Monitoring, agency costs, and seasoned equity offerings

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Abstract

We study the role of quasi-regulatory oversight in mitigating agency problems during SEOs. The UK Pre-Emption Group (PEG) temporarily relaxed pre-emption rights during COVID-19, allowing larger equity issuance without formal shareholder approval but under heightened monitoring. Analyzing 230 SEOs from 2017–2023, we find positive announcement returns for issuances under the relaxed guidelines, concentrated among firms with high agency costs and opaque information environments, but not higher liquidity needs. These offerings also show superior long-term performance and improved analyst sentiment. Our findings highlight how quasi-regulators can substitute for formal governance mechanisms when balancing financing flexibility and shareholder protection.

Keywords: Seasoned equity offering, agency costs, information environment, pre-emption rights, special purpose vehicles

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Conflict of Interest Statement

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1 Introduction

The balance between facilitating capital access and protecting shareholder interests has long been a central concern in equity markets, reflecting the inherent tension between corporate financing needs and investor rights (e.g., Shleifer and Wolfenzon, 2002; Eckbo, Masulis, and Norli, 2007; Gullifer and Payne, 2015; Goshen and Squire, 2017; Kraakman, Armour, Davies, Enriques, Hansmann, Hertig, Hopt, Kanda, Pargendler, Ringe, and Rock, 2017). For example, following the 2008 financial crisis, the Dodd-Frank Act and the Wall Street Reform and Consumer Protection Act were introduced to mitigate agency problems and restore trust in financial markets by strengthening investor protections.

The COVID-19 pandemic presented a new and unique challenge in this regard. In the United Kingdom, the crisis prompted quasi-regulatory bodies, such as the Pre-Emption Group (PEG), to implement temporary measures designed to enhance flexibility for equity issuers.[1] Pre-emption provisions are rights of current shareholders to purchase newly issued shares before they are offered to the public. By relaxing pre-emption provisions, the PEG enabled firms to access equity markets more rapidly to address immediate liquidity pressures. However, such interventions raised critical questions about their implications for investor protection, as they risked exacerbating agency problems by potentially diluting current shareholders' cash flow and voting rights without sufficient

[1]The PEG is a non-profit investor protection committee/corporate governance association that provides guidelines for investors and corporations with a listing at the UK main market in the context of non-preemptive equity issuances (https://www.frc.org.uk/library/external-groups/pre-emption-group/pre-emption-group-overview/). Due to its significant influence in practice, its guidelines can be interpreted as *de facto* regulation (Myners, 2004; Holderness, 2018; Vos, 2023). Henceforth, we refer to the PEG as a *quasi-regulator*. We elaborate on the PEG and institutional setting in Section 2.

oversight. We provide evidence on the implications of this trade-off.

We collect data on 230 SEOs by firms listed on the UK main market from 2017 to 2023. The regulatory relief measures of PEG facilitated placings through SPVs of up to 20% of outstanding equity capital,[2] from April to November 2020 (our 'treatment' equity issues) and benchmark these treatment issues against several control groups.[3] Three elements of these temporary measures are paramount: allowed larger placings, without mandatory shareholder voting, but under increased scrutiny by the PEG.

This setting offers a valuable identification strategy. The regulatory relief was introduced suddenly, in response to systemic liquidity concerns triggered by the pandemic, rather than firm-specific factors. As such, it provides a plausibly quasi-exogenous shock to firms' ability to bypass shareholder approval for equity issuance. We document that placings exploiting the relief are associated with significant cumulative abnormal returns (CARs) of around 5% relative to all other sample issues, suggesting that investors perceived the temporary flexibility of the PEG as favorable.

We perform a series of tests to examine the potential underlying mechanisms that may drive positive abnormal announcement returns. In the absence of agency concerns, regulatory flexibility can be seen as reducing (costly) frictions to raise equity (Bhagat, 1983; Burton et al., 2005). The benefits of such increased flexibility could be relatively

[2]These types of SPVs, also referred to as cashboxes, are originally intended for mergers and acquisitions and not as issues for cash, and bypass the statuary pre-emption provisions in the 2006 Companies Act, as we explain later.

[3]The control groups are: (1) all other SEOs over the sample period, (2) all other SEOs during the regulatory relief period (April to November 2020), (3) all other SEOs during the COVID period (March 2020 to June 2021), and (4) all other placings (excluding rights issues) over the sample period.

larger in times of elevated economic uncertainty, such as at the beginning of COVID-19, allowing firms to build financial buffers (Bates et al., 2009; McLean, 2011), support liquidity (DeAngelo et al., 2010; Dissanaike et al., 2014), or take advantage of growth opportunities (Cooney Jr and Kalay, 1993; Ramelli and Wagner, 2020).

In the presence of agency concerns, positive abnormal announcement returns may also be driven by enhanced PEG monitoring to address the lack of mandatory shareholder voting (Holderness, 2018).[4] The PEG introduced additional monitoring measures like publicizing non-compliance, eliciting investors to report any misuse of the regulatory flexibility, and requiring companies to disclose post-transaction reviews. Monitoring may manifest in various ways. Channeling limited PEG resources toward regulatory relief SEOs may have ex-ante deterred opportunistic SEOs. At the same time, the attention of PEG may have had positive spillover effects on other market participants, such as regulators and information intermediaries (e.g., analysts, business press). Complementary monitoring by these parties may have further deterred the likelihood that equity raised under the regulatory relief program is misappropriated. Another, non-mutually exclusive, mechanism that may have addressed agency concerns is bonding as firms that took advantage of the regulatory flexibility selected into more rigorous PEG monitoring.

Our findings support the PEG monitoring hypothesis. First, the value of (and de-

[4]Managers may wish to issue shares for self-serving motives, such as entrenchment, empire building, or increased control (Meckling and Jensen, 1976; Goshen and Squire, 2017; Kraakman et al., 2017; Holderness, 2018). The issue of shares to new shareholders typically dilutes the voting and cash flow rights of existing shareholders. PEG endorsements of placings through SPVs allowed firms to issue relatively more equity without shareholder voting, raising agency concerns (Kraakman et al., 2017). One primary goal of the PEG is to avoid agency-driven 'inappropriate' dilution of cash flow and voting rights, which may be mitigated by monitoring.

mand for) monitoring is highest if agency concerns are expected to be the most prevalent (Jensen, 1986). Consistent with this, we find that the positive abnormal returns for cash-box issues during the regulatory relief period are centered at the subset of firms with ex-ante high agency costs (lower sales-to-assets, higher expense-to-sales, and higher free cash flow).

Second, shareholder voting as a legal remedy to address agency problems is less valuable in the presence of high information asymmetry between managers and shareholders, where it is challenging for (especially minority) shareholders to assess management proposals (La Porta et al., 2000; Holderness, 2018; Vos, 2023). In such opaque information environments, the marginal benefits of PEG monitoring are relatively higher. In support of this, we document that positive abnormal returns are higher for firms with ex-ante weaker information environments (less analyst coverage, higher discretionary accruals, and higher return volatility).

Third, future performance should be better if agency problems are successfully mitigated, which should be taken into account by sophisticated market participants (e.g., McLaughlin et al., 1996). We find significantly positive mid- to long-term (6 months to 2 years) abnormal buy and hold returns for cashbox issues during the regulatory relief period. Also, consensus sell-side analyst recommendations are more favorable in the month after compared to the month before such SEOs.

Although we cannot rule out all possible alternative explanations, our findings provide suggestive evidence that quasi-regulatory monitoring can successfully alleviate agency

concerns associated with SEOs.[5] While inferences from SEOs during the COVID period may have limited external validity, this setting provides unique research opportunities, like studying the implications of unexpected and temporary regulatory changes.

This study offers contributions to multiple streams of literature. It contributes to the debate on facilitating access to equity capital while safeguarding shareholder interests. We extend Holderness (2018) and propose that quasi-regulatory monitoring can alleviate agency problems in the absence of shareholder voting. Pre-emption rights are common in many countries around the world (La Porta et al., 2000; Holderness, 2018). In the UK, corporate law on preemption is mandatory, however, a subject of debate (Myners, 2004; Vos, 2023). For example, the 2021-22 *UK Secondary Capital Raising Review* (commissioned by HM Treasury) fundamentally reevaluated UK security regulations around SEOs, to improve the efficiency of the capital raising process.[6] Our study can inform this ongoing debate by showing a favorable market perception of increased flexibility, specifically when flexibility comes alongside appropriate monitoring.

In the US, where corporate law on preemption is enabling, few companies have adopted pre-emption rights (Kraakman et al., 2017; Holderness, 2018). An early study

[5] In a battery of additional analyses we (1) account for the 2020-2021 UK government debt-relief program, (2) shed light on debt-equity financing choices, (3) employ propensity score matching, (4) examine institutional investor takeup and shareholder monitoring, and (5) probe robustness to various sample restrictions, and (6) further inclusions of control variables like issue discount and underwriter fees. None of these analyses affect our inferences.

[6] See https://assets.publishing.service.gov.uk/media/62d5486f8fa8f50c0a8a3fd7/SCRR_Report__July_2022_final_.pdf. The reviewing committee advised the PEG to permanently increase the threshold for non-preemptive issuances up to 20%, which has been implemented in the revised Statement of Principles from November 2022 (https://media.frc.org.uk/documents/PEG_Statement_of_Principles.pdf). Relevant for our study, to isolate the effect of the temporary regulatory flexibility during the COVID-19 period, we exclude companies that held their AGM after the PEG's November 2022 guidelines were published. As such, our sample does not contain firms that took advantage of the permanent regulation.

by Bhagat (1983) shows that the elimination of preemption rights from corporate charters decreases shareholder wealth, consistent with an increased threat of managerial expropriation. This may be reconciled with our findings insofar that we propose that increased monitoring is critical if preemption rights are weakened or removed.

Furthermore, we contribute to the work on SEO methods in the UK, specifically, Slovin et al. (2000) and Barnes and Walker (2006), who studied deregulations during the 1980s-90s that facilitated non-preemptive SEOs (i.e., placings).[7] They find an increased propensity for placings and more positive announcement returns (compared to rights issues), accruing these results to greater managerial choice to select the optimal issue method. Our setting is similar insofar that the PEG allows for greater flexibility in terms of issue method and size. However, it is notably different, as the PEG (1) effectively permits placings without shareholder voting (through SPVs), and (2) increased monitoring to address arising agency concerns. The PEG's concerns relate especially to the protection of minority shareholders, a relatively understudied topic to which we contribute.[8]

Next, we add to studies that examine unique features of SEO announcement returns during the COVID-19 pandemic. Dutordoir, Shemesh, Veld, and Wang (2024) document positive abnormal announcement returns and negative long-term performance for US SEOs. These are mainly driven by packaging the announcement of the offer with other (especially R&D-related) positive news, consistent with market-timing behavior. In

[7]Before 1986, the London Stock Exchange effectively did not permit placings. Prior to 1996, placings were capped at 15 million pounds.

[8]Furthermore, it is not clear whether previous findings are applicable to more recent time periods, in which placements are the prevalent issue method. Historically, since most SEOs in the UK were rights issues, ownership concentration was high. Placings were seen as a way to increase ownership dispersion by issuing equity to institutional investors, thus increasing institutional monitoring (Slovin et al., 2000).

contrast, our inferences are drawn from a subset of SEOs that have been facilitated by regulatory flexibility, and not all SEOs during the COVID-19 pandemic. Our findings of long-term positive BHAR are inconsistent with market timing behavior. Zenzius, Flore, and Schiereck (2022) document significant negative announcement returns for US SEOs at the beginning of the COVID-19 pandemic, in line with elevated economic uncertainty, which is different from the positive returns we document.

Finally, while there are many quasiregulatory bodies influencing corporate governance worldwide, their effectiveness and impact are relatively understudied. Although they do not have the force of law (unlike government agencies such as the SEC in the U.S. or the FCA in the U.K.), they effectively shapes behavior of public companies by setting codes, rules, benchmarks or expectations that companies are strongly expected to follow.[9] Leveraging a quasi-natural experimental setting (i.e., unexpected change in regulation), we are able to examine how a quasi-regulator can balance shareholder protection and access to capital markets.

[9]See, for example, proxy advisors' voting guidelines, OECD Principles of Corporate Governance, ICGN Global Governance Principles, IFC's Corporate Governance Methodology, or the Council of Institutional Investors Corporate Governance Policies.

2 Institutional Background and Hypothesis

2.1 SEO methods in the UK and the Pre-emption Group

Shareholders of firms listed on the UK main market have statuary pre-emptive rights to new equity issues for cash (defined in the Companies Act 2006). Such rights are generally interpreted as a key tool to address the inappropriate dilution of current shareholders' cash flow and voting rights (La Porta, Lopez-de Silanes, Shleifer, and Vishny, 1998; Kraakman et al., 2017; Fried and Spamann, 2020), and play an important role in disciplining management in the context of UK-SEOs (Franks et al., 2001; Vos, 2023).

Shareholders commonly vote on managers' requests to waive shareholders' statuary preemption rights at the annual general meeting, a process primarily governed by the PEG. The PEG is an influential corporate governance association/investor protection group, that publishes guidelines ('Statements of Principles') that inform management under which circumstances, and in what manner, they may request disapplication of pre-emption rights.[10] The PEG advises shareholders about factors to consider in the face of such managerial requests and monitors over the execution of non-preemptive issuances and reports how its guidelines are applied. In support of the PEG, the Statements of Principles are endorsed by major institutional shareholder bodies such as the Investment Association and the Pensions and Lifetime Savings Association, as well as the London

[10]The PEG was founded under the auspices of the Financial Reporting Council (FRC) in 2005 (https://www.frc.org.uk/about-us/) to address growing concerns from institutional investors about the erosion of pre-emption rights (Myners, 2004).

Stock Exchange Group, the General Counsel 100 Group, and proxy advisors (including the ISS and Glass Lewis). Despite the non-binding nature of the Statements of Principles, they are seen as industry customs (Myners, 2004; Gullifer and Payne, 2015; Vos, 2023), and consequently *de facto* regulation in the context of UK-SEOs (Kraakman et al., 2017; Holderness, 2018).[11]

The two most common methods for companies listed on the UK-main market to raise seasoned equity are rights issues and placings (Armitage, 1998; Slovin et al., 2000; Barnes and Walker, 2006; Holderness, 2018). A rights issue is a distribution of rights to subscribe to new shares to all existing shareholders pro-rata. Unlike in public issues, pre-emption rights are not disapplied, thus, no resolution is put to a vote at a meeting. The right has a value itself, and so a shareholder can realize value by selling its rights on the market. Significant costs associated with rights issues include longer lead times and higher administrative costs, and the requirement to circulate a prospectus approved by the FRC.

Placings tend to facilitate faster and less expensive raising of equity than rights issuances. They are often structured in such a way that a prospectus is only required if the raised amounts exceed 20% of outstanding share capital. However, placings require

[11]The PEG does not have the legal authority to enforce adherence to its guidelines. However, not adhering may have reputational and other repercussions. For example, Glencore PLC's shareholders approved at their AGM in May 2015 a placing for a specific capital investment. However, in September 2015, Glencore issued equity not for capital investment, but to strengthen their balance sheet. This raised concerns with the Investment Association, which have been echoed by the ISS, corporate lawyers, and the business press. The share price dropped sharply around this SEO. See https://www.theia.org/news/press-releases/glencore-serious-breach-shareholder-protection-principles-say-investment, https://www.osborneclarke.com/insights/the-pre-emption-groups-statement-of-principles-and-the-additional-5-glencore-under-fire-for-non-pre-emptive-placing, and https://www.issgovernance.com/file/policy/uk-ire-share-issuance-without-preemptive-rights.pdf.

voting in order to disapply current shareholders' pre-emption rights. They risk alienating existing shareholders who are not given the opportunity to participate in the fundraising and thus see their ownership interests, cash flow, and voting rights diluted (Kraakman et al., 2017).

2.2 Statement of Principals and COVID-19 Regulatory Relief

Prior to April 2020, following the PEG's 2015 Statement of Principals, managers typically request and shareholders approve a disapplication of pre-emption rights of up to 10% of existing equity at the annual general meeting.[12] [13] This provided managers with the flexibility to conduct public placings of up to the preapproved amounts at any point in time during the upcoming fiscal year, but before the subsequent AGM.[14]

In April 2020, in the wake of the COVID-19 pandemic, the PEG modified their guidelines allowing for more pre-emption flexibility in order to facilitate quick access to cash when needed to maintain solvency.[15] From 1 April to 30 November 2020 (*regulatory relief period*), the PEG recommended that shareholders approve management requests of disapplications of pre-emption rights of up to 20% of outstanding equity (that is, the PEG raised the aforementioned 10% threshold temporarily to 20%). The PEG temporar-

[12] https://media.frc.org.uk/documents/Pre-Emption_Group_Statement_of_Principles_2015.pdf

[13] Half of the 10% need to be in connection with an acquisition or specified capital investment.

[14] Although not endorsed by the PEG and hence rare, managers can seek authority from shareholders to disapply pre-emption rights equivalent to larger amounts than 10%, also previous to April 2020. Such 'unendorsed' cashbox placings are almost exclusively perceived unfavorably by investors, as we discuss in Section 4.7.

[15] Precisely, the Statement of Principles from April 1, 2020 states '*...in the unparalleled economic situation that we all currently face as a result of the COVID-19, investors clearly want the companies in which they are invested to have access to the capital they need to maintain their solvency.*' (https://www.frc.org.uk/news-and-events/news/2020/03/pre-emption-group-expectations-for-issuances-in-the-current-circumstances/).

ily also supported a specific type of placing, namely cashbox-placings, of up to 20% of outstanding equity, because physical shareholder meetings to make use of the increased pre-emption flexibility (i.e. disapply additional 10% of statuary pre-emption rights) were often not feasible due to lockdowns and other social distancing measures.

Cashbox placings are a type of placing where statuary preemption provisions as set out in the Companies Act 2006 do not apply.[16] [17] As a result, no formal voting is required to waive statuary preemption rights, which can cause agency concerns (Kraakman et al., 2017; Holderness, 2018).

2.3 PEG Monitoring and Agency Costs

The PEG directed their limited resources toward a set of measures to monitor to what extent firms follow the relaxed guidelines issued in April 2020.[18] The decision to increase monitoring is economically efficient. Outside of the regulatory relief period, the 10% cut-off is efficient in terms of balancing monitoring and financial leeway. At the onset

[16]Statuary preemption rights only apply to for-cash issues. Cashboxes are legally share-for-share issuances, but de-facto often used to raise cash. The PEG 'sees through' this, and treats them as non-preemptive issuances of equity securities for cash (that is, the PEG applies the same size and shareholder approval guidelines as for standard placings).

[17]In a cashbox placing the issuer of new shares incorporates a special purpose vehicle company (Cashbox Co), and at the same time allots ordinary shares to placees selected by the issuer's investment bank or broker. The placees pay the placing price for the new shares of the issuer to the bank, and the bank uses these proceeds to purchase Cashbox Co at a price equal to the placing proceeds (less commissions and other expenses related to the placing). Cashbox Co., whose only assets are the proceeds from the placing, is then transferred to the issuer. Subsequently, by, for example, liquidating Cashbox Co, the issuer has effectively issued shares in exchange for cash. For more technical explanations and reports on the popularity of cashbox placings during COVID, see, e.g., https://www.lexisnexis.co.uk/blog/corporate-law/market-tracker-trend-report-trends-in-uk-equity-capital-markets-2020-21 and https://www.addleshawgoddard.com/en/insights/insights-briefings/2020/corporate/equity-raisings-by-uk-plcs-in-covid-19-times.

[18]PEG members confirmed increased oversight effort in a private conversation with the authors dated July 2023.

of COVID, the PEG increased the cut-off (to 20%) to alleviate financial constraints, and supported cashbox placings. In such circumstances, monitoring is particularly useful.

PEG oversight may have deterred opportunistic equity issues and increased investors' trust about the (net) benefits of the additional fundraising flexibility. For example, the PEG disseminates *Annual Monitoring Reports*, in which they publish information on the extent to which firms follow the best practices described in the Statement of Principles. Additionally, the PEG encourages investors to report any misuse of the disapplication authority and regulatory relief flexibility. The PEG also increased reporting requirements, by requesting post-transaction reviews with details on the fundraising and use of the proceeds. Potentially further deterring opportunistic SEOs, the PEG limited the regulatory relief period to September 30, 2020, after which they would assess how companies used and investors responded to the more flexible preemption guidelines. It would be extended conditional only on a favorable assessment (which it did, up to November 30, 2020).

Information intermediaries such as analysts and the business press may have complemented PEG monitoring efforts by focusing on regulatory relief cashbox issues. In fact, numerous experts (e.g., corporate lawyers) scrutinized regulatory relief cashboxes, especially given the PEG's skeptical position on cashboxes historically.[19] Finally, it might be optimal for some firms to incur the bonding costs associated with more rigorous PEG monitoring. Together, these various mechanisms may have dissuaded opportunistic

[19] https://www.iflr.com/article/2a63733ixysbvckrrahvo/uk-companies-embrace-cashboxes-in-covid-19-fallout and https://www.twobirds.com/-/media/pdfs/in-focus/coronavirus/cash-box-structure-back-in-fashion-in-the-wake-of-covid19.pdf.

equity issues. Every additional dollar raised as a result of the regulatory relief should be associated with lower agency costs, which may be reflected in positive abnormal returns. Based on the above discussion, we formulate our first hypothesis.

H1: Cashbox placings of up to 20% of outstanding share capital, during the regulatory relief period, experience larger abnormal announcement returns relative to other SEOs in our sample.

If PEG monitoring indeed reduces agency costs, then one would expect a larger increase in announcement returns when the ex-ante value of, or demand for, monitoring is higher (Holderness, 2018; Dey, 2008; Jensen, 1986; Meckling and Jensen, 1976). Either should be higher in firms with ex-ante higher agency concerns. Therefore, we test whether the announcement returns predicted in H1 are higher in firms with ex-ante larger agency costs. We test this by invoking a set of proxies for agency costs and information opaqueness, as this may drive agency concerns. Stated more formally, our second hypothesis is as follows:

H2: For firms with high agency costs or more opaque information environments, cashbox placings of up to 20% of outstanding share capital, during the regulatory relief period, experience higher abnormal returns relative to other SEOs in our sample.

Agency concerns might have been largely irrelevant during the COVID-19 crisis if binding financial constraints had limited the opportunities for wealth extraction. This would be consistent with finding no significant moderation effect in the tests of H2. If the PEG did not monitor effectively, one would expect a *negative* moderation effect in the

tests of H2.

3 Data

3.1 Sample and SEO data

We obtain all London Stock Exchange's SEOs that took place between January 2017 and June 2023 from Thomson Reuters Practical Law. The key reason why we chose Practical Law over SDC Platinum is that the former provides an accurate indicator of whether an issuance was placed via the cashbox method. We were able to verify the accuracy of the cashbox flag by cross-referencing it against the original SEO announcements (in PDF format) put out by issuing firms from the London Stock Exchange. We construct a cashbox indicator (CB) that takes the value of one for cashbox placings within the thresholds endorsed by the PEG (i.e., 'endorsed' casbox placing), and zero otherwise. During (outside) the regulatory relief period, this threshold is 20% (10%) of the outstanding share capital. The regulatory relief period is captured through a variable $RegRelief$ that takes the value of one if an equity issue is between 1 April and 30 November 2020, and zero if the issue is during our remaining sample period.

We only include firms listed on the Main Market, as the PEG's recommendation applies exclusively to those companies. Firms listed on the AIM are not expected to follow the PEG's recommendations (and more generally are less tightly regulated than firms listed on the Main Market). We identified 728 SEOs during our sample period;

after dropping AIM companies' SEOs and those with missing information, we arrived at a final sample of 230 SEOs; 25 of these are our treatment issues ($CB * RegRelief$). We address concerns regarding the small size of the sample in robustness analyses using various econometric techniques. Analyst information is obtained from IBES. Company financial information and stock price are from Compustat, and board data from BoardEx. Fama-French factor returns are from Ken French's website.

3.2 Control variables

In our multivariate analysis, we follow the existing literature and control for firm financial characteristics, industry (Fama-French 30), and proxies for corporate governance, agency conflicts, information asymmetry, and bankruptcy risk. These control variables are measured at the financial year-end immediately before the SEO. We also control for issue specific variables, such as issue year, the size of issuance, and the stated use of the proceeds.

The basic characteristics of the firm include the natural logarithm of sales ($Ln(Sales)$), EBITDA-over-sales ($Profitability$), the natural logarithm of assets ($Ln(Assets)$), leverage (*Leverage*), and the market-to-book ratio (MB). Ferreira and Laux (2016) and Kim and Purnanandam (2014) show that high-quality board governance is associated with investors' perception of SEOs. Our set of governance proxies include the number of directors on the company board (*Board Size*), the number of independent directors (*Indp*

Directors), the number of busy directors (*Busy Directors*).[20] To measure ex-ante expectations around institutional investor monitoring, we account for the (pre-issue) percentage of institutional shareholdings ($InstHold(\%)$) (Slovin et al., 2000; Demiralp et al., 2011). We also consider the planned use of SEO-proceeds, as this may affect announcement returns (Walker and Yost, 2008; Veld, Verwijmeren, and Zabolotnyuk, 2020), and industry, given the heterogeneous impact COVID (policies) had on different sectors (Ramelli and Wagner, 2020). Lastly, we control for the size of the issue, i.e., the value of new issuances as a percentage of existing share capital (*% existing Sh Cap*). Variable definitions may be found in Table A1 in Appendix A.

Our extended set of controls includes (i) measures of manager-shareholder agency conflicts, such as sales-to-assets (*Sales/Assets*), operating expense-to-sales (*Expense/Sales*), and free cash flow (*FCF*), (ii) proxies for information asymmetry, including the number of analysts (*Analysts*), discretionary accruals (*Discret Accruals*), and stock return volatility (*Return Volatility*); and (iii) measures of bankruptcy risks, including the Altman Z-score (*Altman Z*), the Kaplan-Zigales (*Kaplan-Zingales*) and the Whited-Wu index (*Whited-Wu*).[21]

[20] Following Fich and Shivdasani (2006) and Field, Lowry, and Mkrtchyan (2013), we define busy directors to be those who concurrently sit on the boards of three or more companies.

[21] Agency cost measures are borrowed from Jensen (1986); Ang et al. (2000); Dey (2008), information asymmetry measures from Altınkılıç and Hansen (2003); Corwin (2003); Drucker and Puri (2005); Lee and Masulis (2009), and bankruptcy risk measures from Altman (1968); Kaplan and Zingales (1997); Whited and Wu (2006).

4 Empirical Design and Results

4.1 Event study of UK SEOs

We start with a simple event study to determine whether the market perceives cashbox placings of up to 20% (endorsed cashbox placings), during the regulatory relief period, differently than other SEOs within our sample period. To isolate the impact of SEOs on stock prices, we calculate CARs using the Fama-French five-factor-plus-momentum model. Following standard practice in the literature, we adopt a 255-trading-day estimation window ending 46 days prior to the event day. For each firm, we require a minimum of 40 observations in the estimation window.

Figure 1 plots CARs of endorsed cashbox placings during the regulatory relief period (pink line), as well as all other sample SEOs (green line) over a [-20, 20] trading day window around SEO announcements. Visually, the two groups of firms have roughly comparable CARs prior to the SEO, but material post-SEO announcement divergence. The parallel trends figure supports the interpretation of the PEG's regulatory relief policy as a quasi-natural experiment, suggesting that treated and control groups followed similar trajectories prior to the policy's implementation.

Table 1 presents the average CARs of all sample SEOs (panel A) and SEOs split by groups (panels B and C), with economically and statistically significant differences reported in panel D. Consistent with the literature on SEO announcement returns, we

report various short-window returns. In Table 1, we find that the SEO returns for the cashboxes during the regulatory relief are positive and significantly higher compared to the CARs of other SEOs. Consistent with most previous findings in the SEO literature, the market reacts unfavorably to many equity issues.[22]

4.2 Descriptive statistics

Firms that take advantage of the PEG's relaxed pre-emption guidelines through cashbox placings may be systematically different from other issuers in various dimensions. In Table 3 we report descriptive statistics and differences in mean and median values between covariates. Consistent with PEG restrictions on issue size (as percentage of share capital) and issue discount for non-preemptive issues, these issues tend to be smaller and have lower discounts, compared to other sample issuances (Slovin et al., 2000; Barnes and Walker, 2006).[23]

For young growth firms that operate in industries with transient favorable investment opportunities that arose during the pandemic, might have benefited most from taking advantage of the regulatory flexibility. We find weak patterns suggestive of that, that is, we observe that firms with higher market-to-book ratios and lower institutional ownership are more likely to use cashbox placings. However, we also find that these firms

[22]We also examine our sample firms' reaction to the UK's COVID lockdown announcement. The PM announced on March 16, 2020 that 'now is the time for everyone to stop non-essential contact and travel.' Using this as our event day, we find both *CB * RegRelief* and other SEOs had similar levels of stock price underperformance across various event windows from [-1, 1] to [0, 20].

[23]The mean discounts are 2.5% and 11%, respectively, untabulated (*t*-tests indicate significant difference at the one percent level). We do not control for issue discount because of the mechanical relation with issue method. The baseline results are similar if discount is included as a control.

tend to have higher sales and lower risk of bankruptcy (as indicated by the Whited-Wu Index). Cashboxes are not centered in specific industries.[24]

4.3 Multivariate analysis

We define the following multivariate model:

$$CAR_{j,i,t} = \beta_1 CB_i RegRelief_t + \beta_2 CB_i + \beta_3 RegRelief_t + \gamma' X_{i,t-1} + \alpha_j + \delta_t + \eta_m + \varepsilon_{j,i,t}, \quad (1)$$

where j, i, t, and m index industry (Fama-French 30), firm, year, and issuance reason, respectively. CAR is calculated using the Fama-French five-factor-plus-momentum as the benchmark model. European factor returns are used. As discussed in Section 3, *CB* is an indicator for endorsed cashbox issuance (i.e., 0-20% (0-10%) of outstanding share capital during (outside) of the regulatory relief period), *RegRelief* is an indicator that takes the value of one during the regulatory relief period, and X is a set of control variables, measured at the financial year-end immediately before the SEO. Issuance reasons include COVID-19, debt repayment, general growth, working capital, M&A, investment, and others. Standard errors are clustered by Fama-French 30 industries.[25]

Table 4 reports the results of our multivariate analysis of H1. We start by analyzing a baseline specification that includes firm- and issuance-specific control variables only

[24] In Section 4.7, we perform propensity score matching to address covariate imbalance and possible non-linear effects of the control variables.

[25] Results are robust to using more (Fama-French 48) or less (Fama-French 17) granular clustering and industry fixed-effects. The results also hold if we interact all the control variables with *RegRelief* (untabulated).

(odd-numbered columns). The results are largely unaffected if we add control variables for corporate governance, agency conflicts, information asymmetry, and financial distress (even-numbered columns). The coefficients of *CB * RegRelief* are positive and range from about 0.10 to 0.19. These represent announcement returns relative to issues picked up by *CB* and *RegRelief*, which tend to be negative. Taken together, the announcement returns estimated in the multivariate analysis are largely consistent with those from our event study.[26]

4.4 Cross sectional analysis: Agency costs

So far, we have argued that agency costs can be reduced by monitoring by the PEG. Our results up to now are consistent with this hypothesis. However, there is substantial cross-sectional variation in the level of *ex-ante* agency problems firms face. It is unclear whether firms with low ex-ante agency problems would experience improved announcement returns with more PEG-monitoring, as these firms had negligible agency concerns in the first place. Consequently, for firms with ex-ante low agency costs, we predict no or an attenuated positive market reaction to cashbox issuances during the regulatory relief period. We expect our main results to be driven primarily by firms with high ex-ante agency costs.

Empirically, we split the sample by industry-year medians of various proxy for agency costs. We collect data on multiple proxies of agency costs, as each individual proxy does

[26] As a robustness test, we exclude all SEOs that are explicitly stated to be for M&A purposes, which are generally conceded to be value-destroying for the acquirer. Our results are similar after the exclusion of these SEOs (Table A2 in the Internet Appendix).

not unambiguously measure agency costs. Our first two measures follow Ang et al. (2000). The sales-to-assets ratio picks up the firm's operating efficiency ratio and the loss of revenue attributable to inefficient asset utilization, which can arise from poor investment decisions or shirking. The expenses-to-sales ratio measures excessive expenses, including perk consumption.

Our third measure of agency costs is associated with free cash flow. High free cash flow can invite various opportunistic behaviors, such as opportunistic transfer of resources outside the firm (La Porta et al., 2000), investments in excess cash flow in negative NPV projects (for example, value-destroying acquisitions) to increase private benefits of control (Jensen, 1986), or a mindset of resource abundance and overconfidence that leads to poor investment decisions (DeAngelo et al., 2009).

The results of these cross-sectional tests are reported in Table 5. For all of our agency measures, we constructed indicator dummies for above or below industry-year medians. For example, *ES_Hi* is a dummy equal to one for firms with an operating expense-to-sales ratio that is above the industry-year median, and zero otherwise, indicating higher agency costs. For brevity, we only report *CB * RegRelief* and its interaction with each proxy for high agency costs (i.e., *SA_Lo*, *ES_Hi*, *FCF_Hi*; note that a low sales-to-assets ratio indicates high agency costs) and the coefficient of *CB * RegRelief*.[27] The model includes the same vector of controls as equation (1). We find that the triple interaction is significant in most of our event windows. The magnitude of the triple interaction is slightly (but not unreasonably) larger than the mean effect reported in Table 4. Under low agency costs, *CB*

[27] All cross-sectional triple interaction models in this paper include all pairwise interactions related to *CB*, *RegRelief*, and the moderator, as well as all three main effects.

* *RegRelief* is almost always positive but insignificant. These results support our second hypothesis, namely that agency concerns drive differential positive returns associated with PEG monitoring.

4.5 Cross sectional analysis: Information opaqueness

In opaque information environments fraught with information asymmetry, managers are better able to conceal or obfuscate their consumption of private benefits (Leuz et al., 2003; Gopalan and Jayaraman, 2012; Kalay, 2014). In such an information environment, on initially hearing news of an equity offering, investors are more likely to discount their firm's valuation. Multiple studies documented an association between information asymmetry and negative SEO returns (Altınkılıç and Hansen, 2003; Corwin, 2003; Lee and Masulis, 2009). We expect that in opaque information environments, where the probability of opportunistic equity issuances is higher, monitoring by the PEG plays a more significant role in curtailing opportunistic issues. Put differently, in opaque information environments, trust in PEG is likely to be of greater relevance, for example, because it is more challenging for investors to estimate firm value accurately.

We measure three aspects of firms' information environment. First, information intermediaries, such as analysts, can reduce information asymmetry and facilitate a firm's information environment. For example, Bowen et al. (2008) and Chan and Chan (2014) document that better analyst coverage is associated with less SEO underpricing. Thus, we use the number of analysts following a firm as a measure of information opaque-

ness. Second, we aim to capture information production through financial statements. As accounting information is a primary source of information for outside investors, its quality can directly impact investors' uncertainty about firm value (Lee and Masulis, 2009). Managers have discretion over accounting choices, for example, to smooth or inflate reported earnings. As a second proxy for information opaqueness, we employ the discretionary accruals estimated with the modified Jones model (Dechow et al., 1995) to measure information uncertainty caused by poor accounting quality. Third, we focus on a possible artifact of uncertainty about firm value, namely stock return volatility. Altınkılıç and Hansen (2003) and Corwin (2003) found that stock return volatility increases SEO underpricing. We measure return volatility as the standard deviation of daily stock returns over the [-255, -46] window, with day 0 being the SEO announcement day.

The results of these cross-sectional analyzes are reported in Table 6. Besides the different moderator variables, the model setup is the same as for the agency tests discussed in Section 4.4. We find that across all three measures of information opaqueness, our results are more pronounced in the high information opaqueness group. That is, almost all triple interaction coefficients of *CB * RegRelief* times low analyst following (*Analyst_Lo*), high discretionary accruals (*DAC_Hi*), and high return volatility (*Ret Vol_Hi*) are positive and significant. All coefficients of *CB * RegRelief* are statistically insignificant. The results are consistent with the importance of PEG monitoring and heightened agency concerns in opaque information environments, and hence support our second hypothesis.

4.6 Alternative Explanations

4.6.1 Financial distress

A primary motive of the PEG to raise the threshold for non-preemptive issuances was to support cash-strapped firms to raise cash quickly at a time of liquidity squeezes. As such, firms exploiting the PEG's relaxed guidelines may be more likely those that have urgent liquidity needs. Consequently, the positive market reactions that we document could be centered around firms that raised equity, and thus successfully reduced financial distress and bankruptcy risk. Dissanaike et al. (2014) study UK equity issues during another highly volatile time period—the GFC. They find positive announcement returns for many of their sample firms and suggest that the market might interpret successful fundraising as a favorable signal that firms are potentially saved from insolvency.

Previous literature found that financially distressed firms are more likely to issue equity. For example, DeAngelo et al. (2010) documents that firms with near-term cash needs are more likely to issue equity. In the absence of equity issuance, about 60% of their sample issuers would run out of cash one year after the SEO. We examine whether our main results are driven by firms with *ex-ante* higher financial distress/bankruptcy risk. We introduce three commonly used measures of bankruptcy risks (Altman Z score,

Kaplan-Zingales index, Whited-Wu index).[28]

The results are reported in Table 7. Aside from the different moderator variables, the variable construction and model setup are the same as in our previous cross-sectional tests. Our coefficients of interest are similar across high and low bankruptcy risk groups, as evident by the statistically insignificant triple interaction terms across all three panels. That is, all triple interaction coefficients of *CB* * *RegRelief* times low Altman Z score (*AZ_Lo*), high Kaplan-Zingales index (*KZ_Hi*), and high Whited-Wu index (*WW_Hi*) are insignificant. These results do not support the conjecture that our results may be driven by the resolution of firms' liquidity needs.

4.6.2 Market timing, investment opportunities, and precautionary demand for cash

The PEG's more flexible pre-emption guidelines may also allow firms to raise equity in order to time the market and exploit investors' favorable perception about firms' investment opportunities, actually pursue positive NPV projects, or to build financial buffers in uncertain times. We discuss to what extent each of these explanations is consistent with our findings.

If firms were to raise cash to time the market, we would expect them to underperform

[28]The Altman Z score estimates the probability that a firm would become insolvent in the next two years, with a higher score indicating a financially healthier company (Altman, 1968). The Kaplan-Zingales index is a relative measurement of dependence on external financing. Firms with a higher Kaplan-Zingales index are more likely to experience difficulties when financial conditions tighten due to their increased dependence on external financing (Kaplan and Zingales, 1997). The Whited-Wu index is constructed by estimating a Euler equation of investment that integrates capital markets frictions. Similarly to the Kaplan-Zingales index, a higher Whited-Wu index indicates that the firm is more likely to become financially constrained and faces higher external financing costs (Whited and Wu, 2006).

in the mid to long term (Baker and Wurgler, 2002, 2006). We analyze buy-and-hold abnormal returns (BHAR) over 6, 12, 18, and 24 months after the SEO announcement date.[29] The results, reported in Table 8, show quite the opposite. That is, cashbox placings (that fall within the PEG's guidelines) during the regulatory relief period are associated with significantly higher BHARs than our other sample issues over all four time windows. If agency problems were not addressed, poor long-term performance would be expected (e.g. McLaughlin et al. (1996)). That is, our result of positive BHARs is consistent with the successful PEG monitoring and in contrast to the explanation of the timing of the market in Dutordoir et al. (2024).

Firms that took advantage of the regulatory relief guidelines may have had disproportionally better investment opportunities, which could be associated with positive abnormal returns (Cooney Jr and Kalay, 1993). In our setting, it is unclear why firms with value-adding investment opportunities would not use rights issuances, since they allow for greater than 20% of outstanding share capital. Our sample firms that name M&As, investments, or growth opportunities as reasons for issuance are significantly *less* likely to utilize the cashbox method during the regulatory relief period. We account for observable characteristics such as issue reasons and investment (growth) opportunities. In general, this does not give us reason to believe that favorable investment opportunities drive our results.

Bates, Kahle, and Stulz (2009) and McLean (2011) invoke the precautionary demand for cash hypothesis. During times of extreme economic uncertainty at the onset of COVID,

[29] Except for the different dependent variables, we use the same empirical specification as for equation (1).

firms have increased incentives to store offer proceeds to use as dry powder to absorb future liquidity shocks. This would be consistent with firms that name 'working capital' or 'COVID-19' as the reason for the issue. However, we find that during the regulatory relief period, cashbox issuers are as likely to provide COVID-19 as a reason as our remaining sample firms and are less likely to mention working capital. We also rerun equation (1) adding control variables for precautionary cash motives, and all our results hold (untabulated).[30] Additionally, we conduct a placebo test with proxies for precautionary cash as moderator variables (similarly to the moderator tests in our previous sections). None of the triple interaction terms is statistically significant at the 10% level (untabulated).

4.7 Robustness tests

We perform a battery of analyses to assess the robustness of our takeaways from equation (1). First, we control for the natural logarithm of the underwriting fees as they could be a signal of issuer certification (Slovin et al., 2000), which does not affect our results (untabulated). We do not include underwriting fees in the baseline model, as fees and issuance size are highly correlated.

Second, we account for the take-up by institutional investors. As institutions are sophisticated investors, increased institutional participation can be a positive signal to other market participants about investment opportunities and long-term prospects (Chemmanur et al., 2009; Gibson et al., 2004). This signal may be especially meaningful in periods of

[30] Following Bates et al. (2009), we proxy for precautionary cash motives with industry cash flow risk, a dividend payout dummy, cash to assets, and acquisitions to assets.

high uncertainty (like the COVID-19 pandemic) and cash-constraint investors. Similarly, an increase in the percentage of institutional investors holding from before to after a SEO can foster expectations of institutional monitoring (Slovin et al., 2000; Demiralp et al., 2011). Either positive signal or institutional monitoring may be associated with positive abnormal announcement returns. We proxy for the take-up by institutional investors with the change in institutional holding from the quarter before to the quarter of the SEO, and its interaction with our regulatory relief indicator. In addition to direct purchase, this measure also accounts for purchases in the open market following the announcement of the equity issue (Demiralp et al., 2011; Gibson et al., 2004). We find that in only one specification the change in institutional holdings during the regulatory relief period is positively significant (Table 9 Panel A). The results suggest that the participation of institutional investors does not drive our findings.

Third, we add a placing indicator and its interaction with the regulatory relief indicator, as placings historically tended to be perceived more favorably by investors in the UK than rights issuances (Slovin et al., 2000; Barnes and Walker, 2006). Neither the coefficient of the placing indicator nor the interaction term's coefficient is statistically significantly different from zero (see Table 9 Panel B).

Fourth, we rerun equation (1) excluding all rights issues to ensure that the choice of the control group does not cloud our inferences (e.g., rights issues tend to have higher discounts). Effectively, in this test we compare endorsed cashbox placings with non-endorsed cashbox placings and 'standard' placings. The results are very similar to the main results (see Table 9 Panel C).

Fifth, in a placebo test, we add an indicator variable for cashbox placings that are *not* endorsed by the PEG (i.e., cashbox placings above the 10% or 20% threshold, as defined by the PEG), and its interaction with the regulatory relief indicator. Despite them being seen unfavorably by the PEG, some firms might still use them due to other characteristics that may make them attractive, like issue speed and low issuance costs. If such reasons lead equity markets to perceive the average cashbox placing favorably, then one or both of these variables may load. The results reported in Panel D of Table 9 do not support this conjecture.

Sixth, we restrict the sample to SEOs during the COVID period (March 2020 to June 2021 as defined in Dutordoir et al. (2024)) only, in case year fixed effects do not account for the systematically different economic environment during the pandemic. This does not affect our primary inferences (see Panel E of Table 9).

Finally, given the limited number of cashbox placings during the regulatory relief period, we re-examine equation (1) in two ways, propensity-score matching (PSM) and bootstrapping. The first stage of PSM is estimated using a logit model with basic controls (that is, the ones found in panel A of Table 4) as independent variables, measured at the end of the financial year before the SEO. We match each treated issuance to either three, four, or five control issuances. After matching, basic controls are statistically insignificant between the two groups under univariate *t*-tests regardless of the number of control issuances. We then rerun equation (1) using these propensity score-matched control groups. The results are presented in Table 10. We observe that our findings are largely similar in all three panels. Alternatively, we 'bootstrap' our sample by dropping 1 of the

25 *CB * RegRelief* SEOs at a time. The *p*-values of the coefficients of *CB * RegRelief* in all 125 regressions (25 regressions per event window * 5 windows) are significant at the 10% level (untabulated).

4.8 Extensions

4.8.1 Sell-side analyst recommendations around SEOs

Sell-side analysts are sophisticated market participants with a wealth of private and public information (e.g., Soltes, 2014; Brown et al., 2015). They are likely intimately familiar with significant actions, such as fundraising, of these companies they follow. For example, relative to less sophisticated market participants, analysts may be better able to assess an SEO in light of recent industry trends and future prospects or the current macroeconomic environment. Furthermore, dedicated analysts may be able to more precisely estimate the implications of issuing method, or assess the credibility of firms' stated issue-reasons and other SEO-related disclosure.

One corollary of our quasi-regulatory monitoring hypothesis is that consensus analyst recommendations may reflect successful PEG monitoring and alleviated agency concerns. If so, we expect that consensus analyst forecasts tend to be more favorable the month after as compared to the month before cashbox issues made during the regulatory relief period (compared to other SEOs). We test this by employing our main model but instead of announcement return use multiple measures of changes in consensus analyst

forecasts as dependent variables. The results are reported in Table 11. We find that for cashbox issues during the regulatory relief period, the mean/median recommendation becomes significantly more favorable (columns 1 and 2), the percentage of sell recommendation decreases (column 4) and the number of upgrades increases (column 6). Although consistent with quasi-regulatory monitoring, other factors associated with our treatment issues (and not accounted for with our control variables) may also drive changes in analyst recommendations.

4.8.2 Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The UK government initiated the CLBILS in early April 2020, around the time the PEG released their updated Statement of Principles. The loan scheme was designed to help medium and large businesses access loans up to £200 million. The government guaranteed 80% of the finance to the lender. The loan relief program was open for one year and closed at the end of March 2021.[31] A bank loan may have been a suitable alternative for some firms that issued equity under the relaxed pre-emption provisions. It is also conceivable that some firms were financed through both methods. However, we find that only five sample-firms have issued equity and received a bank loan from April 2020 to March 2021. We start with testing for determinants of corporate financing decisions and then conduct an event study of announcement returns of bank loans.

We test a model of financing choices, conditional on seeking financing at least once

[31] https://www.gov.uk/guidance/apply-for-the-coronavirus-large-business-interruption-loan-scheme and https://www.british-business-bank.co.uk/finance-options/legacy-programmes/coronavirus-large-business-interruption-loan-scheme-clbils.

during our sample period. The dependent variable takes the value of one for a bank loan, and zero for an SEO. We invoke determinants of capital structure based on the prior literature, primarily motivated by trade-off, pecking order, and market timing theories (Kraus and Litzenberger, 1973; Myers and Majluf, 1984; Baker and Wurgler, 2006; Graham and Leary, 2011). The results are reported in Table 12.[32]

Some of the results we find are consistent with these conventional financing theories. For example, firms with higher marginal tax rates and higher FCFs are more likely to conduct debt financing, consistent with the benefits of debt according to the trade-off theory (i.e., tax savings, mitigating manager-shareholder agency conflicts). More profitable and financially healthier firms, which have more debt capacity, conduct more debt financing too (Frank and Goyal, 2009). High market-to-book firms are more likely to finance with equity, which is in line with market timing but also valuable investment opportunities (Jung et al., 1996). Firms with higher information asymmetry (as measured through return volatility) are more likely to finance with a bank loan as opposed to equity, as predicted by the pecking order theory.

We conduct an event study on bank loans that largely parallels our SEO event study in terms of research design. The results are reported in Table A3 in the Internet Appendix. We observe, on average, positive, albeit marginally insignificant, abnormal announcement returns for bank loans during the CLBILS period, when benchmarked against loans outside the CLBILS period. Loans outside the CLBILS period tend to have abnormal

[32]Note that we do not formally test financing hypotheses and interpret the results with caution as individual coefficients may be consistent with more than one financing theory. See Acharya and Steffen (2020); Halling et al. (2020); Dutordoir et al. (2024) for studies with a focus on corporate financing decisions of US firms during the COVID-19 period.

returns around zero. It appears that bank financing as COVID-relief measure is often perceived favorably by investors, which echoes our SEO results in terms of access to finance during the pandemic.[33]

5 Conclusion

SEOs lead to some of the largest infusions of capital for a firm and hence resources that may be potentially misallocated and misappropriated. This is something that can be addressed by monitoring. We study a setting where monitoring by a quasi-regulator—specifically, the UK-based Pre-emption Group—to limit agency costs in the context of SEOs is particularly important. In order to facilitate quick equity raising during times of increased economic uncertainty and corporate financial distress, the PEG endorsed larger public offerings without formal shareholder voting in 2020, a traditionally important governance mechanism to address potential agency concerns (Holderness, 2018). This additional flexibility effectively cancels the shareholder-protection pre-emption rights are meant to provide, especially to retail and other minority investors (Kraakman et al., 2017). In such circumstances, quasi-regulatory monitoring and public trust to offset and counteract potential adverse effects associated with less shareholder voting may be particularly relevant.

Studying a sample of SEOs in the UK main market from 2017 to 2023, we document

[33]In untabulated robustness analyses, we rerun equation (1) controlling for an indicator variable that takes the value of one if a firm received a loan six (alternatively 12) months either side of an SEO announcement, and zero otherwise. There are 17 (20) such cases. The coefficient of this indicator variable is statistically insignificant and our results are qualitatively unchanged.

that firms that take advantage of the temporary regulatory relief guidelines of PEG experience significant positive SEO announcement returns. Overall, a battery of results is consistent with effective quasi-regulatory monitoring and does not support several plausible alternative explanations.

More broadly, our findings suggest that quasi-regulators can act as credible substitutes for formal shareholder protections when rapid access to equity markets is necessary. This has implications not only for crisis-period regulation but also for the ongoing debate over the efficiency of capital raising procedures and the protection of minority investors. Future research might examine whether similar quasi-regulatory arrangements exist in other jurisdictions and whether they can sustainably balance the dual goals of financing flexibility and investor protection.

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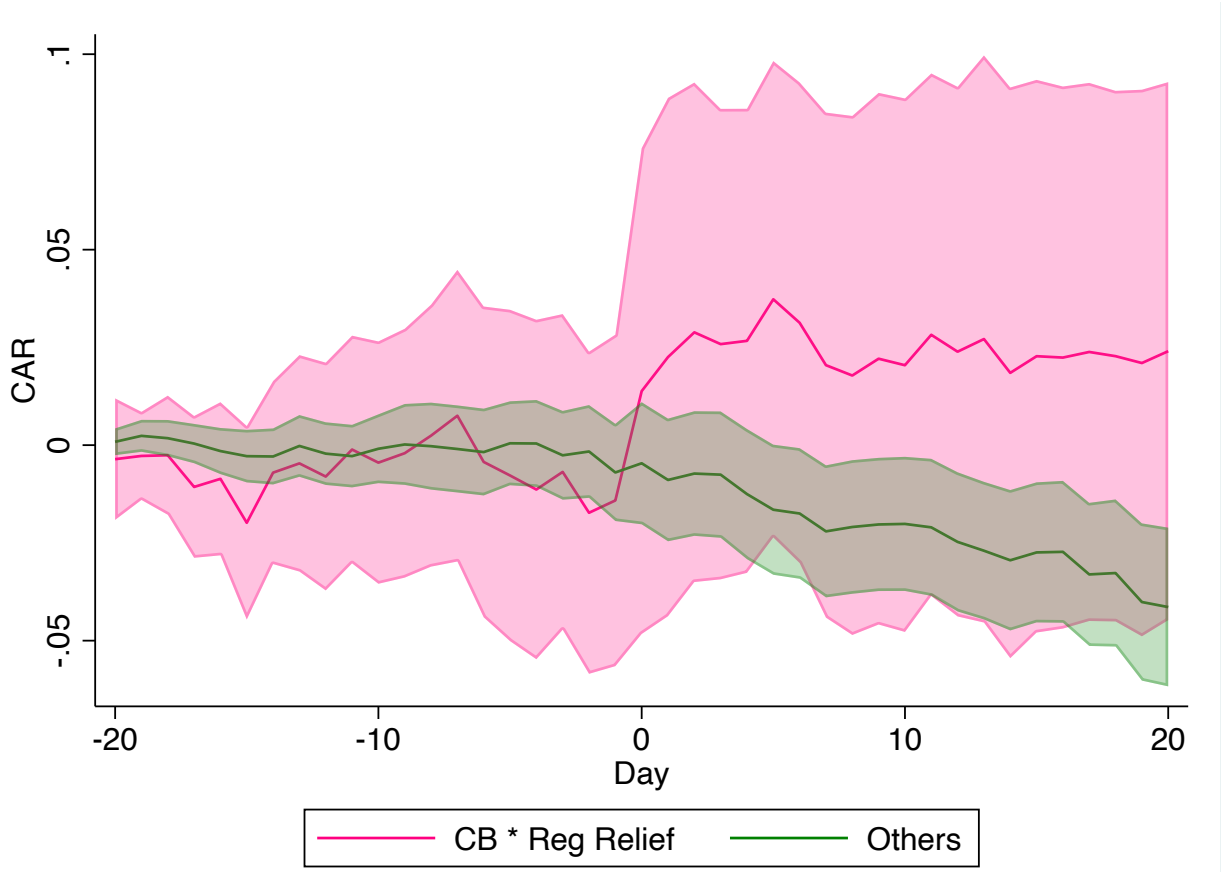

Fig. 1: *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). CAR is calculated using the Fama-French five-factor-plus-momentum as the benchmark model. Shaded regions represent 90 percent confidence intervals.

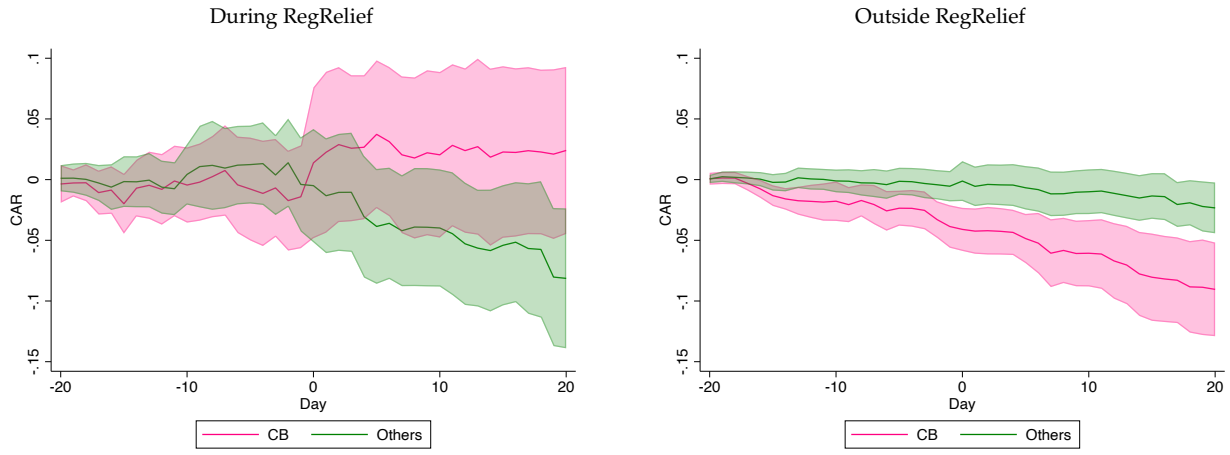

Fig. 2: The left-hand (right-hand) panel includes all SEOs made during (outside of) the PEG's regulatory relief period (April to November 2020). *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. Shaded regions represent 90 percent confidence intervals. These graphs support the parallel shifts, i.e., the treated and control groups followed similar trends in the outcome variable before the treatment.

Table 1 Event study
Day 0 is the SEO announcement day. Event windows are in trading days. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). The *Pos:Neg* column indicates the ratio of firms with positive and negative CARs over the corresponding event window. Subsequent columns report the *t*-statistic and the signed-rank test *z*-score.

Window	N	Mean CAR (%)	Pos:Neg	*t*-stat	Signed-rank *z*
Panel A: Full Sample					
[-1, 1]	230	−0.09	104:126	−0.13	−1.51
[0, 1]	230	0.13	108:122	0.24	−0.92
[0, 5]	230	−0.19	109:121	−0.27	−0.42
[0, 10]	230	−0.48	104:126	−0.59	−1.58
[0, 20]	230	−2.39	96:134	−2.62***	−2.35**
Panel B: CB * RegRelief					
[-1, 1]	25	4.12	15:10	1.41	0.74
[0, 1]	25	3.67	14:11	1.59	1.17
[0, 5]	25	5.72	17:8	2.20**	2.00**
[0, 10]	25	4.14	16:9	1.51	1.52
[0, 20]	25	4.57	15:10	1.48	1.57
Panel C: Others					
[-1, 1]	205	−0.60	89:116	−0.93	−2.00**
[0, 1]	205	−0.30	94:111	−0.53	−1.42
[0, 5]	205	−0.91	92:113	−1.29	−1.33
[0, 10]	205	−1.04	88:117	−1.23	−2.26**
[0, 20]	205	−3.24	81:124	−3.45***	−3.19***
Panel D: Difference (B − C)					
[-1, 1]	230	4.72	—	2.24**	—
[0, 1]	230	3.96	—	2.21**	—
[0, 5]	230	6.63	—	3.00***	—
[0, 10]	230	5.18	—	2.00**	—
[0, 20]	230	7.81	—	2.70***	—

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2 Two-by-two univariate comparisons

Two-by-two univariate comparisons of large cashbox issuances during and outside of the regulatory relief period. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG).

		RegRelief = 1	RegRelief = 0	Mean Diff
[-1, 1]	CB = 1	4.12	-0.20	4.33
[0, 1]		3.67	0.38	3.28
[0, 5]		5.72	-0.96	6.68*
[0, 10]		4.14	-2.38	6.53*
[0, 20]		4.57	-5.84	10.41**
[-1, 1]	CB = 0	-2.37	-0.06	-2.31
[0, 1]		-0.75	-0.22	-0.53
[0, 5]		-2.59	-0.35	-2.25
[0, 10]		-2.04	-0.57	-1.47
[0, 20]		-6.36	-1.94	-4.42
[-1, 1]	Mean Diff	6.49*	-0.14	—
[0, 1]		4.42	0.60	—
[0, 5]		8.32**	-0.61	—
[0, 10]		6.18*	-1.81	—
[0, 20]		10.93***	-3.90	—

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3 Summary statistics

Panels A and B respectively reports the full and split sample summary statistics. *Mean Diff* is the difference in sample means; statistical significance is based on the *t* test. *Med Diff* is the difference in sample medians; statistical significance is based on the Wilcoxon rank-sum test. Variable definition can be found in Table A1.

Panel A	Full Sample ($N = 230$)				
	Mean	S.D.	p25	p50	p75
CB * RegRelief	0.11	0.31	0.00	0.00	0.00
Ln(Sales)	6.16	1.74	5.11	6.14	7.27
Profitability	0.22	0.35	0.06	0.15	0.30
Ln(Assets)	7.14	1.26	6.18	7.26	7.97
Leverage	0.32	0.24	0.12	0.26	0.46
MB	2.55	2.78	1.00	1.81	3.39
% Existing Sh Cap	0.47	1.00	0.08	0.12	0.30
Issue Amt (£Mn)	257.70	417.54	53.00	125.80	264.00
Board Size	8.01	1.74	7.00	8.00	9.00
Indp Directors	5.16	1.50	4.00	5.00	6.00
Busy Directors	3.70	1.58	3.00	4.00	5.00
Inst Hold (%)	32.63	38.20	3.57	11.70	51.82
Sales/Assets	0.71	0.66	0.23	0.55	1.00
Expense/Sales	1.90	7.68	0.77	0.86	0.95
FCF	0.09	0.09	0.03	0.07	0.11
Discret Accruals	0.00	0.03	0.00	0.00	0.00
Return Volatility	0.03	0.03	0.02	0.02	0.03
Analysts	9.04	5.13	5.00	8.00	13.00
Altman Z	2.46	2.36	0.91	2.06	3.27
Kaplan-Zingales	−84.14	274.48	−53.95	−9.01	1.82
Whited-Wu	−9.64	24.31	−11.83	−5.46	−0.82

Panel B	CB * RegRelief = 1 ($N = 25$)					CB * RegRelief = 0 ($N = 205$)						
	Mean	S.D.	p25	p50	p75	Mean	S.D.	p25	p50	p75	Mean Diff	Med Diff
RegRelief	1.00	0.00	1.00	1.00	1.00	0.23	0.42	0.00	0.00	0.00	0.77***	1.00***
Ln(Sales)	6.99	1.27	6.42	7.06	7.88	6.06	1.76	5.04	6.08	7.14	0.93**	0.34***
Profitability	0.17	0.12	0.10	0.15	0.21	0.23	0.37	0.06	0.15	0.31	−0.06	−0.05
Ln(Assets)	7.50	1.21	6.61	7.31	8.35	7.10	1.27	6.16	7.25	7.96	0.40	−0.64
Leverage	0.26	0.17	0.13	0.25	0.33	0.32	0.25	0.12	0.26	0.46	−0.07	−0.13
MB	2.85	2.55	1.80	2.14	3.44	2.51	2.81	1.00	1.65	3.26	0.34	0.15*
% Existing Sh Cap	0.17	0.03	0.15	0.18	0.20	0.51	1.05	0.08	0.10	0.39	−0.34	0.05*
Issue Amt (£Mn)	267.04	419.84	64.00	125.00	250.00	256.56	418.28	52.40	126.60	264.00	10.48	−1.60
Board Size	8.12	1.81	7.00	8.00	9.00	8.00	1.74	7.00	8.00	9.00	0.12	−1.00
Indp Directors	5.24	1.79	4.00	5.00	6.00	5.15	1.46	4.00	5.00	6.00	0.09	−1.00
Busy Directors	3.64	1.70	3.00	3.00	5.00	3.71	1.57	3.00	4.00	5.00	−0.07	−1.00
Inst Hold (%)	24.77	38.08	2.99	5.29	17.74	33.58	38.19	3.95	13.34	51.89	−8.81	−10.35*
Sales/Assets	0.82	0.46	0.45	0.84	1.15	0.70	0.68	0.17	0.52	0.98	0.12	−0.07**
Expense/Sales	0.83	0.13	0.79	0.85	0.90	2.03	8.13	0.77	0.86	0.96	−1.20	−0.07
FCF	0.07	0.07	0.03	0.05	0.07	0.09	0.09	0.03	0.07	0.12	−0.02	−0.04
Discret Accruals	0.01	0.02	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00
Return Volatility	0.02	0.01	0.02	0.02	0.02	0.03	0.04	0.02	0.02	0.03	−0.01	0.00
Analysts	9.52	5.64	5.00	9.00	14.00	8.98	5.08	5.00	8.00	13.00	0.54	−3.00
Altman Z	2.26	1.72	1.02	2.05	3.76	2.48	2.43	0.90	2.07	3.27	−0.22	−1.05
Kaplan-Zingales	−50.15	118.06	−24.00	−6.84	1.82	−88.29	287.71	−55.34	−9.32	1.85	38.14	−14.68
Whited-Wu	−24.37	36.03	−24.05	−11.84	−4.56	−7.85	21.93	−10.96	−5.29	−0.54	−16.52***	−18.76**

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 4 Cashbox issuances during regulatory relief

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period were perceived more favorably by the market, as indicated by a positive and significant coefficient of *CB * RegRelief*. The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Variables are defined in Table A1. The first column of each event window includes firm fundamentals and issuance characteristics as control variables, and industry, year, and issue reason fixed effects. The second column of each window additionally controls for corporate governance variables, proxies for agency costs, information asymmetry, and bankruptcy risks. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]		[0, 1]		[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CB * RegRelief	0.149***	0.147**	0.105**	0.099*	0.171***	0.167***	0.168***	0.172***	0.186**	0.188**
	(2.90)	(2.61)	(2.37)	(1.95)	(3.58)	(3.28)	(3.07)	(3.08)	(2.62)	(2.65)
CB	-0.044*	-0.037	-0.031	-0.022	-0.045*	-0.037	-0.051*	-0.043	-0.062**	-0.062*
	(-1.75)	(-1.43)	(-1.43)	(-0.95)	(-1.88)	(-1.42)	(-1.90)	(-1.56)	(-2.15)	(-1.95)
RegRelief	-0.066*	-0.070	-0.061	-0.062	-0.080	-0.080	-0.068	-0.076	-0.104	-0.102
	(-1.74)	(-1.67)	(-1.50)	(-1.34)	(-1.69)	(-1.56)	(-1.33)	(-1.40)	(-1.56)	(-1.40)
Ln(Sales)	-0.003	-0.012	-0.004	-0.006	-0.008	-0.005	-0.004	-0.001	-0.020**	0.001
	(-0.55)	(-1.18)	(-0.73)	(-0.73)	(-1.21)	(-0.44)	(-0.47)	(-0.11)	(-2.51)	(0.09)
Profitability	-0.034	-0.023	-0.025	-0.010	-0.025	-0.000	-0.026	0.010	-0.047	-0.010
	(-1.57)	(-1.03)	(-1.52)	(-0.50)	(-1.12)	(-0.00)	(-0.95)	(0.32)	(-1.50)	(-0.30)
Ln(Assets)	-0.006	0.004	-0.006	0.000	0.000	0.013	0.002	0.017	0.020*	0.013
	(-0.96)	(0.26)	(-1.15)	(0.01)	(0.04)	(1.00)	(0.28)	(0.88)	(2.03)	(0.80)
Leverage	0.062	0.029	0.013	-0.028	-0.041	-0.099	-0.036	-0.096	-0.015	-0.081
	(1.14)	(0.55)	(0.28)	(-0.62)	(-0.64)	(-1.54)	(-0.44)	(-1.17)	(-0.17)	(-0.76)
MB	0.000	-0.001	-0.002	-0.003	-0.003	-0.004	-0.005	-0.007	-0.001	-0.000
	(0.04)	(-0.37)	(-0.71)	(-1.05)	(-0.83)	(-1.23)	(-1.17)	(-1.65)	(-0.22)	(-0.09)
% Existing Sh Cap	-0.003	0.002	-0.007	-0.002	-0.007	-0.003	-0.001	0.003	-0.030*	-0.025
	(-0.21)	(0.14)	(-0.63)	(-0.13)	(-0.51)	(-0.18)	(-0.05)	(0.13)	(-1.77)	(-1.36)
Board Size		0.004		0.005		0.004		0.004		0.002
		(0.55)		(0.81)		(0.70)		(0.50)		(0.14)
Indp Directors		-0.015**		-0.017***		-0.019***		-0.016**		-0.015
		(-2.32)		(-3.13)		(-3.40)		(-2.13)		(-1.59)
Busy Directors		0.004		0.003		0.003		0.005		0.002
		(0.38)		(0.37)		(0.43)		(0.57)		(0.32)
Inst Hold (%)		0.000		0.000		0.000		-0.000		0.000

Table 4 *(continued)*

CAR Window:	[-1, 1]		[0, 1]		[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		(0.35)		(0.51)		(0.45)		(-0.05)		(0.36)
Sales/Assets		-0.008		-0.014		-0.012		-0.010		-0.054***
		(-0.69)		(-1.47)		(-0.87)		(-0.66)		(-3.18)
Expense/Sales		-0.003*		-0.002		-0.001		-0.002		0.000
		(-1.95)		(-1.33)		(-1.04)		(-1.15)		(0.13)
FCF		0.158		0.171		0.162*		0.185*		0.125
		(1.54)		(1.62)		(1.72)		(1.87)		(1.14)
Discret Accruals		-0.001		-0.080		-0.120		-0.261		-0.259
		(-0.01)		(-0.50)		(-0.57)		(-0.97)		(-0.62)
Return Volatility		0.041		-0.006		0.182		0.301		0.063
		(0.36)		(-0.05)		(1.25)		(1.56)		(0.26)
Analysts		0.001		0.001		-0.001		-0.001		-0.002
		(0.25)		(0.23)		(-0.27)		(-0.23)		(-0.37)
Altman Z		-0.004		-0.004		-0.004		-0.003		0.002
		(-0.98)		(-1.17)		(-0.90)		(-0.63)		(0.47)
Kaplan-Zingales		-0.000		0.000		0.000		0.000		-0.000
		(-0.23)		(1.36)		(0.90)		(0.47)		(-0.12)
Whited-Wu		-0.000		-0.000		0.000**		0.001**		0.000
		(-0.44)		(-0.35)		(2.19)		(2.73)		(1.56)
N	230	230	230	230	230	230	230	230	230	230
R^2	0.27	0.32	0.27	0.33	0.30	0.35	0.26	0.32	0.30	0.34
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 5 Agency costs

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period, especially by firms with *ex-ante* higher agency costs, were perceived more favorably by the market (as indicated by a positive and significant coefficient of the triple interaction term). The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Panels A to C include various measures of agency costs. All models include controls and fixed effects as defined in Section 3, as well as *CB*, *RegRelief*, their interactions with the respective moderator variable, and the main effect of the moderator variable. Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel A: Sales-to-Assets					
CB * RegRelief * SA_Lo	0.280***	0.220***	0.175**	0.139*	0.202
	(5.64)	(3.72)	(2.18)	(2.01)	(1.67)
CB * RegRelief	0.058	0.028	0.117*	0.132*	0.136
	(1.22)	(0.61)	(1.86)	(1.92)	(1.45)
R^2	0.40	0.39	0.37	0.33	0.36
Panel B: Op Expense-to-Sales					
CB * RegRelief * ES_Hi	0.293***	0.226***	0.161*	0.145	0.227
	(4.86)	(3.20)	(1.99)	(1.66)	(1.45)
CB * RegRelief	0.058	0.031	0.127**	0.137*	0.143
	(1.30)	(0.70)	(2.12)	(2.03)	(1.58)
R^2	0.40	0.39	0.37	0.33	0.36
Panel C: FCF					
CB * RegRelief * FCF_Hi	0.235*	0.217*	0.294***	0.269**	0.282**
	(1.89)	(2.03)	(3.05)	(2.61)	(2.37)
CB * RegRelief	-0.009	-0.047	-0.034	-0.011	-0.009
	(-0.10)	(-0.64)	(-0.41)	(-0.12)	(-0.08)
R^2	0.37	0.38	0.40	0.35	0.37
N	230	230	230	230	230
Full Controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 6 Information opaqueness

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period, especially by firms with *ex-ante* a more opaque information environment, were perceived more favorably by the market (as indicated by a positive and significant coefficient of the triple interaction term). The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Panels A to C include various measures of information opaqueness. All models include controls and fixed effects as defined in Section 3, as well as *CB*, *RegRelief*, their interactions with the respective moderator variable, and the main effect of the moderator variable. Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel A: Number of Analysts					
CB * RegRelief * Analyst_Lo	0.145	0.148*	0.187**	0.221**	0.207**
	(1.57)	(1.97)	(2.61)	(2.61)	(2.11)
CB * RegRelief	0.024	-0.019	0.009	-0.006	0.026
	(0.53)	(-0.40)	(0.15)	(-0.09)	(0.29)
R^2	0.34	0.36	0.39	0.36	0.36
Panel B: Discretionary Accruals					
CB * RegRelief * DAC_Hi	0.164**	0.126**	0.205***	0.242***	0.246**
	(2.19)	(2.30)	(3.25)	(2.91)	(2.39)
CB * RegRelief	0.018	-0.008	0.002	-0.027	-0.002
	(0.41)	(-0.19)	(0.04)	(-0.41)	(-0.02)
R^2	0.34	0.36	0.39	0.37	0.38
Panel C: Return Volatility					
CB * RegRelief * Ret Vol_Hi	0.146*	0.146**	0.202***	0.164***	0.150
	(2.02)	(2.66)	(4.42)	(2.85)	(1.70)
CB * RegRelief	0.033	-0.008	0.014	0.029	0.045
	(0.76)	(-0.19)	(0.29)	(0.59)	(0.50)
R^2	0.36	0.37	0.41	0.37	0.38
N	230	230	230	230	230
Full Controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 7 Financial distress

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period, regardless of the firm's *ex-ante* level of financial distress, were perceived more favorably by the market (as indicated by insignificant coefficients of the triple interaction terms). The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Panels A to C include various measures of bankruptcy costs. All models include controls and fixed effects as defined in Section 3, as well as *CB*, *RegRelief*, their interactions with the respective moderator variable, and the main effect of the moderator variable. Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel A: Altman Z					
CB * RegRelief * AZ_Lo	0.093	0.062	0.107	0.086	0.097
	(1.34)	(1.17)	(1.55)	(1.18)	(0.86)
CB * RegRelief	0.081	0.052	0.092	0.108*	0.126
	(1.68)	(1.15)	(1.50)	(1.83)	(1.27)
R^2	0.33	0.34	0.36	0.34	0.34
Panel B: Kaplan-Zingales					
CB * RegRelief * KZ_Hi	0.066	0.027	-0.038	-0.070	-0.113
	(0.76)	(0.38)	(-0.46)	(-0.93)	(-1.33)
CB * RegRelief	0.117***	0.086*	0.186***	0.206***	0.242**
	(2.83)	(1.91)	(2.91)	(2.89)	(2.42)
R^2	0.32	0.33	0.36	0.33	0.35
Panel C: Whited-Wu					
CB * RegRelief * WW_Hi	0.086	0.091	0.087	0.102	0.161
	(1.29)	(1.48)	(0.94)	(0.80)	(1.00)
CB * RegRelief	0.118**	0.069	0.142**	0.135	0.151
	(2.10)	(1.40)	(2.08)	(1.49)	(1.50)
R^2	0.33	0.34	0.36	0.33	0.38
N	230	230	230	230	230
Full Controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 8 Long-term performance

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period were perceived more favorably by the market up to two years after their issuance, as indicated by a positive and significant coefficient of *CB * RegRelief*. The dependent variable is BHARs after SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Variables are defined in Table A1. The first column of each event window includes firm fundamentals and issuance characteristics as control variables, and industry, year, and issue reason fixed effects. The second column of each window additionally controls for corporate governance variables, proxies for agency costs, information asymmetry, and bankruptcy risks. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

BHAR Window:	6 months		12 months		18 months		24 months	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CB * RegRelief	0.229**	0.269**	0.315***	0.386***	0.426**	0.539***	0.537**	0.652***
	(2.41)	(2.73)	(2.89)	(3.34)	(2.69)	(3.40)	(2.74)	(3.16)
CB	-0.202***	-0.207***	-0.252**	-0.295**	-0.373**	-0.430**	-0.479**	-0.539***
	(-2.84)	(-3.29)	(-2.26)	(-2.45)	(-2.36)	(-2.60)	(-2.62)	(-2.84)
RegRelief	-0.124	-0.153	0.008	0.004	0.044	0.018	-0.037	-0.039
	(-1.65)	(-1.70)	(0.05)	(0.03)	(0.25)	(0.09)	(-0.15)	(-0.16)
Ln(Sales)	0.017	0.038*	0.041	0.154***	0.077*	0.209***	0.099*	0.250***
	(1.40)	(1.88)	(1.68)	(4.74)	(1.79)	(3.63)	(1.81)	(3.09)
Profitability	-0.014	0.040	-0.025	0.097*	0.007	0.167	0.062	0.249
	(-0.24)	(0.80)	(-0.29)	(1.95)	(0.05)	(1.48)	(0.37)	(1.49)
Ln(Assets)	0.014	-0.017	0.015	-0.094**	0.001	-0.121*	0.002	-0.121
	(0.63)	(-0.50)	(0.33)	(-2.12)	(0.01)	(-1.76)	(0.02)	(-1.32)
Leverage	-0.004	0.030	0.089	0.208	0.173	0.348	0.239	0.392
	(-0.06)	(0.36)	(0.55)	(0.88)	(0.69)	(1.01)	(0.81)	(0.97)
MB	-0.009	-0.010	-0.006	-0.003	-0.012	-0.007	-0.018	-0.013
	(-1.26)	(-1.61)	(-0.90)	(-0.29)	(-0.91)	(-0.42)	(-1.15)	(-0.71)
% Existing Sh Cap	0.007	0.007	0.057	0.043	0.058	0.033	0.081	0.048
	(0.35)	(0.32)	(1.52)	(1.09)	(1.24)	(0.60)	(1.32)	(0.68)
Board Size		-0.002		-0.023		-0.018		-0.007
		(-0.11)		(-0.66)		(-0.39)		(-0.13)
Indp Directors		0.000		0.024		0.033		0.024
		(0.02)		(0.71)		(0.74)		(0.41)
Busy Directors		-0.003		-0.009		-0.009		-0.015
		(-0.22)		(-0.39)		(-0.26)		(-0.32)
Inst Hold (%)		0.000		0.001		0.000		-0.000
		(1.51)		(1.38)		(0.32)		(-0.35)
Sales/Assets		-0.035		-0.133*		-0.137		-0.108
		(-0.81)		(-1.86)		(-1.25)		(-0.83)
Expense/Sales		-0.000		0.012***		0.014**		0.018**
		(-0.12)		(3.31)		(2.69)		(2.68)
FCF		0.037		-0.040		0.070		0.500
		(0.23)		(-0.14)		(0.16)		(0.89)
Discret Accruals		-0.518*		-0.886*		-1.221		-1.207
		(-2.03)		(-1.97)		(-1.59)		(-1.36)
Return Volatility		0.451		0.197		-0.341		0.071
		(0.88)		(0.45)		(-0.60)		(0.12)

Table 8 *(continued)*

BHAR Window:	6 months		12 months		18 months		24 months	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Analysts		0.007		0.003		0.002		-0.001
		(1.33)		(0.55)		(0.19)		(-0.08)
Altman Z		0.019**		0.059***		0.067**		0.059*
		(2.32)		(3.17)		(2.48)		(1.95)
Kaplan-Zingales		-0.000		-0.000		-0.000		-0.000
		(-1.52)		(-1.23)		(-1.55)		(-1.61)
Whited-Wu		0.001		0.002		0.004		0.005
		(1.13)		(1.46)		(1.71)		(1.58)
N	230	230	230	230	230	230	230	230
R^2	0.25	0.30	0.28	0.37	0.28	0.35	0.28	0.34
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 9 Robustness tests

The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Panel A controls for the change in institutional holdings (from the quarter before to the quarter of the SEO) and its interaction with *RegRelief*. Panel B controls for placings its interaction with *RegRelief*. Panel C excludes rights issues from our sample. Panel D separately identifies cashbox issuances not endorsed by the PEG. Panel E restricts the sample period to the COVID-19 pandemic, defined as March 2020 to June 2021 following Dutordoir et al. (2024). All models include controls and fixed effects as defined in Section 3. Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel A: Institution Take-Up					
CB * RegRelief	0.145**	0.094*	0.163***	0.171***	0.193**
	(2.54)	(1.86)	(3.24)	(3.03)	(2.62)
CB	-0.037	-0.021	-0.036	-0.042	-0.062*
	(-1.43)	(-0.91)	(-1.34)	(-1.49)	(-1.90)
Δ Inst Hold (%) * RegRelief	0.002	0.009	0.012***	0.005	-0.004
	(0.45)	(1.29)	(2.84)	(1.16)	(-0.51)
Δ Inst Hold (%)	0.000	-0.000	-0.001	-0.001	-0.002
	(0.57)	(-0.29)	(-1.65)	(-1.27)	(-1.43)
RegRelief	-0.068	-0.059	-0.079	-0.077	-0.107
	(-1.55)	(-1.24)	(-1.51)	(-1.38)	(-1.45)
N	230	230	230	230	230
R^2	0.32	0.33	0.36	0.33	0.34
Panel B: Placings					
CB * RegRelief	0.137**	0.098*	0.155***	0.164***	0.164**
	(2.51)	(1.98)	(2.97)	(3.21)	(2.34)
CB	-0.036	-0.022	-0.035	-0.041	-0.060*
	(-1.49)	(-1.02)	(-1.46)	(-1.65)	(-1.86)
Placing * RegRelief	0.036	0.002	0.044	0.029	0.085
	(0.94)	(0.05)	(0.94)	(0.39)	(1.04)
Placing	0.007	-0.002	0.006	0.004	0.022
	(0.23)	(-0.07)	(0.19)	(0.11)	(0.64)
RegRelief	-0.100*	-0.063	-0.116	-0.099	-0.171
	(-1.92)	(-1.17)	(-1.55)	(-0.98)	(-1.45)
N	230	230	230	230	230
R^2	0.32	0.33	0.35	0.32	0.35
Panel C: Excl. Rights Issues					
CB * RegRelief	0.134**	0.100**	0.151***	0.158***	0.172**
	(2.72)	(2.26)	(3.16)	(3.34)	(2.58)
CB	-0.028	-0.020	-0.041*	-0.050**	-0.071**
	(-1.18)	(-1.01)	(-1.95)	(-2.18)	(-2.72)
RegRelief	-0.056	-0.057	-0.064	-0.070	-0.104
	(-0.91)	(-0.80)	(-0.85)	(-0.87)	(-1.06)
N	190	190	190	190	190
R^2	0.40	0.41	0.43	0.36	0.37

Table 9 *(continued)*

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel D: Unendorsed Cashboxes					
CB * RegRelief	0.150**	0.103*	0.171***	0.173***	0.198**
	(2.56)	(2.07)	(3.24)	(2.89)	(2.60)
CB	-0.042	-0.023	-0.034	-0.037	-0.061*
	(-1.54)	(-0.98)	(-1.30)	(-1.41)	(-2.02)
CB Unendorsed * RegRelief	0.007	0.017	0.019	0.009	0.043
	(0.14)	(0.33)	(0.28)	(0.13)	(0.59)
CB Unendorsed	-0.015	-0.003	0.009	0.018	0.002
	(-0.62)	(-0.15)	(0.38)	(0.78)	(0.06)
RegRelief	-0.077	-0.066	-0.080	-0.071	-0.109
	(-1.53)	(-1.29)	(-1.32)	(-1.17)	(-1.40)
N	230	230	230	230	230
R^2	0.32	0.33	0.35	0.33	0.34
Panel E: COVID Period					
CB * RegRelief	0.225**	0.161**	0.295***	0.311***	0.341***
	(2.68)	(2.22)	(3.88)	(3.69)	(3.28)
CB	-0.104**	-0.076*	-0.135***	-0.143***	-0.154***
	(-2.45)	(-2.01)	(-3.85)	(-4.89)	(-4.52)
RegRelief	-0.088	-0.082	-0.121	-0.129	-0.176
	(-0.90)	(-0.85)	(-1.12)	(-1.05)	(-1.33)
Observations	92	92	92	92	92
R^2	0.52	0.53	0.53	0.52	0.53
Full Controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 10 PSM sample

Pooled cross-sectional regression results of equation (1), using a propensity score-matched sample, showing that cashbox issuances made during the PEG's regulatory relief period were perceived more favorably by the market, as indicated by a positive and significant coefficient of *CB*RegRelief*. The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Variables are defined in Table A1. Panels A, B, and C adopts three-, four-, and five-neighbors in the matching-without-replacement process. Extended controls are included across all panels. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]	[0, 1]	[0, 5]	[0, 10]	[0, 20]
	(1)	(2)	(3)	(4)	(5)
Panel A: 1:3 Match					
CB * RegRelief	0.297**	0.229**	0.221**	0.234*	0.354***
	(2.14)	(2.17)	(2.19)	(1.89)	(3.78)
CB	-0.116	-0.096	-0.074	-0.081	-0.138**
	(-1.22)	(-1.44)	(-1.43)	(-1.35)	(-2.65)
RegRelief	-0.114*	-0.098	-0.104	-0.124	-0.186
	(-1.99)	(-1.52)	(-1.38)	(-1.21)	(-1.49)
N	96	96	96	96	96
R^2	0.67	0.73	0.77	0.74	0.74
Panel B: 1:4 Match					
CB * RegRelief	0.201**	0.175**	0.218***	0.211***	0.347***
	(2.60)	(2.73)	(3.85)	(3.01)	(6.50)
CB	-0.075	-0.073*	-0.096***	-0.105**	-0.176***
	(-1.66)	(-1.98)	(-2.96)	(-2.75)	(-5.29)
RegRelief	-0.058	-0.060	-0.078	-0.078	-0.133
	(-1.16)	(-1.06)	(-1.28)	(-0.93)	(-1.29)
N	121	121	121	121	121
R^2	0.60	0.67	0.72	0.68	0.69
Panel C: 1:5 Match					
CB * RegRelief	0.178**	0.149**	0.203**	0.201**	0.302***
	(2.37)	(2.25)	(2.80)	(2.33)	(3.50)
CB	-0.055	-0.049	-0.076*	-0.079	-0.128**
	(-1.28)	(-1.24)	(-1.87)	(-1.71)	(-2.33)
RegRelief	-0.041	-0.051	-0.063	-0.074	-0.113
	(-0.59)	(-0.66)	(-0.72)	(-0.65)	(-0.79)
N	145	145	145	145	145
R^2	0.56	0.59	0.62	0.56	0.57
Full Controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 11 Analyst recommendation changes around SEOs

Pooled cross-sectional regression results showing that cashbox issuances made during the PEG's regulatory relief period were perceived more favorably by analysts, as indicated by a positive and significant coefficient of *CB * RegRelief*. The dependent variables are various measures of analyst recommendation changes around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

Dep Var:	Rec Mean	Rec Median	Pct Buy	Pct Sell	Pct Hold	Num Ups	Num Downs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
CB * RegRelief	-0.210**	-0.172*	6.370	-5.156*	-1.214	1.239**	-0.378
	(-2.08)	(-1.82)	(1.49)	(-2.00)	(-0.24)	(2.36)	(-1.56)
CB	0.097*	0.086	-3.604	2.064	1.540	-0.273	0.419***
	(1.99)	(1.11)	(-1.00)	(1.12)	(0.30)	(-1.14)	(3.18)
RegRelief	-0.040	0.071	4.648	-1.886	-2.763	-0.168	-0.744
	(-0.25)	(0.84)	(0.75)	(-0.61)	(-0.50)	(-0.26)	(-1.44)
Ln(Sales)	-0.033	0.001	1.257	-0.992*	-0.263	0.162	-0.101
	(-1.27)	(0.02)	(0.96)	(-1.97)	(-0.19)	(1.59)	(-1.37)
Profitability	-0.032	-0.089	0.339	-0.721	0.380	0.056	-0.017
	(-0.80)	(-1.30)	(0.21)	(-0.73)	(0.27)	(0.36)	(-0.15)
Ln(Assets)	-0.010	-0.026	0.107	0.688**	-0.796	-0.044	0.138*
	(-0.58)	(-0.54)	(0.13)	(2.31)	(-1.05)	(-0.38)	(2.03)
Leverage	-0.052	-0.210	-5.013	-2.465	7.478	-0.336*	0.098
	(-0.31)	(-0.94)	(-0.61)	(-1.07)	(0.81)	(-1.74)	(0.19)
MB	0.004	0.008	-0.609	-0.168	0.777	-0.020	-0.043
	(0.58)	(0.64)	(-1.38)	(-1.53)	(1.64)	(-0.69)	(-1.34)
% Existing Sh Cap	-0.032	0.008	-0.043	-2.066**	2.110*	0.020	0.029
	(-0.92)	(0.22)	(-0.04)	(-2.15)	(1.90)	(0.25)	(0.33)
Board Size	0.046**	0.075	-2.268**	0.193	2.075	-0.093	0.122**
	(2.30)	(1.23)	(-2.65)	(0.21)	(1.69)	(-1.54)	(2.23)
Indp Directors	-0.021	-0.041	1.789***	0.317	-2.107	0.117**	-0.104**
	(-0.93)	(-0.91)	(2.97)	(0.30)	(-1.68)	(2.30)	(-2.56)
Busy Directors	-0.013	-0.029	0.621	-0.021	-0.600	-0.037	-0.053
	(-0.72)	(-0.90)	(0.85)	(-0.06)	(-0.87)	(-0.58)	(-1.35)
Inst Hold (%)	0.000	-0.000	0.010	0.015	-0.026	-0.000	0.000
	(0.37)	(-0.05)	(0.42)	(1.48)	(-1.03)	(-0.01)	(0.04)
Sales/Assets	-0.023	-0.068	1.800	1.479*	-3.281	-0.065	0.064
	(-0.65)	(-1.16)	(0.88)	(1.91)	(-1.33)	(-0.38)	(0.41)
Expense/Sales	-0.005*	-0.004	0.172	-0.141**	-0.031	0.017	-0.020**
	(-1.82)	(-1.20)	(1.12)	(-2.63)	(-0.18)	(1.57)	(-2.14)
FCF	0.460*	0.270	-19.539	5.181	14.350	-1.794***	0.050
	(1.85)	(0.64)	(-1.61)	(1.57)	(1.02)	(-3.57)	(0.10)
Discret Accruals	0.079	0.249	-16.074	-8.310	24.397	1.143	1.467
	(0.14)	(0.19)	(-0.66)	(-0.79)	(1.18)	(0.50)	(1.39)
Return Volatility	0.557	0.507	-20.216	10.120*	10.097	-1.663	0.617
	(1.18)	(0.63)	(-0.92)	(1.94)	(0.43)	(-1.04)	(0.45)
Analysts	0.008	0.004	-0.209	0.025	0.185	0.033**	0.033
	(1.34)	(0.27)	(-0.46)	(0.22)	(0.45)	(2.20)	(1.37)

Table 11 *(continued)*

Dep Var:	Rec Mean	Rec Median	Pct Buy	Pct Sell	Pct Hold	Num Ups	Num Downs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Altman Z	-0.016*	-0.010	0.754	-0.213	-0.541	0.054*	-0.010
	(-1.99)	(-0.67)	(1.63)	(-1.36)	(-1.41)	(1.90)	(-0.50)
Kaplan-Zingales	0.000	0.000	0.000	0.001	-0.001	0.000	0.000**
	(1.32)	(1.18)	(0.08)	(1.04)	(-0.36)	(0.45)	(2.14)
Whited-Wu	-0.001	-0.000	0.025	-0.018*	-0.007	0.001	-0.002
	(-1.61)	(-0.06)	(0.74)	(-2.04)	(-0.20)	(0.36)	(-0.76)
N	191	191	191	191	191	191	191
R^2	0.29	0.21	0.31	0.26	0.29	0.46	0.36
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 12 Financing decision

The dependent variable is an indicator that equals to one for a loan issuance and zero for SEOs. *RegRelief* is an indicator for issuances between April 2020 and March 2021 (the regulatory relief period outlined in the Coronavirus Large Business Interruption Loan Scheme). Variables are defined in Table A1. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

Sample Period:	Full Sample	RegRelief = 0	RegRelief = 1
	(1)	(2)	(3)
RegRelief	-0.214*		
	(-1.93)		
Ln(Sales)	0.023*	0.048***	0.004
	(1.90)	(2.97)	(0.16)
Profitability	0.193***	0.284***	0.023
	(4.20)	(4.29)	(0.38)
Ln(Assets)	-0.048**	-0.085***	0.012
	(-2.09)	(-3.35)	(0.48)
Leverage	-0.194	-0.338**	0.528**
	(-1.64)	(-2.48)	(2.42)
MB	-0.021*	-0.024	-0.011
	(-1.93)	(-1.67)	(-0.95)
FCF	0.626**	0.891**	-0.113
	(2.13)	(2.58)	(-0.20)
Return Volatility	0.195***	0.184***	0.203***
	(7.52)	(5.39)	(6.55)
Altman Z	0.009**	0.006**	0.057***
	(2.31)	(2.10)	(3.99)
Tax Rate	0.147*	0.141	0.179***
	(2.06)	(1.47)	(6.01)
N	370	277	93
R^2	0.41	0.38	0.59
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Internet Appendix

Table A1 Variable Definition

Variable	Definition
% Existing Sh Cap	The value of new issuance divided by the existing share capital.
Altman Z	A measure of bankruptcy risk. A higher Altman Z-score indicates that the firm has lower bankruptcy risks.
Analysts	The number of analysts following the firm.
Analysts_Lo	Equals to one if the number of analysts following the firm is below the industry median in that year, zero otherwise.
AZ_Lo	Equals to one if the firm's Altman Z-score is below the industry median in that year, zero otherwise.
Board Size	The total number of directors sitting on the firm's board.
Busy Directors	The number of busy directors sitting on the firm's board. A busy director is one who sit on three or more boards.
CB	Equals to one for cashbox-placings within the size thresholds endorsed by the PEG (which are those for less than ten (twenty) percent of existing share capital during (outside of) the regulatory relief periods), zero otherwise.
CB Unendorsed	Equals to one for cashbox-placings that are outside of the size thresholds endorsed by the PEG, zero otherwise.
Discret Accruals	Discretionary accruals as estimated using the modified-Jones model. Higher discretionary accruals indicate that the firm's financial statements are more opaque.
ES_Hi	Equals to one if the firm's operating expense-to-sales is above the industry median in that year, zero otherwise.
Expense/Sales	Operating expense divided by sales.
FCF	Difference between the cash flow from operations of the previous quarter and the preceding three quarter average of the firm's capital expenditures, scaled by the current assets of the previous quarter.
FCF_Hi	Equals to one if the firm's FCF is above the industry median in that year, zero otherwise.
Indp Direcotrs	The number of independent directors sitting on the firm's board.
Inst Hold (%)	The percentage of common shares held by institutional investors.
Issue Amt (£Mn)	The amount of proceeds the SEO is aiming to raise.
Kaplan-Zingales	A measure of reliance on external financing. A higher Kaplan-Zingales Index indicates that the firm is more likely to experience difficulties when financial conditions tighten.

Table A1 *(continued)*

Variable	Definition
KZ_Hi	Equals to one if the firm's Kaplan-Zingales Index is above the industry median in that year, zero otherwise.
Leverage	Book value of debt divided by the sum of market value of equity plus book value of debt.
Ln(Assets)	The natural logarithm of the sum of market value of equity plus book value of debt.
Ln(Sales)	The natural logarithm of sales.
MB	Market value of equity divided by book value of equity.
Num Ups/Downs	The number of analyst recommendation upgrades/downgrades from the month before the SEO to the month after.
Placing	Equals to one if the SEO is issued as a placing, zero otherwise.
Profitability	EBITDA divided by sales.
Rec Mean/Median	The change in mean/median of analyst recommendations from the month before the SEO to the month after. Score is standardized by Thomson Reuters to range between 1 (strong buy) and 5 (sell).
RegRelief	Equals to one for issuances between April and November 2020 (the regulatory relief period outlined by the PEG), zero otherwise.
Ret Vol_Hi	Equals to one if the firm's return volatility is above the industry median in that year, zero otherwise.
Return Volatility	The standard deviation of daily stock returns over the [-255, -46] window, with day 0 being the SEO announcement day.
Pct Buy/Sell/Hold	The change in the percentage of buy/sell/hold analyst recommendations from the month before the SEO to the month after.
Sales/Assets	Sales divided by book value of assets.
SA_Hi	Equals to one if the firm's sales-to-assets is above the industry median in that year, zero otherwise.
Whited-Wu	A measure of financial constraint. A higher Whited-Wu Index indicates that the firm has more difficulty (or faces higher costs) in obtaining external financing.
WW_Hi	Equals to one if the firm's Whited-Wu Index is above the industry median in that year, zero otherwise.

Table A2 Cashbox issuances during regulatory relief (no M&A-related)

Pooled cross-sectional regression results of equation (1) showing that cashbox issuances made during the PEG's regulatory relief period were perceived more favorably by the market, as indicated by a positive and significant coefficient of *CB * RegRelief*. The dependent variable is CARs around SEO announcements. *CB* is an indicator for cashbox-placings within the size thresholds endorsed by the PEG. *RegRelief* is an indicator for issuances between April and November 2020 (the regulatory relief period outlined by the PEG). Variables are defined in Table A1. The first column of each event window includes firm fundamentals and issuance characteristics as control variables, and industry, year, and issue reason fixed effects. The second column of each window additionally controls for corporate governance variables, proxies for agency costs, information asymmetry, and bankruptcy risks. M&A-related issuances are not included in the sample. Standard errors are clustered by industry (Fama-French 30); *t*-statistics are in parentheses.

CAR Window:	[-1, 1]		[0, 1]		[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CB * RegRelief	0.165***	0.166***	0.116**	0.115**	0.206***	0.195***	0.195***	0.183***	0.219***	0.227***
	(3.67)	(3.47)	(2.56)	(2.78)	(5.05)	(5.12)	(4.24)	(3.99)	(3.28)	(3.59)
CB	-0.059	-0.055***	-0.039	-0.038*	-0.069	-0.062**	-0.065	-0.046	-0.069	-0.087
	(-1.46)	(-3.42)	(-1.13)	(-2.09)	(-1.74)	(-2.35)	(-1.26)	(-1.32)	(-1.30)	(-1.48)
RegRelief	-0.085	-0.099*	-0.087	-0.098	-0.122*	-0.132*	-0.113	-0.142*	-0.148*	-0.164
	(-1.66)	(-1.76)	(-1.63)	(-1.58)	(-2.03)	(-2.03)	(-1.66)	(-1.86)	(-1.80)	(-1.57)
Ln(Sales)	-0.004	-0.017	-0.004	-0.010	-0.008	-0.009	-0.004	-0.011	-0.025*	0.003
	(-0.40)	(-1.34)	(-0.48)	(-1.00)	(-0.67)	(-0.62)	(-0.27)	(-0.59)	(-1.86)	(0.15)
Profitability	-0.070*	-0.070	-0.040	-0.033	-0.035	-0.039	-0.049	-0.041	-0.081	-0.077
	(-1.83)	(-1.62)	(-1.30)	(-1.00)	(-0.88)	(-0.71)	(-1.06)	(-0.66)	(-1.73)	(-1.56)
Ln(Assets)	-0.002	0.005	-0.003	0.001	0.006	0.032	0.010	0.040	0.035*	0.035
	(-0.27)	(0.20)	(-0.46)	(0.04)	(0.65)	(1.47)	(0.70)	(1.23)	(2.00)	(1.31)
Leverage	0.194*	0.120	0.103	0.041	0.003	-0.106	0.008	-0.109	-0.014	-0.166
	(1.79)	(1.16)	(1.17)	(0.48)	(0.02)	(-0.68)	(0.04)	(-0.54)	(-0.07)	(-0.79)
MB	-0.001	-0.003	-0.005	-0.006*	-0.006	-0.007*	-0.008	-0.010**	-0.001	-0.001
	(-0.41)	(-0.85)	(-1.66)	(-1.84)	(-1.39)	(-1.81)	(-1.60)	(-2.38)	(-0.11)	(-0.10)
% Existing Sh Cap	-0.013	-0.003	-0.014	-0.007	-0.007	-0.001	-0.003	0.004	-0.019	-0.016
	(-0.59)	(-0.14)	(-1.00)	(-0.47)	(-0.35)	(-0.05)	(-0.09)	(0.12)	(-0.77)	(-0.58)
Board Size		0.013		0.012*		0.011		0.012		0.017
		(1.72)		(1.97)		(1.39)		(1.10)		(0.96)
Indp Directors		-0.028**		-0.025**		-0.035***		-0.028***		-0.039*
		(-2.86)		(-2.69)		(-5.54)		(-3.08)		(-1.97)
Busy Directors		0.001		-0.001		0.004		0.005		0.004
		(0.03)		(-0.08)		(0.23)		(0.34)		(0.36)

Table A2 *(continued)*

CAR Window:	[-1, 1]		[0, 1]		[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Inst Hold (%)		0.000		0.000		0.001		0.000		0.001
		(0.49)		(0.72)		(0.66)		(0.23)		(0.82)
Sales/Assets		-0.011		-0.016		-0.005		0.002		-0.064
		(-0.70)		(-1.05)		(-0.22)		(0.07)		(-1.63)
Expense/Sales		-0.004*		-0.003		-0.002		-0.004		0.001
		(-1.95)		(-1.37)		(-1.11)		(-1.16)		(0.32)
FCF		0.232		0.226*		0.096		0.084		-0.146
		(1.68)		(1.76)		(0.63)		(0.55)		(-0.75)
Discret Accruals		-0.239		-0.340		-0.362		-0.486		-0.737
		(-0.96)		(-1.27)		(-1.05)		(-1.17)		(-1.66)
Return Volatility		0.087		-0.038		0.377		0.695		0.440
		(0.34)		(-0.19)		(1.54)		(1.38)		(0.92)
Analysts		0.004		0.003		-0.001		-0.001		-0.004
		(0.95)		(0.65)		(-0.12)		(-0.12)		(-0.47)
Altman Z		-0.012**		-0.009**		-0.009		-0.009		0.001
		(-2.16)		(-2.23)		(-1.37)		(-1.02)		(0.12)
Kaplan-Zingales		-0.000		0.000		0.000		0.000		-0.000
		(-1.01)		(1.06)		(0.68)		(0.05)		(-0.25)
Whited-Wu		-0.000		-0.000		0.001**		0.001**		0.001*
		(-1.02)		(-1.02)		(2.33)		(2.52)		(1.85)
N	119	119	119	119	119	119	119	119	119	119
R^2	0.39	0.48	0.39	0.50	0.36	0.45	0.34	0.42	0.35	0.44
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Issue Reason FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table A3 Event study (loans)
Day 0 is the loan start day. Event windows are in trading days. *RegRelief* is an indicator for issuances between April 2020 and March 2021 (the regulatory relief period outlined in the Coronavirus Large Business Interruption Loan Scheme). The *Pos:Neg* column indicates the ratio of firms with positive and negative CARs over the corresponding event window. Subsequent columns report the *t*-statistic and the signed-rank test *z*-score.

Window	N	Mean CAR (%)	Pos:Neg	*t*-stat	Signed-rank *z*
Panel A: Full Sample					
[-1, 1]	152	0.16	72:80	0.40	0.02
[0, 1]	152	0.17	73:79	0.41	−0.29
[0, 5]	152	0.97	74:78	1.76*	0.49
[0, 10]	152	1.32	74:78	1.25	0.44
[0, 20]	152	1.56	77:75	1.30	0.70
Panel B: RegRelief					
[-1, 1]	15	2.01	8:7	1.09	0.62
[0, 1]	15	1.92	7:8	1.00	0.45
[0, 5]	15	3.16	8:7	1.52	0.62
[0, 10]	15	2.06	9:6	1.18	0.91
[0, 20]	15	2.57	9:6	0.84	0.51
Panel C: Non-RegRelief					
[-1, 1]	137	−0.04	64:73	−0.10	−0.19
[0, 1]	137	−0.03	66:71	−0.06	−0.42
[0, 5]	137	0.74	66:71	1.29	0.37
[0, 10]	137	1.24	65:72	1.07	0.16
[0, 20]	137	1.45	68:69	1.13	0.60
Panel D: Difference (B − C)					
[-1, 1]	152	2.06	—	1.50	—
[0, 1]	152	1.94	—	1.42	—
[0, 5]	152	2.43	—	1.31	—
[0, 10]	152	0.81	—	0.23	—
[0, 20]	152	1.12	—	0.28	—

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$