**I. Summary of Exogenous Analyst Coverage Decline Literature**

Instrument: Shut-down of sector level analyst coverage which argue are primarily driven by broker-specific factors not performance of the sector.

Exclusion restriction evidence: Sectors not covered have not recently had worse earnings or other related factors and don’t cluster for multiple brokerage firms so usually related to areas where brokers have made poor predictions or other broker-specific effects.

**Kelly and Ljungqvist (2012) “Testing Asymmetric-Information Asset Pricing Models”**

Findings:

1. Proxies for asymmetric information rose (bid-ask spreads for example)
2. Stock prices fell
3. Retail investor demand fell (more institutional owners of the securities)
4. Liquidity betas rise
5. Market beta falls (SMB and HML are unclear)

Misc:

1. Prices fall because expected returns become more sensitive to liquidity risk.

**Irani and Oesch (2013) “Monitoring and corporate disclosure: Evidence from a natural experiment”**

Findings:

1. Firms disclose less in their financial reporting
2. This is concentrated among firms with bad governance

**Hong and Kacperczyk (2010) “Competition and Bias”**

Findings:

1. Increased optimistic bias in earnings forecasts

**Derrien and Kecskes (2012) “The Real Effects of Financial Shocks: Evidence from Exogenous Changes in Analyst Coverage”**

Findings:

1. Investing and financing drop 2% (as percent of assets)
2. Use less equity and long-term debt, but no change in short-term debt and increase use of cash and retained earnings.

**Chen, Harford, and Lin (2013) “Do Analysts matter for governance? Evidence from natural experiments”**

Findings:

1. Shareholders value internal cash less
2. CEOs get higher compensation
3. Management makes more value-destroying acquisitions
4. Managers do more earnings management
5. CEO compensation becomes less performance sensitive

**Wei (2013) “Information Asymmetry and Insider Trading: Evidence from Exogenous Changes in Analyst Coverage”**

Findings:

1. Insiders earn higher abnormal returns after asymmetric information increases, but do not trade more frequently

**II. Summary of Debt Certification Literature**

Instrument: Introduction of syndicated bank loan ratings as shock to debt certification and look at firms that obtain a rating and compare to firm’s that don’t.

Findings for firm’s that obtain a rating:

1. Increased use of debt
2. Higher asset growth
3. More cash acquisitions
4. Increased investment by less informed investors
5. Effects larger for lower credit quality firms

**III. Summary of Differences between Introduction of Rating Agencies and Previous Literature**

a) exogenous analyst coverage literature

i) We look at asymmetric information in the debt market rather than the equity market.

ii)Analysts provide on-going qualitative coverage, while we are specifically focusing on ratings which arrive less frequently and provide more quantitative evaluations of risk.

b) debt certification literature

i) We look at bonds not loans

ii)In our period ratings or investor paid not issuer paid (so who gets ratings is endogenous but on the part of Moody’s based on general interest rather than by the firm which as shown by Sufi is related to many variables likely to relate to outcomes). Thus using controls for unrated firms is likely to be problematic (though still a bit) than it is for modern literature.

iii) There are no regulatory implications of ratings in our period so results are all about asymmetric information/certification and not about regulatory-induced demand making interpretation more cleanly identified.

iv) In our period ratings are given after issuance while now it is prior to issuance. It is usually a few weeks after issuance. If we can find a rule, let’s pretend it is always 4 weeks after issuance, then we can compare bonds 3 weeks old vs 4 weeks old before and after ratings are introduced. It is also interesting think about if it still alters issuance behavior if it only occurs after issuance.