 (0.752)	-0.460 (0.453)	0.129 (0.350)	-0.544 (0.706)
USD Dummy*Foreign*US ABCP Exposure	0.475 (0.408)	-0.249 (0.423)	0.070 (0.795)	0.191 (0.502)	-0.217 (0.406)	-0.432 (0.777)
Fixed Effects						
Industry (2-digit SIC code)	Yes	Yes	Yes	Yes	Yes	Yes
Loan Level Controls						
Deal Purpose	Yes	Yes	Yes	Yes	Yes	Yes
Loan Type	No	No	No	Yes	No	Yes
Lender Fixed Effects	No	No	No	No	No	No
Observations	65,662	47,537	37,847	136,595	52,375	92,138

Table 8 shows results from estimating a Cox proportional hazard regression on a binary dependent variable, *Refinancing*, equal to one if a loan is refinanced between August 9 and December 11, 2007. The sample is 136,595 loan facility-lender observations (52,375 revolvers) and 65,662 package-lender observations (47-537 revolvers) underwritten in the five years preceding the ABCP shock that were outstanding as of August 9, 2007. Specifications (2) and (5) include only revolvers, and (3) and (6) include only risky loans defined as those loans with all-in-drawn spreads greater than 150 basis points. All specifications include fixed effects for 2-digit SIC code of borrower, deal purpose and loan type. *USD Dummy* is equal to one if the facility (package) is denominated in US dollars and 0 otherwise. *Foreign* is equal to one if the bank is foreign. *US ABCP Exposure* is a dummy variable equal to 1 if the lender has any US ABCP exposure. Specifications (5) and (6) include the binary variable, *Must Refinance*, which is equal to 1 if loans have a maturity date between August 9 and December 11, 2011 and its interactions with the variables of interest. Robust standard errors clustered by borrower are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% level.