ALBUQUERQUE, CERUTTI, FIRAT AND KAGERER

Discussion of *Banking on Nonbanks*

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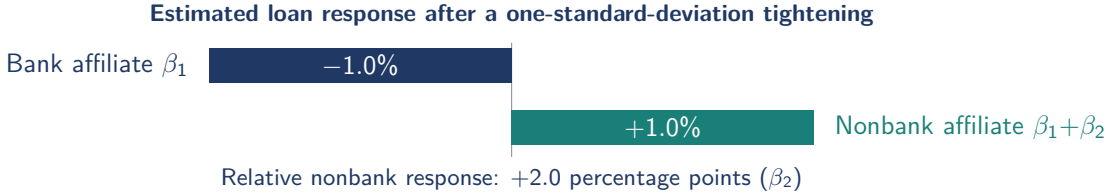
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Big Picture: Can regulation shift lending inside a group?

Question. After macroprudential tightening, do bank-owned nonbanks increase new corporate lending relative to bank affiliates?

Data. Dealogic syndicated loans, 2005Q1–2023Q4: 27 lender countries, 963 groups, 4,871 lender entities, and 52,380 nonfinancial borrowers.

Comparison. Bank and nonbank lenders serving the same borrower in the same quarter. **They need not share a parent.**



Pooled estimates, conditional on an observed lender–borrower–quarter. Nonbank $+1.0\% = \beta_1 + \beta_2$.

Lending shifts toward nonbank affiliates. Internal transfers between affiliates unobvious.

Overall assessment: important question, broad reach

- **Why it matters**
  - Bank-level regulation may change where a banking group originates credit.
  - That matters for the effective regulatory perimeter and for the total credit response.
- **What is valuable**
  - The paper follows syndicated lending across 27 lender countries and maps lenders to banking groups over time.
  - The domestic-versus-foreign affiliate results give the question international relevance.
- **My assessment**
  - The evidence of a differential nonbank lending response is promising.
  - Its interpretation depends on lender classification, the within-parent comparison, and how loan amounts and policy scope are measured.

Comment 1: What does "NBFI subsidiary" actually select?

The rule (§2.1): SIC 60 is a bank; SIC 61–67 is a nonbank, excluding most of 65 and 6162. Cross-checked against Capital IQ. Two failure modes:

- **SIC 6712 is "Offices of Bank Holding Companies"** — and it sits inside SIC 67.
- **SIC 6211** captures Morgan Stanley and Goldman Sachs, Fed-supervised BHCs since September 2008. Capital IQ files both under *Investment Banking and Brokerage*, so the cross-check does not fire.

SIC is a line-of-business code, never designed to carry a regulatory-perimeter distinction.

Comment 1: What does "NBFI subsidiary" actually select?

The literature already set the standard
Lim, Minton and Weisbach (2014, *JFE* 111(1)) is the canonical treatment of lender types in syndicated loans. Its appendix addresses both failure modes — and resolves them the other way.

On SIC 6712. "we manually check lenders whose primary SIC code fall in 6011–6082, **6712**, or 6719 and **add them to the list of commercial banks** if appropriate."

On SIC 6211. "We also manually check lenders whose primary SIC code is **6211** to capture additional IB lenders such as RBC Capital Market."

On time variation. "JP Morgan is classified as an investment bank before its merger with the Chase Manhattan Corp in 2000, and JP Morgan Chase is coded as a commercial bank afterward."

No published paper here uses two-digit SIC as a *dispositive* classifier: Irani et al. (2021) use supervisory identity, Chernenko, Erel and Prilmeier (2022) hand-code every lender, Schwert (2018) hand-matched 968 lenders to 656 parents.

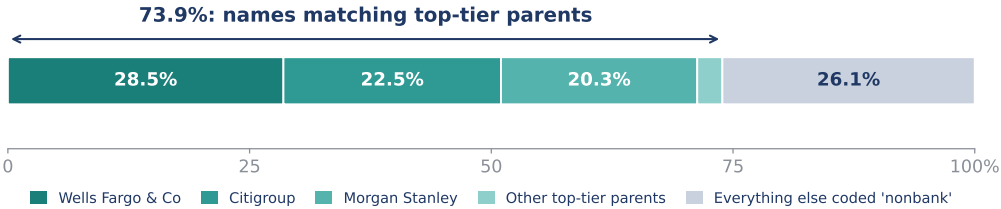
Comment 1: Replication exercise

Purpose. Check whether the broad SIC split puts top-tier parent names among nonbank lenders and whether removing them changes a bank–nonbank loan-volume comparison.

	Paper	**My diagnostic**
Loan source	Dealogic	DealScan
Coverage	27 lender countries, 2005–23	U.S., 2008–23

What I did. Applied the broad SIC split to 120,724 lender–borrower–years; inspected the largest nonbank-coded lender names; then removed or recoded BHC names and repeated the within-borrower-year comparison.

Comment 1: Replication exercise



The treatment group is mostly the regulated parents themselves, not their affiliates.

Comment 1: What it does to the estimate

Specification	Nonbank	Std. err.	t	N	Cells
(A) As coded: SIC 60 vs 61–67	+0.022	0.023	0.94	57,638	12,672
(B) Top-tier parents removed	−0.003	0.026	−0.10	13,961	3,798
(C) All BHC entities moved to bank side	+0.007	0.025	0.27	13,260	3,611
(D) BHC entities dropped entirely	+0.026	0.030	0.84	7,217	2,528

The paper's own evidence points the same way. Table B.8 column (4) excludes U.S. BHCs above $100bn: the U.S. nonbank level coefficient goes from +0.067 to -0.079^{***}.

U.S. estimate	Baseline Table 1	Excluding large BHCs, B.8
Nonbank level gap, β_3	+0.067	−0.079
Extra policy response, β_2	+0.053	+0.060
Observations	201,751	21,128

The nonbank premium is the holding companies. Remove them and it is zero — and 70% of the identifying cells go with them.

Comment 2: Positioning, narrower but real

The paper says the question "has not yet been explored" (p.3).

Cetorelli and Kundu (2026), FRBNY Staff Report 1196: "BHCs *reallocate lending activity from regulated bank subsidiaries to lightly regulated nonbank affiliates in response to stricter capital requirements*."

And: "Our paper is particularly related to *Albuquerque et al. (2026), who document the reallocation of lending from bank to nonbank subsidiaries following macroprudential tightening*."

They cite this paper. This paper does not cite them. Priority on timing belongs to the authors — February 2026 against May 2026.

Also uncited: Pogach and Unal (2020) — BHCs funded expansion into lightly regulated investment banking through internal bank dividends (GLBA). Cizel, Frost, Houben and Wierts (2019, *JMCB* 51(5)) — MaPP tightening causes substitution to nonbank credit, reducing the effect on total credit, strongest in AEs.

To be emphasized: first international evidence, loan originations rather than internal flows, the domestic/foreign decomposition.

Comment 3: When can shifting a loan ease the rule?

If the nonbank affiliate is consolidated, an internal bank-to-affiliate loan nets out but its external loan remains. **A consolidated capital rule still binds.**

Why Table 11? Does the nonbank response weaken for capital measures that generally bind the whole group?

MaPP shock definition, Table 11	Bank response	Extra nonbank response
Baseline	-0.010	$+0.020$
No reserve or stress-testing measures	-0.017	$+0.040$
Capital-based measures only	$+0.004$	-0.014

The extra nonbank response is $+0.020$ in the baseline, $+0.040$ without reserve and stress-testing measures, and -0.014 for capital measures. Different bundles make this suggestive evidence.

For each policy shock, show whether it binds the bank or the consolidated BHC.

Comment 4: Does the comparison stay within one parent?

The paper describes β_2 as lending reallocation inside a banking group. Yet its fixed effects allow a nonbank lender from group A to be compared with a bank lender from group B when both serve the same borrower in the same quarter.

> The borrower–quarter control holds common borrower demand fixed. The group control removes average differences across parents. Neither requires the two lenders to have the same parent.

Estimate the response with **group** $\times$ **borrower** $\times$ **quarter** fixed effects. Show how many borrower–quarter cells have both lender types from one parent, and whether they occur on distinct deals.

The focus should be on the reallocation *within* a group.

Comment 5: The dependent variable is imputed

Dealogic does not report participation amounts. The paper assigns **50% to the lead arranger** and splits the rest equally (Duchin and Sosyura 2014). Investment banks and broker-dealers — 64% of the NBFI sample — are disproportionately leads; commercial bank subsidiaries are participants.

	MaPP × NBFI, all	MaPP × NBFI, U.S.	MaPP shock
Baseline, 50%-to-lead rule *(Table 1)*	0.020^{***}	0.053^{***}	-0.010^{***}
Blickle et al. shares *(Table B.9)*	0.010^{***}	0.016^{***}	-0.005^{***}
Change	−50%	−70%	−50%

A coefficient that falls by 70% under better measurement of the outcome is the main result.

Minor comments: Offset and inference

What does the "57% offset" mean?

The paper weights the pooled bank response (-1.0%) and implied nonbank response ($+1.0\%$) by their sample lending shares:

$$0.716(-1.0\%) + 0.284(+1.0\%) = -0.432\%.$$

Relative to -1.0% for banks alone, this is an illustrative 56.8% **offset**. It does not directly estimate total group credit, and $\beta_1 + \beta_2$ needs its own standard error.

Clustering

The shock is assigned by parent country and quarter

But The main model clusters by borrower firm.

Cluster by parent country across quarters and consider bootstrapping.

Paper Table B.12 keeps $\beta_2 = 0.020$ but results are very sensitive regarding clustering:

Clustering	SE	Implied t
Firm (baseline)	0.002	10.0
Firm and time	0.007	2.9
Banking group	0.010	2.0
Firm, group, time	0.011	1.8

What would make this a much stronger paper

1. **Publish the entity classification.** Top 25 lenders on each side with RSSD or LEI identifiers. Split the NBFI group three ways, and never let a top-tier parent be its own NBFI subsidiary.
2. **Estimate the specification you describe:** banking group $\times$ firm $\times$ quarter. Report the sample cost honestly.
3. **Make the Blickle et al. shares the baseline** and restate the magnitude from those coefficients.

A great paper answering important question with broad reach
I look forward to seeing the paper in print soon!