

# Innovation, Differentiation, and the Choice of an Underwriter: Evidence from Equity Linked Securities

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## Abstract

Investment banks imitate other bank's innovative corporate securities with their own varieties, and compete with the innovator to underwrite new issues. This paper uses data of all the corporate offerings of Equity-Linked and Derivative Securities from the SDC records to estimate the issuer's demand of underwriting services provided by investment banks across different varieties of securities. The results show that, *ceteris paribus*, the demand for the innovator's variety is larger than for the imitators'. The estimated demand advantage is decreasing in time, and it decreases faster if the security appeared later in a sequence of innovations.

**JEL classification:** G24, C25, L89.

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