

**WHICH FACTORS AFFECT BOND UNDERWRITER FEES?
THE ROLE OF BANKING RELATIONSHIPS**

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ABSTRACT

The question of which factors are relevant in determining bond underwriting fees is empirically investigated by analyzing 2547 bond issues completed by European firms during the 1993 – 2003 period. Four major results emerge from the analysis. First, the introduction of the single currency in 1999 has generated an increase in the competition among banks, and, as a result, a reduction in the underwriting fees. Second, a strong relationship with the issuer's main bank reduces the level of the underwriting fees. Third, new issuers are charged with lower underwriter fees relative to firms that have completed issue without building any strong relationship with a bank. Fourth, higher reputation banks charge lower underwriting fees. The implications of these findings are also discussed.

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