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## Inter-Market Competition and Bank Loan Spreads: Evidence from the Securities Offering Reform

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# **Inter-Market Competition and Bank Loan Spreads: Evidence from the Securities Offering Reform**

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## **Abstract**

I provide evidence of a new mechanism by which access to public securities mitigates the bank hold-up problem and reduces loan spreads – it increases a borrower’s bargaining power vis-à-vis a lender by offering a bank loan substitute. Difference-in-differences results indicate that loan spreads decline following legislation that makes public securities more attractive, but only when public securities represent a credible substitute for the bank loan (i.e., for term loans taken out by credit rated borrowers). Spreads on revolving lines of credit, which are more complementary with public securities, increase.

**Key Words:** Bank Loans, Bank Competition, Lender Information Monopoly, Lender Rents, The Securities Offering Reform

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