

Table 2. **Robustness Tests.** Columns 1 and 2 present results from a test for endogeneity by using the dynamic panel GMM methods of Arellano and Bover (1995). Column 3 reports results with the the market value of leverage added to the specification. In column 4, VIX is used in lieu of the broker dealer leverage. Column 5 includes the variable Interoffice Growth in the benchmark specification. Column 6 excludes the post-2008 period. Column 7 adds to the benchmark specification the dummy variable Domestic Crisis, which is equal to 1 in each year a country experiences a banking sector crisis. Additional controls include the log difference of the real exchange rate, GDP growth, Debt to GDP ratio growth, growth of M2 money stock, and Inflation. p-values are reported in parantheses. Standard errors are clustered at the country level.

	1	2	3	4	5	6	7
Global Leverage	0.0099*** [0.000]	0.0052** [0.048]	0.0040*** [0.000]		0.0039*** [0.000]	0.0073*** [0.000]	0.0031*** [0.001]
Global Leverage growth		0.0314 [0.558]					
Global Equity growth		0.0769** [0.048]					
Local Leverage	-0.1806 [0.719]	-0.7089 [0.249]	-0.2169 [0.147]	-0.1419 [0.381]	-0.2335 [0.126]	-0.1995 [0.275]	-0.1823 [0.131]
Local Leverage growth		0.1581** [0.024]					
Local Equity growth		1.8395 [0.265]					
Δ RER	-0.2041*** [0.001]	-0.2360*** [0.005]	-0.2180*** [0.000]	-0.1960*** [0.000]	-0.2193*** [0.000]	-0.2515*** [0.000]	-0.1977*** [0.000]
Δ Interest Spread		0.4618 [0.683]					
Loans growth $q - 1$	-0.1273*** [0.002]	-0.0903 [0.119]					
Mk Global Leverage			0.0021 [0.186]				
VIX				-0.0514*** [0.000]			
Interoffice Growth					0.0139*** [0.009]		
Domestic Crisis							-0.0527*** [0.000]
Additional controls	Y	Y	Y	Y	Y	Y	Y
Observations	1,872	1,266	1,872	1,872	1,872	1,356	1,872
R-squared			0.088	0.085	0.09	0.057	0.102
# Countries	46	41	46	46	46	45	46