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**Building reputation on the syndicated lending market:
A participant bank perspective**

Marie-Hélène Broihanne & Christophe J. Godlewski

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Building reputation on the syndicated lending market: A participant bank perspective

Marie-Hélène Broihanne[✦]

University of Strasbourg, EM Strasbourg (LaRGE Research Center)

Christophe J. Godlewski[♥]

University of Haute Alsace & EM Strasbourg (LaRGE Research Center)

This version: December 2013

Abstract

Reputation of financial institutions is crucial for their activity and performance. Participant banks often rely on lead bank's reputation in making future syndicated loan participation and lending decisions. We apply ordered probit regression techniques to a sample of more than 4,600 loans to investigate the determinants of participant banks reputation on the European syndicated lending market between 1999 and 2009. We find that the prestige of the lead bank in the first syndicate joined by a participant is crucial for his reputation. With a top 3 leader, participant reputation may increase by 85% while this effect drops to 30% when syndicating with a top 20 arranger. Establishing participant-lead bank relationships, developing a particular expertise in loan purpose or borrower industry, and funding very large deals also contributes to participant reputation. On the contrary, joining small club deals can be detrimental for reputation building.

Keywords: bank loans, reputation, syndicated lending, Europe, ordered probit regression.

JEL: G10, G21, G24, C25.

[✦] PEGE, 61 avenue de la Forêt Noire, 67000 Strasbourg, France. mhb@unistra.fr

[♥] PEGE, 61 avenue de la Forêt Noire, 67000 Strasbourg, France. godlewski@unistra.fr

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Abstract

Reputation of financial institutions is crucial for their activity and performance. Participant banks often rely on lead bank's reputation in making future syndicated loan participation and lending decisions. We apply ordered probit regression techniques to a sample of more than 4,600 loans to investigate the determinants of participant banks reputation on the European syndicated lending market between 1999 and 2009. We find that the prestige of the lead bank in the first syndicate joined by a participant is crucial for his reputation. With a top 3 leader, participant reputation may increase by 85% while this effect drops to 30% when syndicating with a top 20 arranger. Establishing participant-lead bank relationships, developing a particular expertise in loan purpose or borrower industry, and funding very large deals also contributes to participant reputation. On the contrary, joining small club deals can be detrimental for reputation building.

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1. Introduction

Recent major banking scandals have (again) put financial institutions at the center of harsh debates, in particular regarding their reputation¹. However, a financial intermediary's concern with maintaining its reputation for diligent screening and monitoring is mitigating agency problems steaming from information asymmetries in the lender-borrower relationship (Leland and Pyle, 1977; Diamond, 1984; Fama, 1985). In other words, bank's reputation is crucial for its activity and performance. This particular role of lenders' reputation is even more important on the syndicated loan market which is the largest private bank debt market in the world (2 trillion USD in 2012)².

A loan syndicate comprises a lead bank (agent / arranger) that originates the loan and participant banks (or participants)³ each funding a different portion of the loan but delegating screening and monitoring of the borrower to the lead bank. The latter is responsible for negotiating the key loan terms with the borrower, appointing the participants and structuring the syndicate. As the arrangers are responsible for due diligence, allocation of the loan to other syndicate members, and *ex post* monitoring, banks in the syndicate will often rely on the leaders' reputation in making lending decisions (Ross, 2010). Hence, reputable leaders can enhance monitoring and the ability to attract participants, help show the quality of the borrower and the deal, and reduce agency costs⁴ (Johnson, 1997; Panyagometh and Roberts, 2010; Bushman and Wittenberg-Moerman, 2012; Gatti et al., 2013). More importantly, Gopalan et al. (2011) show that borrower's *ex post* poor performance leads to reputational

¹ In no particular order, we refer to such scandals as Goldman Sachs and the "Muppets" of Greg Smith, JP Morgan and the "London whale" of Bruno Iksil, Barclays Bank and UBS with the Libor manipulation, Nomura and insider trading, Lloyds TSB and the mis-selling of payment protection insurance, RBS and technical glitches, HSBC and Standard Chartered with money-laundering problems...

² The benefits of loan syndication both for lenders (portfolio risk and sources of revenues diversification) and borrowers (mostly lower costs as compared to bond issues or a series of bilateral loans) largely explain the success of syndicated lending.

³ A participant is a member of a syndicate who acts only as a lender without any ranking title (such as agent, arranger, manager...).

⁴ Adverse selection problems may arise because, unlike arrangers, participants generally do not have direct lending relationships with borrowers. The syndicate structure also weakens the arranger's incentives to screen and monitor borrowers because it holds only a portion of the loan, generating moral hazard problems.

losses for the arranger and thus hampers its ability to attract participants and to syndicate future loans. However, dominant lead arrangers are found to be immune to these adverse consequences of borrower distress. Furthermore, anecdotal evidence suggests that participants use information on arrangers' reputation to maintain internal rankings of lead banks that guide their future participation decisions.

Although the role of investment banks on the syndicated lending market is rather well documented (see for instance Song, 2004; Harjoto et al., 2006), the literature is very scarce concerning the participants⁵. However, arrangers cannot syndicate large loans without participants. In other words, the global syndicated lending market “needs” participants to exist and to grow for the benefits of lenders and borrowers. Thus, the role of participants in the syndicated loan market development is very important and a better understanding of their motivations is of utmost interest. Participating banks may be motivated to join syndicates because they lack origination capabilities in certain geographical regions or in certain types of industries, or because they desire to economize on origination costs. By funding a share of a syndicated loan a small bank can indirectly enter into a relationship with a borrower that it normally could not obtain as a client.

Due to the importance of reputation for financial intermediaries, particularly on the syndicated lending market, our paper investigates the role of lead bank's reputation for the syndicate participants. To our knowledge, we are the first to study the dynamics of reputation on the syndicated lending market from participants' perspective. We argue that a strong motivation for a participant bank to syndicate loans is to build closed relationships with a high reputable lead arranger.

Our empirical strategy relies on measures of syndicate reputation, and thus participant's reputation, using Bloomberg league tables allowing ranking lead arrangers on a

⁵ A notable exception is Altunbaş et al. (2005) who investigate bank individual determinants leading to joining a syndicate.

“reputation scale”. Indeed, league tables are a powerful marketing tool in the syndicated loan market and smaller banks are strongly sensitive to the rankings. Then we test several characteristics that we believe to be crucial for participant’s reputation building.

First, we focus on the prestige of lead banks with whom a participant syndicated its first deal (in the sample) and the number of deals syndicated per year with a reputable arranger. We consider that a participant can benefit from the reputation of the syndicate agent to build its own reputation capital (Gopalan et al., 2011). Second, we take the existence of any relationship between a participant and a reputable arranger into account. Indeed, lead arranger may select participants based on the participant’s familiarity with the lead arranger itself (Champagne and Kryzanowski, 2007; Cai, 2010). Third, we consider the role of participant expertise (loan purpose, borrower industry and country) as such factors are strong drivers for being chosen by the arranger to join the syndicate (Sufi, 2007). Indeed, lenders usually exploit the comparative advantages of syndicate members through information sharing. Finally, we also investigate the influence of several characteristics of the deal (in particular its size) on the process of participant’s reputation building.

We perform our empirical analysis using a sample of 4,629 syndicated loans to firms from 28 European countries over the decade following the introduction of the Euro. We focus on Europe for several important reasons.

First, bank loans are the main source of external capital for European companies. In 2011, bank private credit to GDP reached 120% in the Eurozone, while stock market capitalization to GDP was considerably lower at 32% (Global Financial Development Report, 2013). Second, the European syndicated loan market almost exclusively consists of underwritten deals (as opposed to best-efforts syndications), where the arrangers guarantee the entire commitment, and then syndicate the loan. If arrangers cannot fully subscribe the loan, they are forced to absorb the difference, which they may later try again to sell to

investors. Such type of syndication implies that lead banks may rely much more on participant banks to fund the deal. Third, since the launch of the Euro, a broader array of banks from multiple regions now funds syndicated loans, as the intrinsically regional nature of the European credit markets is still enduring. Finally, syndicated loan markets in Europe are of particular interest for our analysis as they exhibit “small world” features where lead banks reputation play a major role (Godlewski et al., 2012).

Our article contributes to a developing literature, mostly empirical, on various issues related to the reputation of financial intermediaries, in particular on the syndicated lending market.

Repeated interactions and collaboration on the syndicated loans market contribute to the stability of lenders’ membership across deals. These specific features provide strong incentives for lead banks to maintain and enhance their reputation (Pichler and Wilhelm, 2001). The latter have important implications on informational frictions and their consequences for lenders and borrowers, thus directly affecting the organization of syndicates and the design of bank debt contracts. Temptations to renege on a private debt contract are thus mitigated by the dynamic aspects of reputation. Furthermore, inexperienced investors such as syndicate participants are willing to enter a banking pool because of the know-how transfers between partners and reputation building, even at the cost of worse financial conditions with respect to their payoff (Tykvová, 2007). Indeed, information sharing between partners with different know-how is also a motive for syndication, in particular on the venture capital market (Casamatta and Haritchabalet, 2007).

Existing empirical evidence tends to support the theoretical conclusions. Banks with past relationships tend to participate in future syndicate loans and these relationships are often reciprocal arrangements in the sense that lenders maintain stable relationships between them and rotate their roles in subsequent joint syndications (Champagne and Kryzanowski, 2007;

Cai, 2010). The strength of the relationship between two lenders is positively related to the reputation of the lead bank and increases when the two lenders are from the same country, while lead arrangers tend to choose participants having a close lending expertise in terms of borrower industry or geographic location (Cai et al., 2010). Eventually some lenders specialize in underwriting and others in participation (Champagne and Kryzanowski, 2007).

The rest of the article is organized as follows. Section 2 presents our empirical strategy. Results are provided in section 3. Section 4 concludes the article.

2. Empirical strategy

In this section, we present the data, variables, and the econometric methodology used to investigate the determinants of participant banks' reputation on the European syndicated lending market.

We collect all the relevant information on the European syndicated lending market from the Bloomberg Professional Terminal Server (Bloomberg) database. We limit the extractions to loans originated between January 1999 and December 2009 to avoid the impact of the Eurozone sovereign crisis unrevealing in 2010. The remaining filters are related to data availability concerning detailed information on the lending syndicates and the loan agreements.

For each loan, we collect information on all syndicate members. We identify the lead bank⁶ using the *Loan agent* information provided by Bloomberg. When this information is not available we exclude the loan from our analysis. Indeed, this information is crucial to compute our main dependent variable: *Participant reputation*⁷. It is built according to the *Bloomberg Underwriter Rankings* over 1/1/1999 - 12/31/2009 in Europe. These rankings are computed according to the total amount underwritten by each loan agent over our sample period. We are able to identify 623 loan agents, with respective ranks from 1 to 623. We

⁶ We use the terms lead bank, (lead) arranger, (loan) agent, and leader interchangeably in the rest of the article.

⁷ All variables are defined in the appendix.

restrict our analysis to loan agents with the highest ranks, from 1 to 20. Over the timeframe of our sample, altogether these top 20 lead banks participate in 63% of issuances and underwrote a total of 6,524.138 billion USD (79% of total amount). This leads us to a sample of 4,629 syndicated loans to firms from 28 European countries provided by a total of 3,506 participants.

Figure 1 indicates that loan distribution over time follows a boom and bust cycle with an increasing trend from 1999 with a peak of loan origination in 2005 (17% of the full sample). Then the number of originations decreases to reach a low in 2009 (5% of the full sample). Table 1 presents the sample composition by borrower country. Most of the loans are for borrowers in UK, France, Germany, Spain and Netherlands. These countries account for 65% of our sample making it representative of the European syndicated loan market.

We track each participant according to the rank of the syndicate leader where it was listed as a participant. We then consider that the rank of the lead bank translates into the rank of the deal hence of the entire syndicate of lenders. We build an ordered variable - *Participant reputation* - which ranges from 0 to 4. For each loan (or deal) the syndicate is allocated to one of the five categories of the *Participant reputation* according to loan agent's rank (see Table 2 for details). More precisely, when *Participant reputation* equals 1, 2, 3, or 4 it means that lead bank's league table rank lies between 20 and 11; 10 and 6; 4 and 5; and 1 and 3 respectively. Syndicates with loan agents with ranks over 20 are allocated to *Participant reputation* = 0.

We now discuss how we compute our main explanatory variables. A first category of variables is related to syndicate prestige. We consider two proxies computed using the lead bank's rank in the participant's first syndicate in the sample and the total number of participant deals with leaders having the same top rankings. As a participant can benefit from the reputation of the syndicate agent to build its own reputation capital (Gopalan et al., 2011), we expect that participants who had first joined a deal with a top lead bank will increase their

Participant reputation over subsequent deals. However, as each participants has its own initial reputation, we do not expect this effect to be linear over ranks and therefore we create 4 dummy variables that take value of 1 if the first deal of a participant involves i) a top 3 leader, ii) a top 5 leader, iii) a top 10 leader and iv) a top 20 leader⁸. The resulting new variables are labeled *First deal with top 3/5/10/20 leader* respectively. Furthermore, as reputation building is a dynamic process (Kreps and Wilson, 1982; Milgrom and Roberts, 1982), we compute for each participant the number of deals per (lagged) year with i) a top 3 leader, ii) a top 5 leader, iii) a top 10 leader and iv) a top 20 leader. The resulting variables are labeled *Deals with top 3/5/10/20 leader*. Again we expect these variables to increase the *Participant reputation*.

A second category of variables is related to relationships and repeated interactions between the participants and the lead banks. Indeed, lead arranger may select participants based on the participant's familiarity with the lead arranger itself (Champagne and Kryzanowski, 2007; Cai, 2010). We expect that a bank may improve its *Participant reputation* by regularly participating in different deals with the same leader, thanks to the benefits of relationship building (Bharath et al., 2007). We compute a variable *Same leader* that takes a value of 1 if the participant was involved in a deal with the same leader at least once in the previous year. Here we make the assumption that repeated interactions, specifically recent ones, between lead and participating banks is crucial in reputation building.

A third category of variables relies on participant's expertise which can be a strong driver for being chosen by the arranger to join the syndicate (Sufi, 2007). We create three dummies for *Same loan purpose*, *Same industry sector* and *Same country* which take the value of 1 if at least one deal in the previous year involved the same loan purpose, same industry sector or same country as the current deal.

⁸ This procedure is similar to the one used to build the explained variable *Participant reputation*.

A last category of variables is related to participant's activity on the syndicated lending market. We consider the size of the loan and of the syndicate as proxies for activity. We compute dummies equal to 1 if the loan or the syndicate belongs to the first (lowest) and last (largest) quintile of the sample distribution for these variables. Here we argue that participating in small vs. large deals or syndicates has a direct influence on the participant capacity to build reputation. This leads to four additional variables: *Q1 loan amount*, *Q5 loan amount*, *Q1 syndicate*, and *Q5 syndicate*.

As our main dependent variable (*Participant reputation*) is ordinal (ranging from 0 to 4), we estimate the following equation using an ordered probit model:

$$\begin{aligned}
 & \textit{Participant reputation}_i \\
 &= A + \beta \times \textit{Prestige}_i + \gamma \times \textit{Relationship}_i + \delta \times \textit{Expertise}_i + \theta \\
 & \times \textit{Activity}_i + \lambda \times \textit{Controls} + \varepsilon_i
 \end{aligned}$$

A corresponds to the intercepts or cuts of the ordered probit regression. Each explanatory variable is computed per deal at the participant level. Therefore all (robust) standard errors are clustered at the participant level. There are two proxies for prestige (*First deal with top 3/5/10/20 leader*, *Deals with top 3/5/10/20 leader*), one proxy for relationship (*Same leader*), three proxies for expertise (*Same loan purpose*, *Same industry sector*, *Same country*) and four proxies for activity (*Q1 loan amount*, *Q5 loan amount*, *Q1 syndicate*, *Q5 syndicate*).

Controls account for loan characteristics (syndicate size, loan amount, spread, maturity, collateral, covenants, term loan, and tranches, as well as loan year, purpose and currency dummies), and borrower and country characteristics (borrower industry code and country dummies).

3. Results

This section is devoted to the presentation of the main descriptive statistics and the discussion of multivariate results as well as robustness checks.

3.1. Univariate results

Descriptive statistics for all variables can be found in table 3. We remark that the average *Participant reputation* equals 1.28 with an important standard deviation, while there are very few first deals with top leaders. However, the yearly average number of deals with reputable lenders ranges from 9 (top 3 leader) to 24 (top 20 leader). In other words, syndicating loans with very prestigious arrangers is scarce as compared to less reputable leaders. Only 16% of participants have syndicated a deal with the same leader in a previous year, although the standard deviation for this variable is large. Proxies for participant expertise are all above 50% on average meaning that a typical participant enters syndicates lending to borrowers from same loan purpose, industry sector or country, hence cumulating on experience. Finally, all activity dummies according to loan or syndicate size are similar on average.

We also remark that an average syndicate contains 26 participants and funds a loan for 1,761 million USD with a maturity of 6 years and a spread of 123 basis points. One fifth of the loans is secured and has covenants, while more than half of them are term loans⁹.

Table 4 gives descriptive statistics of the main variables by *Participant reputation*. Regarding prestige, we note that the occurrence of a first deal with a more prestigious leader increases with participant reputation, but only very reputable participants have syndicated their first deal with a top 3 leader. However, these occurrences remain quite small, ranging from 6% to 9%. Deals with top leaders exhibit a more heterogeneous pattern which increases

⁹ The main borrower industry sectors in our sample are the following: Consumer (27.61% of the full sample), Industrial (19.28%), Communications (10.77%), Basic material (7.43%), and Utilities (6.14%). The main loan purposes are: Debt refinancing (31.44% of the full sample), General corporate purposes (27.96%), Acquisition (14.48%), and LBO (10.95%). Finally, loans currencies are EUR (65.33% of the full sample), USD (19.78%), and GBP (11.86%).

overall for more reputable participants. Hence, *Participant reputation* does not increase linearly with the leader reputation rank, as expected. Overall, when *Participant reputation* increases from 0 to 4, the number of deals with top 3 leaders is multiplied by two while it grows by 56% regarding top 20 leaders.

Regarding relationship, we remark that on average 20% of participants has a relationship with the current deal leader, independently of the participant reputation. Hence the effect of building relationships with prestigious arrangers is flat across participant reputation ranks. All of the expertise dummies are above 50% on average with relatively stable and flat patterns across participant reputation ranks. Finally, proxies for participant activity exhibit very heterogeneous patterns. We remark that more reputable participants syndicated larger loans and less small deals while the statistics are much more heterogeneous regarding syndicate size.

Other loan characteristics are much more stable across participant reputation ranks, with the notable exception of deal size which is almost 30% larger for a very reputable participant. Also, contractual features such as collateral or covenants are slightly more heterogeneous.

3.2. Multivariate results

Table 5 provides ordered probit regression results with first syndicate reputation variables only. All coefficients for first deal with top 3, 5, 10, and 20 leader are significant and positive. Hence a participant gains in terms of reputation when syndicating a loan for the first time with a prestigious leader. However, a top 3 leader provides the largest effect, with a marginal effect equal to 87.37%. In other words, a participant reputation almost doubles if he manages to enter a syndicate arranged by a prestigious bank for the first time. For comparison, the marginal effect for *First deal with top 20 leader* drops to 24.75%, which still increases participant reputation by a quarter.

Regarding control variables, we remark that loan size, maturity, and covenants have a significant and positive effect on participant reputation, while syndicate size, loan spread, term loan, and tranches have the opposite impact¹⁰. Larger deals usually signal deal quality (Mosebach, 1999) while longer maturity is associated with lower information asymmetries (Berger et al., 2005). Covenants restrict borrower behavior and thus moral hazard incentives (Rajan and Winton, 1995). Overall such loan characteristics should be beneficial to the participant in terms of reputation. Larger syndicates imply some form of “reputation dilution” hence decreasing participant reputation while larger loan spreads usually signal riskier deals and could be detrimental to participants. Finally, term loans and larger number of loan tranches reduce participant reputation.

In Tables 6A and 6B we run a similar ordered probit regression but we progressively add the number of deals per year with top leaders in order to take participant activity with reputable arrangers into account. More precisely we add all four *Deals with top leader* variables to *First deal with top 3, 5, 10, and 20 leader* variables respectively. Eventually the effect of participant activity with more or less reputable leaders won't be the same depending on the prestige of the first syndicate. All coefficients of prestige variables are significant and positive. The economic effect of the first deal with top leaders remains similar: starting syndication with a top 3 increases participant reputation by 87% while only by 27% if it's a top 20 arranger. The impact of the number of deals is very weak and similar across specifications, with marginal effects ranging from 0.08% to 0.2%. Hence what still matters for acquiring reputation for a participant is to enter its first syndicate with the most prestigious arranger possible. All other variables remain robust with the exception of syndicate size and loan spread which become not significant.

¹⁰ Note that the presence of collateral has no significant effect on participant reputation.

In what follows we focus on top 3 and top 20 leaders only while adding progressively relationship, expertise and activity variables¹¹. In table 7 we remark that past relationship between a participant and an arranger is significant and positive. The corresponding marginal effect equals 6% while other prestige variables remain robust, with the prevailing importance of the prestige of the first deal syndicate.

In table 8, all coefficients for participant expertise (same purpose, industry sector or country) are positive and significant, when included separately as well as all together. This shows that a participant expertise is valuable for reputable arrangers and allows joining more prestigious syndicates. However this effect is weaker with top 3 leaders as the marginal effects for expertise variables ranges from 0.03% to 0.07% while it is much more important when syndicating with less reputable arrangers (0.08% to 1.5%). Eventually, “top-dog” arrangers do not need that much additional expertise from participants. Nevertheless these economic effects remain overall weak.

Results of the impact of loan amount and syndicate size quintiles on participant reputation are shown in table 9. We notice several interesting findings. All of these variables are significant with quintiles of syndicate size and the last quintile of loan amount being positive while the first quintile of loan amount being negative. The latter suggests that participating to small deals (Q1 equals 190 million USD) is detrimental for reputation building, with a marginal effect of 3% to 4%. This influence persists when syndicating with a top 3 or a top 20 leader for the first time. Such deals are usually club deals where reputation transfers may be less important among the members of the lending pool. When syndicating large deals (Q5 equals 1990 million USD), the positive marginal effect ranges between 5% and 6%. This effect is much larger than for the syndicate size impact, equal to 1% to 3%. Participating in a smaller syndicate (Q1 equals 8) has an effect three times larger than in a

¹¹ The results remain similar for these additional variables when considering top 5 and top 10 leaders. Furthermore, we do not display control variables which remain robust across specifications.

pool with numerous lenders (Q5 equals 31). This confirms our previous finding regarding the dilutive effect of syndicate size on participant reputation.

Finally, we provide results for the full specification in table 10. All coefficients are significant and robust as they bear the same signs as well as similar marginal effects when compared to previous results in tables. We can thus conclude that what matters the most for participant reputation is the prestige of the arranger in the first deal for the participant. If the leader is a “top-dog”, such syndication represents a real “kicker” for participant reputation which may increase by up to 86%, while a less prestigious leader (top 20) increases participant reputation by almost 30%. The quantity of deals to which a lender participates has a residual effect, whatever the leader’s reputation. Next it is important to establish stable relationships with a prestigious leader as they translate into a 6% increase in participant reputation. A similar effect can be achieved by participating in very large deals. Participant expertise matters but its effect on reputation is rather weak, while syndicating small club deals actually destroys participant reputation.

3.3. Robustness checks

We run several additional regressions for robustness checks using the full specification from table 10. We perform several different types of checks using different subsamples.

We focus on initial loan agreement characteristics in table 11, where we respectively use sub-samples of loans with short maturity (lower than sample median at 5.23 years), without collateral, without covenants, without term loans, and with few tranches (lower than sample median at 2). Here we aim at checking if our previous results hold when limiting the sample to more “problematic” deals, i.e. where informational frictions and their consequences are more severe.

We conclude that a vast majority of previous results still hold and are robust to potential informational frictions between the borrower and the syndicate as well as within the syndicate. Short term or revolving lines, more prone to informational asymmetries problems, or loans without collateral or covenants to mitigate adverse selection or moral hazard problems do not alter the link between participant reputation and leader prestige, lenders' relationships, expertise or activity. However, we observe that among expertise variables, *Same country* becomes mostly insignificant across specifications. Hence, this particular type of knowledge by a participant has no more effect when potential issues eventually arise regarding more microeconomic factors related to deal characteristics related to stronger information asymmetries. In that way, other more loan or borrower expertise proxies remain significant and positive across most of the specifications.

In table 12 we provide the results when excluding participants who syndicating only one deal, excluding loans after September 2008 (credit crisis effect), and excluding borrowers outside of the Eurozone. We aim at testing the validity of our previous results for different levels of participant activity, for different time frame and for a specific geographic area.

We remark that all of the coefficients remain robust across all specifications as in table 10 except for expertise variables which become insignificant for active participants (*Multiple deals*). Also, *Same country* becomes insignificant in the *Eurozone* specification probably because of important banking regionalization in this area leading to the presence of many local lenders syndicating loans, thus cancelling out the effect of this type of expertise.

Regarding the results for *Multiple deals* we can argue that single time participants may be chosen by arrangers for their very specific and punctual expertise. Thus for more frequent participants the expertise effect vanishes away. Indeed, the values of expertise dummies increases dramatically with participant activity; for instance their averages range between 24% and 31% for the first decile of participant frequency, while they range between 77% and

92% for the last decile. In other words the value added of particular expertise vanishes away with participant activity as all lenders acquire such knowledge and thus has less effect on their reputation.

Overall, our main findings regarding the determinants of participant reputation remain robust to these additional sensitivity analyses.

4. Conclusion

Our article contributes to a developing literature, mostly empirical, on various issues related to the reputation of financial intermediaries with a particular focus on the participant banks operating on the European syndicated lending market.

Using a sample of more than 4,500 loans over the decade following the introduction of the Euro we empirically investigate participant reputation by analyzing the impact of syndicate prestige, lead-lender relationships, participant expertise and activity.

We find that what matters the most for quickly building participant reputation is the prestige of the arranger in the first deal for the participant. Syndicating a loan with a “top-dog” who ranks among the top 3 of the market provides a crucial “boost” for a participant as his reputation may increase by up to 86%. Joining a syndicate led by a less prestigious leader (top 20 for instance) increases participant reputation by almost 30%. However, syndicating many deals with even very prestigious leaders has a residual effect on participant reputation.

Establishing relationships with lead banks is also important for participants but translates only into an increase of 6% on average in participant reputation. A similar effect can be achieved by participating in very large deals. Furthermore, participant expertise matters as well, especially with respect to loan purpose and borrower industry, but its effect on reputation are rather weak. Finally, syndicating small club deals actually destroys participant reputation.

These results are robust to various changes in sample composition regarding participant frequency, time span or geographical composition, as well as to more or less problematic deals in terms of informational frictions and their consequences on the relationships between the borrower and the syndicate, and within the syndicate.

Appendix

Variables definitions

All variables come from Bloomberg Professional Terminal Server (Bloomberg).

Participant reputation = 0 to 4; 1, 2, 3, or 4 means that the syndicate loan agent' league table rank (source: Bloomberg Underwriter Rankings in Europe, 1/1/1999-12/31/2009) lies between 11 and 20; 6 and 10; 5 and 4; and 3 and 1 respectively. Syndicates with loan agents with ranks below 20 are allocated to 0.

First deal with top 3 leader = 1 if first deal of a participant involves a top 3 leader.

First deal with top 5 leader = 1 if first deal of a participant involves a top 5.

First deal with top 10 leader = 1 if first deal of a participant involves a top 10 leader.

First deal with top 20 leader = 1 if first deal of a participant involves a top 20 leader.

Deals with top 3 leader = number of deals per year by a participant involving a top 3 leader.

Deals with top 5 leader = number of deals per year by a participant involving a top 5 leader.

Deals with top 10 leader = number of deals per year by a participant involving a top 10 leader.

Deals with top 20 leader = number of deals per year by a participant involving a top 20 leader.

Same leader = 1 if participant was involved in a deal with same leader at least once last year.

Same loan purpose = 1 if at least one deal in previous year involved same loan purpose as current deal.

Same industry sector = 1 if at least one deal in previous year involved same borrower industry sector as current deal.

Same country = 1 if at least one deal in previous year involved same borrower country as current deal.

Q1 loan amount = 1 if loan amount is below the Q1 of full sample loan distribution (Q1=190 million USD).

Q5 loan amount = 1 if loan amount is above the Q5 of full sample loan distribution (Q5=1,990 million USD).

Q1 syndicate = 1 if number of participants is below the Q1 of full sample number of participants distribution (Q1=8).

Q5 syndicate = 1 if number of participants is above the Q5 of full sample number of participants distribution (Q5=31).

Loan amount = loan amount (in million USD).

Tranches = number of tranches in the deal.

Collateral = 1 if loan is secured.

Maturity = loan maturity (in years).

Loan spread = loan spread (in bps).

Covenants = 1 if loan has covenants.

Term loan = 1 if loan is a term loan.

Syndicate = number of participants in the syndicate.

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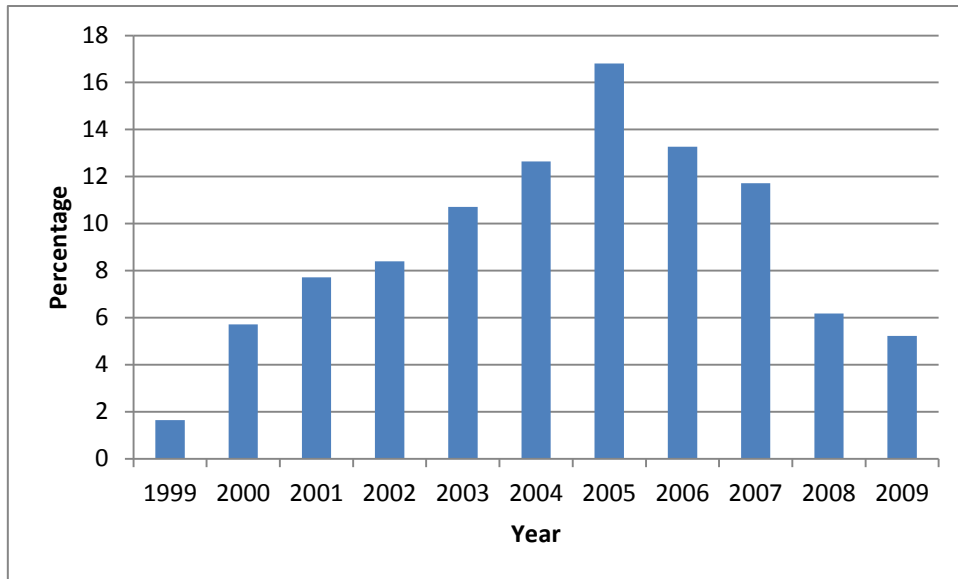


Figure 1 Loans distribution over sample time span

This figure shows the distribution of loans over the time frame of our sample (1999-2009). For instance, loans originated in 2005 account for almost 17% of the loans in the whole sample.

Table 1 Sample composition by borrower country

This table presents the list of borrower countries in the sample with their respective percentage (Perc.), and number of distinct lenders funding loans to a particular country (Lenders) and loans originated to borrowers from a particular country (Loans).

Country	Percent	Lenders	Loans
Austria	0.42	83	16
Belgium	1.55	123	79
Bulgaria	0.24	51	16
Czech Republic	0.35	69	25
Danemark	1.54	114	66
Estonia	0.02	5	3
Finland	1.61	120	69
France	15.28	133	692
Germany	10.42	133	437
Greece	0.65	80	45
Hungary	1.36	114	61
Iceland	0.80	95	41
Ireland	1.77	112	74
Italy	5.10	131	280
Latvia	0.95	63	33
Lithuania	0.03	8	4
Luxemburg	5.03	122	100
Netherlands	9.56	133	372
Norway	1.81	119	103
Poland	1.16	110	58
Portugal	0.95	105	49
Romania	0.31	58	17
Slovakia	0.20	45	22
Slovenia	1.07	87	49
Spain	11.09	133	569
Sweden	2.77	128	141
Switzerland	5.18	133	172
United Kingdom	18.78	133	1055

Table 2 Characteristics of top 20 loan agents

This table provides main characteristics (rank, market share, amount issued and number of issues) for top 20 loan agents according to the Bloomberg Underwriter rankings in Europe over 1/1/1999-12/31/2009.

Underwriter	Bloomberg rank	Market share (%)	Amount issued (mln USD)	Number of issues	Participant reputation
RBS	1	10.4	859276.17	2,656	4
BNP Paribas	2	7.4	610250.61	2,274	4
Citi	3	7.2	597930.80	1,465	4
JP Morgan	4	6.5	534702.46	962	3
Barclays	5	6	491532.36	1,544	3
Deutsche Bank	6	5.8	479140.93	1,037	2
Commerzbank	7	4.8	392710.66	1,409	2
HSBC	8	4.4	363103.32	1,258	2
Credit Agricole	9	4.4	362572.99	1,290	2
Societe Generale	10	4.1	334589.55	1,198	2
ING	11	2.3	190146.34	1,049	1
Bank of America					1
Merrill Lynch	12	2.3	186496.07	470	
Lloyds TSB	13	2.1	175629.66	842	1
UniCredit	14	2	167382.24	885	1
Credit Suisse	15	1.7	139508.57	352	1
Natixis	16	1.7	138880.12	715	1
Goldman Sachs	17	1.6	133979.25	188	1
Morgan Stanley	18	1.5	127379.87	176	1
BBVA	19	1.5	121007.16	662	1
UBS	20	1.4	117919.02	238	1

Table 3 Descriptive statistics

This table provides descriptive statistics for all variables. Definitions are provided in Appendix.

Variable	N. obs.	Mean	Std dev.	Median
Participant reputation	52675	1.28	1.53	0.00
First deal with top 3 leader	52675	0.01	0.10	0.00
First deal with top 5 leader	52675	0.02	0.13	0.00
First deal with top 10 leader	52675	0.03	0.16	0.00
First deal with top 20 leader	52675	0.03	0.18	0.00
Deals with top 3 leader	52675	8.94	14.50	3.00
Deals with top 5 leader	52675	11.84	17.80	4.00
Deals with top 10 leader	52675	19.16	26.92	7.00
Deals with top 20 leader	52675	24.06	33.10	8.00
Same leader	52675	0.16	0.37	0.00
Same loan purpose	50154	0.56	0.50	1.00
Same industry sector	52642	0.64	0.48	1.00
Same country	52663	0.52	0.50	1.00
Q1 loan amount	52675	0.20	0.40	0.00
Q5 loan amount	52675	0.20	0.40	0.00
Q1 syndicate	52675	0.20	0.40	0.00
Q5 syndicate	52675	0.19	0.39	0.00
Syndicate	52675	25.86	36.54	17.00
Loan amount	52675	1761.00	6813.00	600.00
Spread	52675	122.44	116.35	75.00
Maturity	37474	5.72	3.47	5.23
Collateral	52675	0.20	0.40	0.00
Covenants	37474	0.20	0.40	0.00
Term loan	52675	0.52	0.50	1.00
Tranches	37474	2.81	2.70	2.00

Table 4 Descriptive statistics by Participant reputation

This table provides means of variables by Participant reputation. Definitions are provided in Appendix.

Variable	Participant reputation				
	0	1	2	3	4
First deal with top 3 leader	0.00	0.00	0.00	0.00	0.06
First deal with top 5 leader	0.00	0.00	0.00	0.09	0.06
First deal with top 10 leader	0.00	0.00	0.06	0.09	0.06
First deal with top 20 leader	0.00	0.07	0.06	0.09	0.06
Deals with top 3 leader	7.47	8.41	10.72	6.86	13.40
Deals with top 5 leader	9.82	11.11	14.08	11.61	16.85
Deals with top 10 leader	16.15	17.83	24.71	17.21	25.81
Deals with top 20 leader	20.33	24.07	30.46	21.05	31.82
Same leader	0.13	0.19	0.20	0.20	0.20
Same loan purpose	0.54	0.55	0.60	0.52	0.62
Same industry sector	0.63	0.65	0.68	0.57	0.67
Same country	0.52	0.50	0.55	0.47	0.54
Q1 loan amount	0.26	0.16	0.13	0.07	0.18
Q5 loan amount	0.16	0.10	0.28	0.29	0.28
Q1 syndicate	0.21	0.19	0.18	0.16	0.24
Q5 syndicate	0.14	0.25	0.25	0.40	0.17
Syndicate	20.41	51.04	23.80	38.08	20.36
Loan amount	1671.00	1238.00	2072.00	1773.00	2146.00
Spread	121.06	152.19	101.29	134.09	117.30
Maturity	5.72	5.78	5.39	6.41	5.60
Collateral	0.18	0.32	0.13	0.22	0.21
Covenants	0.16	0.12	0.18	0.40	0.30
Term loan	0.58	0.55	0.38	0.37	0.49
Tranches	2.91	2.29	2.68	2.38	3.23

Table 5 Participant reputation and lead bank prestige

This table presents the results of ordered probit regressions of the Participant reputation on the first syndicate reputation measured in various ways. Robust standard errors clustered at the lender level are shown in parentheses. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1)	(2)	(3)	(4)
First deal with top 20 leader	0.8252*** (0.0331)			
First deal with top 10 leader		1.0599*** (0.0390)		
First deal with top 5 leader			1.4260*** (0.0516)	
First deal with top 3 leader				7.2629*** (0.0799)
Syndicate	-0.0010*** (0.0003)	-0.0011*** (0.0003)	-0.0011*** (0.0003)	-0.0006 (0.0003)
log(Loan amount)	0.1176*** (0.0144)	0.1191*** (0.0144)	0.1169*** (0.0144)	0.1189*** (0.0147)
Spread	-0.0002* (0.0001)	-0.0002* (0.0001)	-0.0002** (0.0001)	-0.0001 (0.0001)
Maturity	0.0116*** (0.0027)	0.0121*** (0.0027)	0.0113*** (0.0027)	0.0136*** (0.0027)
Collateral	-0.0018 (0.0207)	0.0049 (0.0207)	-0.0084 (0.0208)	0.0000 (0.0206)
Covenants	0.2843*** (0.0243)	0.2769*** (0.0243)	0.2719*** (0.0243)	0.2831*** (0.0242)
Term loan	-0.1321*** (0.0199)	-0.1277*** (0.0198)	-0.1311*** (0.0199)	-0.1232*** (0.0199)
Tranches	-0.0210*** (0.0040)	-0.0229*** (0.0040)	-0.0209*** (0.0040)	-0.0228*** (0.0041)
cut1	2.9556*** (0.3077)	2.9544*** (0.3089)	2.9058*** (0.3080)	2.9979*** (0.3141)
cut2	3.3167*** (0.3093)	3.3168*** (0.3105)	3.2663*** (0.3096)	3.3570*** (0.3158)
cut3	3.7612*** (0.3131)	3.7656*** (0.3145)	3.7166*** (0.3136)	3.8044*** (0.3197)
cut4	4.0785*** (0.3200)	4.0845*** (0.3214)	4.0395*** (0.3207)	4.1293*** (0.3272)
N. obs.	37474	37474	37474	37474
N. clusters	3151	3151	3151	3151
log likelihood	-48427.6476	-48359.8737	-48314.8890	-48169.9346
Chi ²	82755.2081	81096.6357	83680.9866	106007.6572
Pseudo. R ²	0.0688	0.0701	0.0709	0.0737

Table 6A Participant reputation and lead bank prestige (2)

This table presents the results of ordered probit regressions of the Participant reputation on the first syndicate reputation and the number of deals with reputable leaders measured in various ways. Robust standard errors clustered at the lender level are shown in parentheses. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1.A)	(1.B)	(1.C)	(1.D)	(2.A)	(2.B)	(2.C)	(2.D)
First deal with top 20 leader	0.8889*** (0.0288)	0.8967*** (0.0285)	0.8973*** (0.0274)	0.8954*** (0.0274)				
First deal with top 10 leader					1.1269*** (0.0342)	1.1342*** (0.0339)	1.1349*** (0.0329)	1.1337*** (0.0329)
Deals with top 20 leader				0.0039*** (0.0003)				0.0039*** (0.0003)
Deals with top 10 leader			0.0050*** (0.0003)				0.0049*** (0.0003)	
Deals with top 5 leader		0.0079*** (0.0008)				0.0078*** (0.0008)		
Deals with top 3 leader	0.0093*** (0.0011)				0.0093*** (0.0011)			
Syndicate	-0.0003 (0.0003)	-0.0003 (0.0003)	-0.0003 (0.0003)	-0.0003 (0.0003)	-0.0004 (0.0003)	-0.0003 (0.0003)	-0.0003 (0.0003)	-0.0003 (0.0003)
log(Loan amount)	0.1133*** (0.0139)	0.1123*** (0.0140)	0.1118*** (0.0142)	0.1123*** (0.0142)	0.1149*** (0.0139)	0.1139*** (0.0141)	0.1134*** (0.0142)	0.1138*** (0.0143)
Spread	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)
Maturity	0.0118*** (0.0027)	0.0118*** (0.0027)	0.0119*** (0.0027)	0.0119*** (0.0027)	0.0123*** (0.0027)	0.0123*** (0.0027)	0.0124*** (0.0027)	0.0123*** (0.0027)
Collateral	0.0091 (0.0209)	0.0101 (0.0209)	0.0089 (0.0210)	0.0085 (0.0210)	0.0161 (0.0208)	0.0171 (0.0209)	0.0158 (0.0209)	0.0155 (0.0210)
Covenants	0.2979*** (0.0242)	0.2971*** (0.0241)	0.2982*** (0.0241)	0.2987*** (0.0241)	0.2901*** (0.0242)	0.2892*** (0.0241)	0.2903*** (0.0241)	0.2909*** (0.0241)
Term loan	-0.1283*** (0.0195)	-0.1274*** (0.0195)	-0.1263*** (0.0197)	-0.1269*** (0.0198)	-0.1234*** (0.0195)	-0.1225*** (0.0195)	-0.1214*** (0.0197)	-0.1220*** (0.0197)
Tranches	-0.0196*** (0.0041)	-0.0194*** (0.0041)	-0.0192*** (0.0040)	-0.0192*** (0.0040)	-0.0216*** (0.0041)	-0.0213*** (0.0041)	-0.0212*** (0.0041)	-0.0211*** (0.0040)
cut1	2.9022***	2.8772***	2.8738***	2.8862***	2.9003***	2.8753***	2.8719***	2.8843***

	(0.3063)	(0.3076)	(0.3086)	(0.3087)	(0.3074)	(0.3087)	(0.3098)	(0.3099)
cut2	3.2659***	3.2414***	3.2378***	3.2500***	3.2654***	3.2408***	3.2373***	3.2494***
	(0.3079)	(0.3093)	(0.3103)	(0.3105)	(0.3091)	(0.3105)	(0.3116)	(0.3117)
cut3	3.7139***	3.6900***	3.6856***	3.6973***	3.7179***	3.6940***	3.6896***	3.7012***
	(0.3116)	(0.3130)	(0.3138)	(0.3140)	(0.3130)	(0.3144)	(0.3153)	(0.3154)
cut4	4.0346***	4.0107***	4.0053***	4.0166***	4.0404***	4.0165***	4.0111***	4.0223***
	(0.3183)	(0.3195)	(0.3203)	(0.3205)	(0.3198)	(0.3209)	(0.3218)	(0.3220)
N. obs.	37474	37474	37474	37474	37474	37474	37474	37474
N. clusters	3151	3151	3151	3151	3151	3151	3151	3151
log likelihood	-48175.6866	-48163.8130	-48200.7457	-48219.4275	-48109.3936	-48098.4064	-48135.2165	-48153.1940
Chi ²	81901.6798	81997.7597	84075.9765	85313.9259	80773.7015	81166.3442	83085.8024	84168.2384
Pseudo. R ²	0.0736	0.0738	0.0731	0.0728	0.0749	0.0751	0.0744	0.0740

Table 6B Participant reputation and lead bank prestige (2)

This table presents the results of ordered probit regressions of the Participant reputation on the first syndicate reputation and the number of deals with reputable leaders measured in various ways. Robust standard errors clustered at the lender level are shown in parentheses. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(3.A)	(3.B)	(3.C)	(3.D)	(4.A)	(4.B)	(4.C)	(4.D)
First deal with top 5 leader	1.4870*** (0.0464)	1.4925*** (0.0461)	1.4934*** (0.0453)	1.4920*** (0.0453)				
First deal with top 3 leader					7.3211*** (0.0729)	7.3279*** (0.0731)	7.3279*** (0.0729)	7.3258*** (0.0725)
Deals with top 20 leader				0.0037*** (0.0003)				0.0037*** (0.0003)
Deals with top 10 leader			0.0048*** (0.0003)				0.0047*** (0.0003)	
Deals with top 5 leader		0.0076*** (0.0007)				0.0075*** (0.0007)		
Deals with top 3 leader	0.0091*** (0.0010)				0.0089*** (0.0009)			
Syndicate	-0.0004 (0.0003)	-0.0004 (0.0003)	-0.0004 (0.0003)	-0.0004 (0.0003)	0.0001 (0.0003)	0.0002 (0.0003)	0.0002 (0.0003)	0.0001 (0.0003)
log(Loan amount)	0.1126*** (0.0139)	0.1116*** (0.0140)	0.1112*** (0.0142)	0.1116*** (0.0142)	0.1147*** (0.0142)	0.1137*** (0.0143)	0.1132*** (0.0145)	0.1137*** (0.0145)
Spread	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0001 (0.0001)	-0.0000 (0.0001)	-0.0000 (0.0001)
Maturity	0.0115*** (0.0027)	0.0115*** (0.0027)	0.0116*** (0.0027)	0.0115*** (0.0027)	0.0139*** (0.0027)	0.0139*** (0.0027)	0.0140*** (0.0027)	0.0139*** (0.0027)
Collateral	0.0018 (0.0210)	0.0027 (0.0210)	0.0014 (0.0211)	0.0011 (0.0211)	0.0103 (0.0208)	0.0113 (0.0209)	0.0100 (0.0209)	0.0096 (0.0209)
Covenants	0.2847*** (0.0242)	0.2838*** (0.0241)	0.2848*** (0.0241)	0.2853*** (0.0241)	0.2963*** (0.0240)	0.2955*** (0.0239)	0.2964*** (0.0240)	0.2969*** (0.0240)
Term loan	-0.1269*** (0.0196)	-0.1260*** (0.0196)	-0.1250*** (0.0197)	-0.1255*** (0.0198)	-0.1187*** (0.0197)	-0.1178*** (0.0197)	-0.1168*** (0.0198)	-0.1174*** (0.0199)
Tranches	-0.0195*** (0.0041)	-0.0192*** (0.0041)	-0.0191*** (0.0041)	-0.0191*** (0.0040)	-0.0214*** (0.0041)	-0.0212*** (0.0041)	-0.0210*** (0.0041)	-0.0210*** (0.0041)
cut1	2.8496***	2.8251***	2.8220***	2.8343***	2.9460***	2.9215***	2.9185***	2.9307***

	(0.3066)	(0.3079)	(0.3090)	(0.3091)	(0.3123)	(0.3137)	(0.3149)	(0.3150)
cut2	3.2124***	3.1883***	3.1851***	3.1970***	3.3074***	3.2833***	3.2801***	3.2920***
	(0.3082)	(0.3096)	(0.3107)	(0.3108)	(0.3140)	(0.3155)	(0.3167)	(0.3168)
cut3	3.6663***	3.6428***	3.6387***	3.6502***	3.7580***	3.7345***	3.7304***	3.7419***
	(0.3121)	(0.3135)	(0.3144)	(0.3146)	(0.3177)	(0.3192)	(0.3202)	(0.3204)
cut4	3.9929***	3.9693***	3.9643***	3.9754***	4.0866***	4.0630***	4.0580***	4.0691***
	(0.3191)	(0.3203)	(0.3212)	(0.3214)	(0.3251)	(0.3263)	(0.3274)	(0.3276)
N. obs.	37474	37474	37474	37474	37474	37474	37474	37474
N. clusters	3151	3151	3151	3151	3151	3151	3151	3151
log likelihood	-48076.4818	-48067.3688	-48103.9106	-48121.7974	-47937.9500	-47928.2213	-47965.5173	-47983.0692
Chi ²	83523.7223	84153.9008	86485.5031	87421.0703	104987.1896	104758.5941	107133.0142	108441.3096
Pseudo. R ²	0.0755	0.0757	0.0750	0.0746	0.0782	0.0784	0.0777	0.0773

Table 7 Participant reputation, lead bank prestige, and relationship

This table presents the results of ordered probit regressions of the Participant reputation on the first syndicate reputation, the number of deals with reputable leaders, and participant-lead relationship. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1.8)	(4.8)
First deal with top 20 leader	0.9446*** (0.0294)	
Deals with top 20 leader	0.0040*** (0.0003)	
First deal with top 3 leader		7.3570*** (0.0736)
Deals with top 3 leader		0.0092*** (0.0009)
Same leader	0.2628*** (0.0294)	0.2428*** (0.0278)
cut1	2.8666*** (0.3107)	2.9276*** (0.3138)
cut2	3.2326*** (0.3126)	3.2908*** (0.3157)
cut3	3.6822*** (0.3164)	3.7434*** (0.3196)
cut4	4.0026*** (0.3232)	4.0732*** (0.3273)
N. obs.	37474	37474
N. clusters	3151	3151
log likelihood	-48082.4402	-47820.2471
Chi ²	67609.7841	87439.9699
Pseudo. R ²	0.0754	0.0804

Table 8 Participant reputation, lead bank prestige, and expertise

This table presents the results of ordered probit regressions of the Participant reputation the first syndicate reputation, the number of deals with reputable leaders, and participant expertise. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1.4)	(1.5)	(1.6)	(1.7)	(4.4)	(4.5)	(4.6)	(4.7)
First deal with top 20 leader	0.9253*** (0.0270)	0.9343*** (0.0277)	0.9168*** (0.0275)	0.9644*** (0.0276)				
Deals with top 20 leader	0.0037*** (0.0003)	0.0036*** (0.0003)	0.0038*** (0.0003)	0.0034*** (0.0003)				
First deal with top 3 leader					7.3456*** (0.0728)	7.3483*** (0.0722)	7.3293*** (0.0724)	7.3662*** (0.0721)
Deals with top 3 leader					0.0087*** (0.0009)	0.0086*** (0.0009)	0.0088*** (0.0009)	0.0084*** (0.0009)
Same loan purpose	0.0738*** (0.0148)			0.0569*** (0.0147)	0.0443*** (0.0143)			0.0339** (0.0140)
Same industry sector		0.0898*** (0.0164)		0.0725*** (0.0166)		0.0539*** (0.0168)		0.0437*** (0.0169)
Same country			0.0565*** (0.0135)	0.0384*** (0.0135)			0.0263** (0.0128)	0.0139 (0.0128)
cut1	2.9022*** (0.3087)	2.9204*** (0.3087)	2.9030*** (0.3084)	2.9377*** (0.3085)	2.9543*** (0.3119)	2.9652*** (0.3119)	2.9535*** (0.3120)	2.9722*** (0.3115)
cut2	3.2662*** (0.3104)	3.2846*** (0.3105)	3.2669*** (0.3102)	3.3022*** (0.3102)	3.3158*** (0.3136)	3.3268*** (0.3136)	3.3149*** (0.3137)	3.3338*** (0.3132)
cut3	3.7137*** (0.3139)	3.7323*** (0.3140)	3.7143*** (0.3137)	3.7501*** (0.3137)	3.7665*** (0.3173)	3.7776*** (0.3173)	3.7655*** (0.3174)	3.7847*** (0.3169)
cut4	4.0332*** (0.3204)	4.0518*** (0.3206)	4.0338*** (0.3202)	4.0698*** (0.3201)	4.0951*** (0.3246)	4.1064*** (0.3247)	4.0941*** (0.3247)	4.1135*** (0.3242)
N. obs.	37474	37457	37468	37451	37474	37457	37468	37451
N. clusters	3151	3150	3147	3146	3151	3150	3147	3146
log likelihood	-48204.1970	-48193.7889	-48209.6256	-48178.9992	-47932.2991	-47924.0895	-47935.7906	-47919.9534
Chi ²	83225.3635	87998.7989	85305.9528	84535.5266	103822.0746	107429.8959	104910.6177	104777.2513
Pseudo. R ²	0.0731	0.0730	0.0729	0.0732	0.0783	0.0782	0.0781	0.0782

Table 9 Participant reputation, lead bank prestige, and participant activity

This table presents the results of ordered probit regressions of the Participant reputation the first syndicate reputation, the number of deals with reputable leaders, and participant activity. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1.1)	(1.2)	(1.3)	(4.1)	(4.2)	(4.3)
First deal with top 20 leader	0.8379*** (0.0279)	0.8367*** (0.0291)	0.8305*** (0.0285)			
Deals with top 20 leader	0.0249*** (0.0036)	0.0245*** (0.0036)	0.0246*** (0.0036)			
First deal with top 3 leader				7.3021*** (0.0761)	7.3234*** (0.0731)	7.3075*** (0.0763)
Deals with top 3 leader				0.0090*** (0.0009)	0.0088*** (0.0010)	0.0089*** (0.0010)
Q1 loan amount	-0.1545*** (0.0419)		-0.1835*** (0.0349)	-0.1686*** (0.0426)		-0.2058*** (0.0359)
Q1 syndicate		0.1370*** (0.0378)	0.0930** (0.0362)		0.1346*** (0.0379)	0.0948*** (0.0363)
Q5 loan amount	0.2558*** (0.0231)		0.2477*** (0.0231)	0.2483*** (0.0226)		0.2348*** (0.0225)
Q5 syndicate		0.0227 (0.0235)	0.0442** (0.0211)		0.0711*** (0.0232)	0.0971*** (0.0208)
cut1	0.5658*** (0.1189)	3.0793*** (0.2819)	0.5977*** (0.1193)	0.6413*** (0.1245)	3.2145*** (0.2895)	0.6604*** (0.1242)
cut2	0.9325*** (0.1180)	3.4476*** (0.2833)	0.9646*** (0.1183)	1.0014*** (0.1239)	3.5765*** (0.2909)	1.0209*** (0.1236)
cut3	1.3837*** (0.1195)	3.8996*** (0.2870)	1.4162*** (0.1198)	1.4516*** (0.1251)	4.0280*** (0.2949)	1.4719*** (0.1248)
cut4	1.7060*** (0.1192)	4.2217*** (0.2917)	1.7388*** (0.1190)	1.7807*** (0.1253)	4.3570*** (0.3010)	1.8011*** (0.1245)
N. obs.	37474	37474	37474	37474	37474	37474
N. clusters	3151	3151	3151	3151	3151	3151
log likelihood	-47980.2870	-47911.2808	-47965.4134	-47986.8362	-47902.3305	-47964.2429
Chi ²	70720.8069	59450.7769	68222.2878	107723.6249	92983.4338	102736.3285
Pseudo. R ²	0.0774	0.0787	0.0777	0.0772	0.0789	0.0777

Table 10 Participant reputation: full specification

This table presents the results of ordered probit regressions of the Participant reputation on all variables of interest for prestige, relationship, expertise, and activity. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	(1.9)	(4.9)
First deal with top 20 leader	0.9906*** (0.0285)	
Deals with top 20 leader	0.0036*** (0.0003)	
First deal with top 3 leader		7.3773*** (0.0755)
Deals with top 3 leader		0.0087*** (0.0009)
Same loan purpose	0.0544*** (0.0148)	0.0308** (0.0142)
Same industry sector	0.0645*** (0.0169)	0.0345* (0.0177)
Same country	0.0309** (0.0135)	0.0058 (0.0128)
Same leader	0.2494*** (0.0291)	0.2333*** (0.0282)
Q1 loan amount	-0.1789*** (0.0354)	-0.1998*** (0.0362)
Q1 syndicate	0.0992*** (0.0358)	0.0949*** (0.0363)
Q5 loan amount	0.2472*** (0.0232)	0.2317*** (0.0227)
Q5 syndicate	0.0671*** (0.0220)	0.0954*** (0.0210)
cut1	0.7454*** (0.1250)	0.7029*** (0.1275)
cut2	1.1110*** (0.1242)	1.0654*** (0.1268)
cut3	1.5615*** (0.1248)	1.5186*** (0.1277)
cut4	1.8830*** (0.1242)	1.8492*** (0.1274)
N. obs.	37451	37451
N. clusters	3146	3146
log likelihood	-48073.0259	-47836.2187
Chi ²	67405.0672	83795.1967
Pseudo. R ²	0.0753	0.0798

Table 11 Participant reputation: full specification robustness checks (1)

This table presents the results of ordered probit regressions of the Participant reputation on all variables of interest for prestige, relationship, expertise, and activity for robustness checks purpose. Short maturity: sub-sample of loans with maturity lower than sample median at 5.23 years. No collateral: sub-sample of loans without collateral. No covenants: sub-sample of loans without covenants. No term loan: sub-sample of loans which are not term loans. Few tranches: sub-sample of loans with the number of tranches lower than sample median at 2. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	Short maturity		No collateral		No covenants		No term loan		Few tranches	
	(1.9)	(4.9)	(1.9)	(4.9)	(1.9)	(4.9)	(1.9)	(4.9)	(1.9)	(4.9)
First deal with top 20 leader	1.0078*** (0.0421)		0.9992*** (0.0349)		0.9764*** (0.0317)		0.8924*** (0.0539)		0.7428*** (0.0443)	
Deals with top 20 leader	0.0024*** (0.0003)		0.0029*** (0.0003)		0.0040*** (0.0003)		0.0013*** (0.0003)		0.0016*** (0.0003)	
First deal with top 3 leader		7.8729*** (0.2008)		7.4363*** (0.0764)		7.3914*** (0.0747)		6.9774*** (0.1030)		8.4263*** (0.2768)
Deals with top 3 leader		0.0057*** (0.0013)		0.0071*** (0.0009)		0.0095*** (0.0008)		0.0036*** (0.0010)		0.0043*** (0.0011)
Same leader	0.2194*** (0.0291)	0.2020*** (0.0284)	0.1984*** (0.0288)	0.1849*** (0.0284)	0.2341*** (0.0332)	0.2189*** (0.0324)	0.1936*** (0.0318)	0.1855*** (0.0312)	0.2012*** (0.0332)	0.1863*** (0.0324)
Same loan purpose	0.0805*** (0.0189)	0.0566*** (0.0187)	0.0599*** (0.0167)	0.0340** (0.0161)	0.0443*** (0.0166)	0.0207 (0.0161)	0.0843*** (0.0205)	0.0671*** (0.0205)	0.0641*** (0.0219)	0.0437** (0.0219)
Same industry sector	0.0540** (0.0232)	0.0291 (0.0232)	0.0580*** (0.0184)	0.0314 (0.0191)	0.0319* (0.0193)	0.0061 (0.0201)	0.0661*** (0.0248)	0.0424* (0.0249)	0.0449* (0.0268)	0.0119 (0.0265)
Same country	0.0314* (0.0186)	0.0093 (0.0183)	0.0049 (0.0154)	-0.0173 (0.0148)	0.0052 (0.0150)	-0.0204 (0.0147)	0.0150 (0.0194)	0.0011 (0.0188)	-0.0063 (0.0204)	-0.0219 (0.0201)
Q1 loan amount	-0.2729*** (0.0410)	-0.2859*** (0.0413)	-0.2140*** (0.0417)	-0.2275*** (0.0420)	-0.2479*** (0.0376)	-0.2622*** (0.0382)	-0.3981*** (0.0587)	-0.4002*** (0.0590)	-0.4703*** (0.0553)	-0.4844*** (0.0559)
Q1 syndicate	0.0613* (0.0613)	0.0696* (0.0696)	0.1083*** (0.1083)	0.0963** (0.0963)	0.1071*** (0.1071)	0.1017*** (0.1017)	-0.0256 (0.0256)	-0.0261 (0.0261)	0.1894*** (0.1894)	0.1802*** (0.1802)

	(0.0369)	(0.0370)	(0.0375)	(0.0383)	(0.0372)	(0.0378)	(0.0403)	(0.0403)	(0.0515)	(0.0522)
Q5 loan amount	0.3110***	0.2926***	0.1493***	0.1285***	0.2475***	0.2300***	0.0494	0.0429	0.1434***	0.1253***
	(0.0301)	(0.0296)	(0.0253)	(0.0248)	(0.0220)	(0.0216)	(0.0303)	(0.0301)	(0.0427)	(0.0423)
Q5 syndicate	-0.1111***	-0.0808***	0.0415*	0.0807***	0.0170	0.0469**	-0.1912***	-0.1866***	-0.1545***	-0.1214***
	(0.0279)	(0.0273)	(0.0250)	(0.0238)	(0.0234)	(0.0223)	(0.0286)	(0.0281)	(0.0345)	(0.0344)
cut1	0.8227***	0.7483***	0.7607***	0.7201***	0.9477***	0.8905***	0.8006***	0.7748***	0.2427	0.2212
	(0.1892)	(0.1958)	(0.1261)	(0.1265)	(0.1475)	(0.1491)	(0.1713)	(0.1712)	(0.1794)	(0.1812)
cut2	1.1360***	1.0591***	1.0578***	1.0149***	1.3572***	1.2969***	1.1189***	1.0911***	0.8621***	0.8386***
	(0.1884)	(0.1950)	(0.1266)	(0.1270)	(0.1465)	(0.1481)	(0.1701)	(0.1700)	(0.1773)	(0.1793)
cut3	1.6570***	1.5828***	1.5637***	1.5241***	1.8437***	1.7879***	1.6850***	1.6581***	1.3139***	1.2922***
	(0.1883)	(0.1950)	(0.1267)	(0.1274)	(0.1468)	(0.1487)	(0.1690)	(0.1689)	(0.1765)	(0.1785)
cut4	1.9708***	1.9038***	1.8722***	1.8407***	2.1044***	2.0571***	2.1243***	2.1037***	1.7700***	1.7547***
	(0.1884)	(0.1951)	(0.1278)	(0.1289)	(0.1468)	(0.1489)	(0.1684)	(0.1684)	(0.1754)	(0.1778)
N. obs.	18727	18727	27337	27337	29850	29850	15126	15126	13390	13390
N. clusters	2014	2014	2399	2399	2733	2733	1557	1557	1787	1787
log likelihood	-22298.7022	-22231.3216	-34379.8629	-34223.0496	-37123.2887	-36936.4398	-20241.2296	-20188.6759	-16716.4783	-16665.7287
Chi ²	59076.5199	66121.9877	74157.3407	105119.5476	77139.9231	103012.0924	8150.1817	17892.6357	82417.8717	109406.1930
Pseudo. R ²	0.1025	0.1052	0.0800	0.0842	0.0762	0.0809	0.0890	0.0914	0.1331	0.1357

Table 12 Participant reputation: full specification robustness checks (2)

This table presents the results of ordered probit regressions of the Participant reputation on all variables of interest for prestige, relationship, expertise, and activity for robustness checks purpose. Multiple deals: sub-sample of loans for participants who entered more than one deal. Before Credit Crisis: sub-sample of loans originated before September 2008. Eurozone: sub-sample of loans originated to borrowers from Eurozone countries. Robust standard errors clustered at the lender level are shown in parentheses. Loan agreement and syndicate variables included but not reported. Loan year, borrower country and industrial sector, loan purpose and currency dummies included but not reported. All variables are described in Appendix. *, **, and *** indicate a statistically significant coefficient at the 10%, 5%, and 1% confidence level.

Variable	Multiple deals		Before Credit Crisis		Eurozone	
	(1.9)	(4.9)	(1.9)	(4.9)	(1.9)	(4.9)
First deal with top 20 leader	0.7885*** (0.0662)		0.9838*** (0.0290)		0.9407*** (0.0330)	
Deals with top 20 leader	0.0034*** (0.0003)		0.0035*** (0.0003)		0.0034*** (0.0004)	
First deal with top 3 leader		7.0575*** (0.2157)		7.3359*** (0.0703)		7.4331*** (0.0894)
Deals with top 3 leader		0.0085*** (0.0009)		0.0085*** (0.0009)		0.0084*** (0.0014)
Same loan purpose	0.0145 (0.0148)	0.0130 (0.0144)	0.0515*** (0.0154)	0.0265* (0.0148)	0.0542*** (0.0169)	0.0322** (0.0163)
Same industry sector	0.0099 (0.0170)	0.0127 (0.0181)	0.0659*** (0.0175)	0.0331* (0.0182)	0.0763*** (0.0211)	0.0448** (0.0217)
Same country	0.0009 (0.0135)	-0.0052 (0.0130)	0.0347** (0.0138)	0.0079 (0.0132)	0.0262 (0.0168)	0.0031 (0.0161)
Same leader	0.2213*** (0.0280)	0.2215*** (0.0279)	0.2518*** (0.0300)	0.2340*** (0.0290)	0.2150*** (0.0316)	0.1977*** (0.0306)
Q1 loan amount	-0.1808*** (0.0377)	-0.1839*** (0.0376)	-0.1640*** (0.0363)	-0.1851*** (0.0371)	-0.2069*** (0.0388)	-0.2321*** (0.0396)
Q1 syndicate	0.1030*** (0.0373)	0.1008*** (0.0376)	0.0969*** (0.0360)	0.0935** (0.0365)	0.1134*** (0.0433)	0.1083** (0.0437)
Q5 loan amount	0.2542*** (0.0240)	0.2504*** (0.0237)	0.2323*** (0.0228)	0.2163*** (0.0222)	0.1949*** (0.0271)	0.1757*** (0.0268)
Q5 syndicate	0.0722*** (0.0232)	0.0728*** (0.0223)	0.1061*** (0.0216)	0.1343*** (0.0206)	0.2253*** (0.0246)	0.2547*** (0.0244)
cut1	0.6962*** (0.1264)	0.6883*** (0.1261)	0.7897*** (0.1276)	0.7252*** (0.1303)	0.6928*** (0.1298)	0.6361*** (0.1325)
cut2	1.0538*** (0.1256)	1.0458*** (0.1254)	1.1570*** (0.1268)	1.0891*** (0.1294)	1.0501*** (0.1283)	0.9918*** (0.1310)
cut3	1.5022*** (0.1263)	1.4952*** (0.1265)	1.6097*** (0.1277)	1.5443*** (0.1307)	1.5526*** (0.1281)	1.4996*** (0.1313)
cut4	1.8099*** (0.1258)	1.8050*** (0.1265)	1.9331*** (0.1277)	1.8770*** (0.1307)	1.7750*** (0.1268)	1.7286*** (0.1300)
N. obs.	35040	35040	34704	34704	24830	24830
N. clusters	2028	2028	3009	3009	2516	2516
log likelihood	-45190.6962	-45122.6704	-44799.3289	-44584.6453	-31342.8177	-31153.4210
Chi ²	65799.9756	62982.0436	73056.0005	96016.6105	17439.5735	35883.2162
Pseudo. R ²	0.0693	0.0708	0.0733	0.0778	0.0706	0.0762

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61 avenue de la Forêt Noire
67085 Strasbourg Cedex

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