

Macprudential Policy and Spillovers: Evidence from Chinese Corporate Credit in Tax Havens

Research Question

- ▶ Does China's domestic **macroprudential regulation** provoke **spillovers** of corporate debt in tax havens?

Why Should We Care?

- ▶ Tax havens as conduits for Chinese firms to access the international capital market
- ▶ Coppola et al. (2021): the amount of corporate bonds from the US to China increases from **\$3** to **\$48 billion** in 2017 after adjusted reallocation from tax havens to its true destination.
- ▶ ⇒ It is important to know firms' motivations and the associated implications.

Identification Strategy

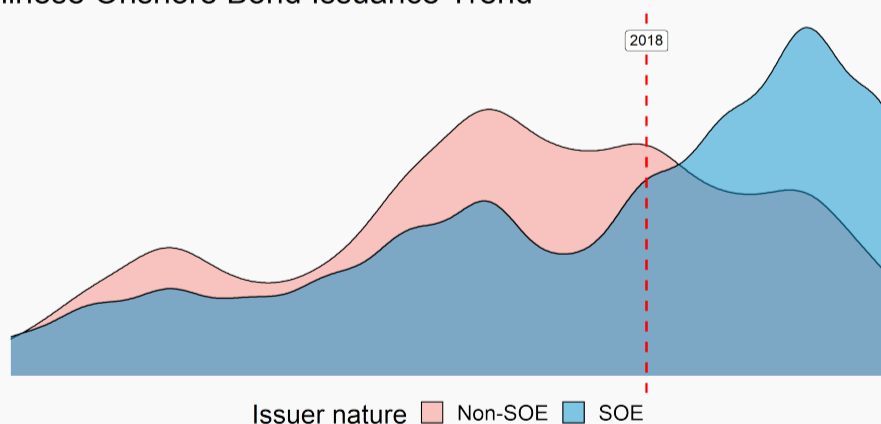
Main strategy: difference-in-difference

Policy event (credit tightening): "New Regulation on Asset Management" in April 2018

Purpose: I intend to use this policy change as a source of shock to the availability of market credit to **state-owned enterprises (SOE)** and **non-SOEs**.

Context: SOEs VS. non-SOEs

Chinese Onshore Bond Issuance Trend

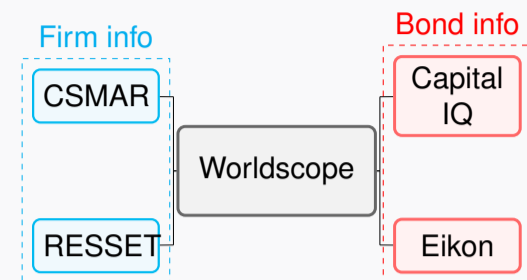


Data source: CSMAR

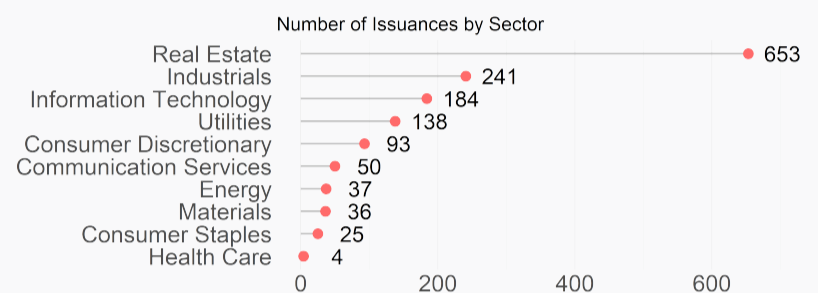
Preliminary Findings and Discussions

- ▶ The macroprudential policy in 2018 has potentially provoked non-SOEs to issue bonds in tax havens.
- ▶ The spillover effects are especially significant for firms in the real estate sector.
- ▶ What are the implications for productivity and financial stability?

Data



A Glimpse at the Data



Data source: Capital IQ and Eikon

Regression

$$D_{it} = \beta_1 \text{NSOE}_i \times \text{Post}_t + \delta_i + \delta_t + \Gamma X_{it} + \epsilon_{it}$$

- ▶ D_{it} : a dummy of one if a firm i issues bond in tax havens in year t
- ▶ NSOE_i : a dummy of one if a firm i is non-state-owned
- ▶ Post_t : a dummy of one if it is the year of 2018 or afterward
- ▶ X_{it} : control variables
- ▶ δ_i and δ_t : firm and year fixed effects
- ▶ Standard errors are clustered by firm and by year.

$$D_{it} = \beta_2 \text{NSOE}_i \times \text{Post}_t \times \text{Real Estate}_i + \delta_i + \delta_t + \Gamma X_{it} + \epsilon_{it}$$

- ▶ Real Estate_i : dummy of one if a firm is in real estate sector

Baseline Results

	(1)	(2)	(3)	(4)
	Issuance in Tax Haven _{it}			
$\text{NSOE}_i \times \text{Post}_t$	0.007* (0.003)	0.009* (0.004)	-0.008** (0.003)	-0.011** (0.004)
$\text{Post}_t \times \text{Real Estate}_i$			0.048*** (0.008)	0.055*** (0.010)
$\text{NSOE}_i \times \text{Post}_t \times \text{Real Estate}_i$			0.161*** (0.010)	0.187*** (0.012)
N	30979	23097	30979	23097
adj. R^2	0.314	0.335	0.349	0.371
Controls	No	Yes	No	Yes
Fixed Effects (Firm, Year)	Yes	Yes	Yes	Yes

Standard errors in parentheses + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

References

- ▶ Coppola, Antonio, Matteo Maggiori, Brent Neiman and Jesse Schreger. 2021. 'Redrawing the Map of Global Capital Flows: The Role of Cross-Border Financing and Tax Havens'. The Quarterly Journal of Economics 136 (3): 1499–1556.
- ▶ Geng, Zhe, and Jun Pan. 2019. The SOE Premium and Government Support in China's Credit Market. Working Paper, Working Paper Series 26575. National Bureau of Economic Research, December.