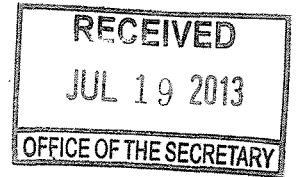


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File Nos. 3-14872, 3-15116

In the Matter of

BDO China Dahua CPA Co., Ltd.;
Ernst & Young Hua Ming LLP;
KPMG Huazhen (Special General
Partnership);
Deloitte Touche Tohmatsu Certified Public
Accountants Ltd.; and
PricewaterhouseCoopers Zhong Tian
CPAs Limited,

The Honorable Cameron Elliot,
Administrative Law Judge

Respondents.

**DIVISION OF ENFORCEMENT'S DISCLOSURE OF
EXPERT CHYHE K. BECKER**

Pursuant to the Court's Order On Joint Motion To Amend Hearing and Prehearing Schedules, dated June 10, 2013 ("Scheduling Order"), the SEC's Division of Enforcement ("Division") hereby discloses its rebuttal expert, Dr. Chyhe K. Becker, on remedies. Attached hereto are the Rebuttal Summary Report of Chyhe K. Becker and accompanying exhibits.

Dated: July 19, 2013

Respectfully submitted,

David Mendel

David Mendel (202) 551-4418

Amy Friedman (202) 551-4520

Douglas Gordimer (202) 551-4891

Marc E. Johnson (202) 551-4499

Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549-5971

COUNSEL FOR DIVISION OF ENFORCEMENT

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

ADMINISTRATIVE PROCEEDING
File Nos. 3-14872, 3-15116

In the Matter of

BDO Dahua CPA Co., Ltd;
Ernst & Young Hua Ming LLP;
KPMG Huazhen (Special General Partnership);
Deloitte Touche Tohmatsu Certified Public
Accountants Ltd.;
PricewaterhouseCoopers Zhong Tian CPAs
Limited

Respondents.

The Honorable Cameron Elliot,
Administrative Law Judge

REBUTTAL SUMMARY REPORT OF DR. CHYHE BECKER

I. Qualifications

1. I am the Assistant Director in charge of the Office of Litigation Support in the Division of Economic and Risk Analysis at the U.S. Securities and Exchange Commission. I serve as a point of contact for attorneys throughout the Commission for information on the economics of securities law violations. I perform economic analysis in support of the Enforcement Division of the Commission, and I supervise a staff of financial economists that support the Enforcement Division through economic and quantitative analysis and research.

2. I joined the SEC in March 2008. Prior to joining the SEC, I was a principal at Chicago Partners LLC, where I specialized in securities litigation. Prior to Chicago Partners, I was a principal with the Economic Consulting group at Deloitte Financial Advisory Services LLP. I received an M.B.A. and Ph.D. in Financial Economics from The University of Chicago Booth School of Business, and a B.A. in Psychology from Yale University. In addition, I taught corporate finance at The University of Chicago Booth School of Business. My research has been published in the Journal of Financial Intermediation. My curriculum vitae is attached as Appendix 1.
3. My compensation is unaffected by my work in support of this matter, or the outcome of this matter.

II. Scope

4. I have been asked to summarize the economic research on two separate topics in this report.¹
5. The first topic is the economic impact of enforcing U.S. securities regulations. Respondents' proposed expert Paul Atkins writes that "[i]mposing the sanctions sought by the SEC would negatively affect investors, issuers, and the U.S. securities markets."² This statement does not appear to be supported by any original research performed by Mr. Atkins, and Mr. Atkins cites no scholarship in support of that proposition. Mr. Atkins has described certain costs that he claims will derive from the proposed sanctions, but he does not describe any benefits that might result from the proposed sanctions, nor does he acknowledge the costs that might result from a failure to enforce the securities

¹ Throughout this document the term "economic research" includes research in business and finance.

² Expert Report of Paul S. Atkins, page 18.

laws by imposing sanctions on the Respondents. In response to his testimony, I have been asked to summarize the economic research regarding the costs and benefits of enforcing U.S. securities regulations.

6. The second topic is the expected economic impact of the proposed sanctions for the securities of the Respondents' current audit clients. I have been asked to respond to testimony from Respondents' proposed expert Laura Simmons that the predicted decline in value of the audit clients' US-traded shares is a 50 percent drop for stocks listed on the NYSE and a 19 percent drop for stocks listed on the NASDAQ. Below, I have summarized economic research relevant to potential costs and benefits of the proposed sanctions to the Respondents' current audit clients.

III. Summary of Findings

7. Costs and Benefits of Enforcing Securities Regulations: Economic research indicates that investors, issuers, and markets realize important benefits from the enforcement of U.S. securities regulations. The research shows that investors benefit from higher stock prices, less aggressive accounting practices, and more discipline on management. It also shows that issuers benefit from a lower cost of capital. Finally, economic research shows that enforcement of securities laws is associated with more robust markets, as indicated by higher market capitalization, trading volume, and the number of initial public offerings, and a lower premium paid for control in corporate control transactions as well as lower ownership concentration among the largest firms in the country.
8. Taken together, these results support the conclusion that a strong program of securities law enforcement in the United States helps investors and issuers. Additional studies

indicate that there is a particular need to enhance the SEC's enforcement program with regards to cross-listed companies. Further, studies of Chinese companies indicate that minority shareholders of these firms may be particularly vulnerable. Therefore, although it is true that Respondents' current audit clients may incur costs from enforcement of the laws requiring production of audit work papers, economic research indicates that the broader population of investors and issuers on US exchanges would realize important benefits from this enforcement action.

9. Costs of Proposed Sanctions: Dr. Simmons likely overestimates the drop in market price if the Respondents' current audit clients are forced to delist from US exchanges. She reports that research shows that the stock price drop in response to a delisting is approximately 50% if a firm delists from the NYSE, and approximately 19% if a firm delists from the NASDAQ. However, in the quoted research, the primary reason for these delistings is a performance failure on the part of the issuing firm. The authors of both of the papers on which Dr. Simmons's calculations rely report that reasons for most of the delistings include circumstances of economic and financial distress such as bankruptcy and failure to meet minimum thresholds for stock price or market capitalization.³ Because any delisting of the Respondents' current audit clients would be unrelated to financial and economic distress of the issuers, these figures do not provide an accurate basis for estimating a stock price decline.

³ "Many [of the 55 firms included in the study] violate multiple delisting criteria, but the most cited factors are share price below the minimum (39 firms) and market capitalization below the minimum (37 firms). These two conditions are often, but not always, congruent: 11 of the 37 firms delisted for market capitalization did not fail the share price requirement. Bankruptcy led to the delisting of 19 firms in our sample." Macey, Jonathan; O'Hara, Maureen; Pompilio, David, "Down and Out in the Stock Market: The Law and Economics of the Delisting Process," *Journal of Law and Economics*, 51(4), November 2008, p. 693. See also Table 2 from Harris, Jeffrey; Panachapagesan, Venkatesh; Werner, Ingrid, "Off but not gone: A study of Nasdaq delistings," Fischer College of Business Working Paper, (2008), p. 29.

10. Dr. Simmons does not appear to consider the information from research on voluntary delistings that provides substantially smaller estimates of stock price reactions to the delisting events. Taken together, the evidence suggests that Dr. Simmons overstates the consequences of the proposed sanctions for the Respondents' current audit clients and their shareholders.

IV. Sources Considered

11. I searched for relevant economic research using the "Econlit" database. Econlit is a comprehensive database of economics research. This database contains about one million records, with citations and abstracts dating back to 1886. It is produced by the American Economic Association, and it is widely used by economists as an authoritative source for published research. It covers more than 1,000 journals, and it is updated monthly.⁴

12. First, I used the search terms "securities and regulation and enforcement." These search terms produced 158 journal articles. The full set of 158 articles and their abstracts are included in Appendix 2. Second, I used the search term "delisting." This search term produced 69 journal articles. The full set of 69 journal articles and their abstracts are included in Appendix 3. Third, I used, separately, "foreign listing" and "overseas listing." These search terms produced 139 journal articles, and 23 journal articles,

⁴ Information about Econlit is available from the following websites: <http://www.aeaweb.org/econlit/>, <http://ihsearch.library.ihu.edu/databases/database/JHU04131>, <http://guides.library.harvard.edu/content.php?pid=176637&sid=1487256>, <http://www.ebscohost.com/corporate-research/econlit>, <http://www.proquest.com/en-US/catalogs/databases/detail/econlit-set-c.shtml>, <http://library.dialog.com/bluesheets/html/bl0139.html>

respectively. The full set of these journal articles and their abstracts are included in Appendix 4.

13. I limited my review to articles published in the top journals in finance. To identify the top journals in finance, I used four sources. First, I used a list of the top ten journals as identified by the current Journal Citation Report by Thomson Reuters.⁵ Thomson Reuters categorizes thousands of academic journals based on its calculated Journal Impact Factor.
14. To ensure that I included the top journals in finance, I expanded this list using three additional sources. First, I compared this list to the top ten journals in finance as identified by the Journal Citation Report from 2012. This comparison added two journals. Second, I compared it to the list of journals used by the WP Carey School of Business to rank financial research institutions and universities based on their publications in the top five finance journals.⁶ This source adds two more journals. Finally, I compared this set to the top twenty finance journals as identified in a published research article.⁷ This source adds 14 journals (two of which are the same as the two included by the WP Carey School of Business).
15. The top finance journals from these sources are listed in Appendix 5. When I restrict the first search to the articles in these top journals, the list of 158 articles is reduced to 21

⁵ Information about the Journal Citation Report is available from the following websites: <http://thomsonreuters.com/journal-citation-reports/> and INSEAD, "Top 10 journals by impact factor – Latest JCR is released," *Academic Trends & Innovation*, June 24, 2013. Downloaded on 7/5/2013 from http://academictrends.blogspot.com/2013_06_01_archive.html. The previous year's list was obtained from INSEAD, "Top 10 journals in Management, Finance, and Economics," *Academic Trends & Innovation*, June 29, 2012. Downloaded on 7/5/2013 from http://academictrends.blogspot.com/2012_06_01_archive.html.

⁶ Source: <http://wpcarey.asu.edu/finance/faculty/finance-rankings.cfm>

⁷ Arnold, Tom; Butler, Alexander; Crack, Timothy Falcon; Altintig, Ayca, "Impact: What Influences Finance Research?" *Journal of Business*, 76 (2), 2003, pp. 343-361.

articles. All 21 articles, including their abstracts, are listed in Appendix 6. When I restrict the second search to the articles in these top journals, the list of 69 articles is reduced to 23. I added to this list of articles three additional articles cited by Dr. Simmons in footnote 20 of her report. All 26 articles, including their abstracts, are listed in Appendix 7. When I restrict the third and fourth searches to the top journals, the lists of 139 and 23 journal articles are reduced to 39 and 7 respectively. All of these articles, including their abstracts, are listed in Appendix 8.

V. Summary of Existing Economic Research on the Enforcement of Securities Laws

A. Economic research shows that enforcement of securities laws benefits investors.

16. Stock prices are lower when US securities disclosure requirements are not enforced. A paper by Fernandez, Lel, and Miller studies the consequences of the SEC's adoption of Rule 12h-6 in 2007. This rule made it easier for foreign firms to deregister with the SEC and thus avoid disclosure requirements. The authors find that the stock prices of foreign firms that were registered with the SEC dropped in response to announcements of this action. In particular, for companies located in countries with low disclosure requirements, the mean and median stock price reactions were statistically significant. The authors report an average drop of -0.56%, and a median stock price reaction of -0.92%. For companies that are domiciled in countries with low judicial efficiency, the mean and median stock price reactions were also statistically significant, with an average drop of -0.43% and a median drop of -0.82%. The reaction from companies

based in countries with high disclosure or high judicial efficiency was not statistically significant.⁸

17. There is a direct connection between the effects of loosening disclosure requirements of foreign firms through Rule 12h-6 and the consequences in this matter, if the SEC were to avoid enforcing its disclosure requests in the context of investigation of the Respondents' current audit clients. This study suggests that there would be adverse consequences for foreign issuers listed on US exchanges, if the SEC rules were not enforced in this matter. The authors conclude that "shareholders of non-U.S. firms place significant value on U.S. securities regulations, especially when the home country investor protections are weak."⁹
18. A similar result is reported by Bushee and Leuz. They study the effects of the "eligibility rule" that, in 1999, required firms quoted on the over-the-counter bulletin board market (OTCBB) to provide SEC disclosures. The rule forced non-SEC-filer companies to decide whether to comply with SEC disclosure requirements and remain on the OTCBB or to trade on a less-regulated market (Pink Sheets). The authors report that companies that previously were filing with the SEC ("Already Compliant") experience statistically significant positive returns of approximately 3.4% as well as permanent increases in liquidity.¹⁰
19. Like the study by Fernandez, Lel, and Miller, this paper concludes that these results suggest "positive externalities from the imposition of mandatory disclosures on other

⁸ Fernandes, Nuno; Lel, Ugur; Miller, Darius P., "Escape from New York: The Market Impact of Loosening Disclosure Requirements," *Journal of Financial Economics*, 95(2), February 2010, pp. 129-47.

⁹ Fernandes, Nuno; Lel, Ugur; Miller, Darius P., "Escape from New York: The Market Impact of Loosening Disclosure Requirements," *Journal of Financial Economics*, 95(2), February 2010, p. 129.

¹⁰ Bushee, Brian; Leuz, Christian, "Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board," *Journal of Accounting and Economics*, 39(2), 2005, pp. 233-64.

firms.”¹¹ Again, the implication here is that the SEC’s rigorous approach to disclosure requirements and its enforcement program benefit many investors, while imposing costs on non-compliant entities. If the SEC were to take a weaker approach to investigations involving China-based issuers, these research results indicate that this policy would harm many other firms that use a U.S. listing to signal a credible commitment to corporate governance and disclosure.

20. Another study that supports a similar conclusion is based on the results of the first-time enforcement of insider trading laws in sixteen countries. Jayaraman finds that enforcing insider trading laws leads to more accurate disclosures. “Consistent with greater enforcement increasing the usefulness of accounting information in contracts and thereby the demand for higher quality reporting, insider trading enforcement is associated with a significant increase in TLR [timely loss recognition.]”¹² These results imply that if there is a failure to enforce US securities laws in this matter, it would weaken the compliance incentives for managers, with adverse consequences for the quality of accounting disclosures.

21. The SEC should support its enforcement actions on behalf of investors in cross-listed foreign firms. Despite the importance of the SEC’s enforcement program for foreign issuers, Siegel finds that the SEC did not punish a group of Mexican insiders who extracted billions of dollars from their firms. His study concludes, “Evidence shows that the SEC and minority shareholders have not effectively enforced the law against cross-

¹¹ Bushee, Brian; Leuz, Christian, “Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board,” *Journal of Accounting and Economics*, 39(2), 2005, p. 235.

¹² Jayaraman, Sudarshan, “The Effect of Enforcement on Timely Loss Recognition: Evidence from Insider Trading Laws,” *Journal of Accounting and Economics*, 53(1-2), February-April 2012, p. 77.

listed firms.”¹³ Consistent with this result, a study by Kedia and Rajgopal reports that the SEC tends to be more effective at enforcing cases against companies with geographic proximity to SEC offices, and that nearby companies respond with better and more accurate disclosures.¹⁴ These studies reinforce the importance of SEC enforcement on behalf of minority shareholders, for companies that are not based in the US. This case presents a visible opportunity for the SEC to reinforce its commitment to protecting minority shareholders of foreign companies that are cross-listed in the US.

22. A study by Choi, Kim, Liu, and Simunic highlights the relevance of Siegel’s concern. These authors report that audit fees are higher for cross-listed firms. Furthermore, they find evidence to support the conclusion that “cross-listing audit fee premiums are associated with increased legal liability and not with increased audit complexity.”¹⁵ This finding suggests that the Respondents may be collecting higher audit fees for their clients that are listed in the U.S. because of the increased risk of investigation and litigation by the SEC. If the SEC does not bring significant sanctions in this matter, there is a risk that Respondents will have collected “audit fee premiums” without incurring the full extent of expected costs when their clients are investigated.

23. Another study indicates that there may be a particular need for SEC enforcement actions regarding Chinese state-owned enterprises (SOEs). The paper, by Hung, Wong, and

¹³ Siegel, Jordan, “Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?” *Journal of Financial Economics*, 75(2), February 2005, p. 320.

¹⁴ Kedia, Simi; Rajgopal, Shiva, “Do the SEC’s Enforcement Preferences Affect Corporate Misconduct?” *Journal of Accounting and Economics*, 51(3), April 2011, pp. 259-78. However, Siegel also notes that, even in the absence of a strict enforcement regime, firms may successfully motivate managers through “reputational bonding.” Siegel states, for instance, that “the prospect of creating a reputational asset can lead many, but not all, firms to observe rules that they are not forced to follow.” Siegel, Jordan, “Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?” *Journal of Financial Economics*, 75(2), February 2005, p. 321.

¹⁵ Choi, Jong-Hag; Kim, Jeong-Bon; Liu, Xiaohong; Simunic, Dan, “Cross-listing Audit Fee Premiums: Theory and Evidence,” *The Accounting Review*, 84(5), 2009, p. 1430.

Zhang, reports that SOEs with strong political connections are more likely to list overseas than non-politically connected firms. Furthermore, the authors report that, after listing overseas, SOEs with political connections have worse operating performance than SOEs without political connections. In addition, they find evidence that the managers at the connected firms are more likely to receive political benefits through either media coverage or a promotion to a senior government position, after an overseas listing. These results suggest that minority shareholders in these firms face an elevated risk of expropriation, which highlights the need for SEC actions on their behalf.¹⁶

B. Economic research shows that enforcement of securities laws benefits issuers.

24. The cost of capital is lower when disclosure rules are enforced. Hail and Leuz conducted a study of the international differences in the cost of equity capital across 40 countries. In particular, they focus on regulation that mandates and enforces disclosure.¹⁷ They find that, even after controlling for firm and country risk, their results “support the conclusion that firms from countries with more extensive disclosure requirements, stronger securities regulation, and stricter enforcement mechanisms have a significantly lower cost of capital.”¹⁸ For countries where securities markets are not well-integrated with global

¹⁶ Hung, Mingyi; Wong, T.J.; Zhang, Tianyu, “Political considerations in the decision of Chinese SOEs to list in Hong Kong,” *Journal of Accounting and Economics* 53, 2012, pp. 435-449.

¹⁷ Another study by Fernandes and Ferreira looks at 48 countries that enforce insider trading laws for the first time, and finds that, for emerging markets, enforcing insider trading laws helps to “turn some private information into public information, thereby reducing the cost of equity.” Fernandes, Nuno; Ferreira, Miguel A., “Insider Trading Laws and Stock Price Informativeness,” *Review of Financial Studies*, 22(5), May 2009, pp. 1845-87.

¹⁸ Hail, Luzi; Leuz, Christian, “International Differences in the Cost of Equity Capital: Do Legal Institutions and Securities Regulation Matter?” *Journal of Accounting Research*, 44(3), June 2006, p. 485.

markets, moving from the 25th percentile on securities regulation to the 75th percentile reduces the cost of equity capital by about 200 basis points.¹⁹

25. This research finds that US disclosure requirements provide a significant benefit to issuers that register their securities with the SEC, by reducing the costs that issuers incur when they raise equity capital. The implication for this matter is that enforcing the SEC's disclosure requests from the Respondents would provide a benefit to the broader population of issuers on US exchanges, by facilitating capital formation.

C. Economic research shows that enforcement of securities laws benefits markets.

26. Markets are more robust when public agencies have more resources to enforce securities laws. Some economists study the international differences in legal structure and protection, and conclude that public enforcement of securities laws is an ineffective approach to developing capital markets.²⁰ In response to these studies, Jackson and Roe provide a new element of information in the assessment of country-specific protections for investors. They consider the effects of the extent of budget and resources dedicated to securities law enforcement across different countries. Based on this measure of effective securities regulation, they conclude that "Allocating more resources to public enforcement is positively associated with robust capital markets, as measured by market

¹⁹ Hail, Luzi; Leuz, Christian, "International Differences in the Cost of Equity Capital: Do Legal Institutions and Securities Regulation Matter?" *Journal of Accounting Research*, 44(3), June 2006, p. 488.

²⁰ See, for instance, La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, "What Works in Securities Laws?" *Journal of Finance*, 61(1), February 2006, pp. 1-32. Similar conclusions are supported by Djankov, Simeon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, "The Law and Economics of Self-Dealing," *Journal of Financial Economics*, 88(3), June 2008, pp. 430-65.

capitalization, trading volume, the number of domestic firms, and the number of initial public offerings.”²¹

27. In addition, a case study compares Poland’s stock market development to that of the Czech Republic in the 1990s. The authors find that Poland’s approach of strict enforcement of securities laws was more effective at promoting and growing the stock market than the laissez-faire approach taken in the Czech Republic.²²
28. Even the papers that find public enforcement is not as powerful as private enforcement “find strong evidence that laws mandating disclosure and facilitating private enforcement through liability rules benefit stock markets.”²³ For instance, one of the papers evaluates market development through five different metrics: stock market capitalization to GDP, the premium paid for control in corporate control transactions, number of publicly traded firms relative to population size, average value of IPOs relative to GDP, and the ownership concentration among largest firms in the country. The authors report a statistically significant correlation between market development and requirements for disclosure of conflicts of interest and rules that facilitate private enforcement.²⁴
29. The economic research on the development of capital markets is consistent with a general intuition that, to be effective, securities regulation requires enforcement and resources.

More importantly, the research shows that larger and more robust markets are associated

²¹ Jackson, Howell E.; Roe, Mark J., “Public and Private Enforcement of Securities Laws: Resource-Based Evidence,” *Journal of Financial Economics*, 93(2), August 2009, p. 208.

²² Glaeser, Edward; Johnson, Simon; Shleifer, Andrei, “Coase Versus The Coasians,” *The Quarterly Journal of Economics*, 116(3), August 2001, pages 853-899. These results are generally consistent with a study that concludes that, for developed markets, stock prices contain more information when insider trading rules are enforced. Fernandes, Nuno; Ferreira, Miguel A., “Insider Trading Laws and Stock Price Informativeness,” *Review of Financial Studies*, 22(5), May 2009, pp. 1845-87.

²³ La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, “What Works in Securities Laws?” *Journal of Finance*, 61(1), February 2006, p. 1.

²⁴ Djankov, Simeon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, “The Law and Economics of Self-Dealing,” *Journal of Financial Economics*, 88(3), June 2008, pp. 430-65.

with better enforcement of securities laws. The implication here is that failure to enforce US securities laws could have a causal connection to a weakening on important metrics of capital formation and corporate governance for US markets.

VI. Summary of Existing Economic Research on the Costs of Proposed Sanctions

30. The stock price reaction to delisting depends on the circumstances. Dr. Simmons reports that “academic research documents that the stock prices of companies that are delisted from an exchange ... experience a significant decline.”²⁵ She states that “the average drop is 50 percent for stocks listed on the NYSE and 19 percent for stocks listed on the Nasdaq.”²⁶ These estimated declines come from two studies: Harris, Panchapagesan, and Werner (“HPW”) and Macey, O’Hara, and Pompilio (“MOP”). Dr. Simmons does not explain, however, that these papers study delisting events that are triggered by a failure to comply with the listing requirements of the exchange. For example, firms may be delisted because they have filed for bankruptcy, or failed to comply with SEC disclosure requirements, or because their market capitalization or stock price fail to meet with minimum requirements.
31. The vast majority of companies studied by MOP are delisted because of poor financial performance or bankruptcy. Their sample is much smaller, consisting of only 63 firms. The authors provide a table of results that suggest 96% of the reasons for delisting in their

²⁵ Expert Report of Laura E. Simmons, page 18.

²⁶ Expert Report of Laura E. Simmons, page 18.

study are that the price fell below the minimum, the market cap fell below the minimum, or the firm filed for bankruptcy.²⁷

32. Furthermore, HPW report that “the severity of the reason for delisting affects the market reaction on the delisting date. Bankrupt firms lose nearly 24 percent of value on an equal-weighted basis and over 35 percent on a value-weighted basis. Non-core violators [e.g., delisted because of stock price below \$1.00] lose just under 16 percent or just over 14 percent, respectively, by comparison.”²⁸ In other words, these economists find that the stock price reaction to a delisting event is related to the reason for the delisting. Since HPW and MOP study companies that delist because of poor financial and economic performance, these results likely overstate the negative stock price reaction that might result if the Respondents’ current clients were to delist from US exchanges as a result of sanctions against the Respondents.
33. Three other papers provide estimates of the returns associated with delisting, when the event was not directly caused by the issuer’s poor financial performance.
34. The paper by Bushee and Leuz on the “eligibility rule” was discussed above.²⁹ The authors report that only 24% of the 3,503 non-SEC filers complied with the rule and remained on the OTCBB. For the companies that moved to the Pink Sheets and thus faced significantly lower disclosure requirements, liquidity was reduced and stock prices fell.³⁰

²⁷ Macey, Jonathan; O'Hara, Maureen; Pompilio, David, “Down and Out in the Stock Market: The Law and Economics of the Delisting Process,” *Journal of Law and Economics*, 51(4), November 2008, pp. 683-713.

²⁸ Harris, Jeffrey; Panachapagesan, Venkatesh Venky; Werner, Ingrid, “Off but not gone: A study of Nasdaq delistings,” Fischer College of Business Working Paper, (2008), p.16.

²⁹ Dr. Simmons cites this paper in her footnote 20, but does not use as a source of estimates.

³⁰ Bushee, Brian; Leuz, Christian, “Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board,” *Journal of Accounting and Economics*, 39(2), 2005, pp. 233-64. The market-adjusted decline in

35. Another paper, by Leuz, Triantis, and Wang, studies firms that file Form 15 with the SEC to voluntarily deregister their stock. This study measures the consequences for companies that choose to stop complying with SEC disclosure requirements but continue to trade on the over-the-counter markets. Many, but not all, of the companies are exchange-listed before they file the form. The authors report that the decision to go dark is associated with a large negative market reaction of approximately -10%.³¹ This average reaction is substantially smaller than the typical reactions reported by Dr. Simmons. One reason for the negative stock price reaction is that “the decision to deregister likely reveals to investors that the firm’s future prospects have deteriorated and that its financial health is less robust than expected.”³² Another reason for the drop in market value is that deregistration may present an opportunity for managers to expropriate value from shareholders.
36. Both the Bushee and Leuz and the Leuz, Triantis, and Wang papers include only domestic companies in their analysis. This raises the question of whether or not the returns would be similar for foreign companies. A paper by Marosi and Massoud studies all of the US listed foreign companies that delist from US exchanges and deregister with the SEC between 1990 and 2006. These authors report that the stock prices of these

stock price on the announcement dates for these firms was approximately 3%. However, the authors note that at the time of these announcements, the market did not know which firms would comply and which would not (p. 251). These circumstances make the announcement effect an incomplete measure of the consequences of non-compliance. The authors also report that “From the Effective ‘E’ week to three months after the phase-in date, Noncompliant firms have market-adjusted returns of around -25%.” (p. 252)

³¹ Leuz, Christian; Triantis, Alexander; Wang, Tracy Yue, “Why do firms go dark? Causes and economic consequences of voluntary SEC deregistrations,” *Journal of Accounting and Economics*, 45(2), 2008, p. 182.

³² Leuz, Christian; Triantis, Alexander; Wang, Tracy Yue, “Why do firms go dark? Causes and economic consequences of voluntary SEC deregistrations,” *Journal of Accounting and Economics*, 45(2), 2008, p. 182.

firms experience statistically significant returns of -0.85% in response to the announcement, and that the magnitude is smaller in the post-Sarbanes Oxley period.³³

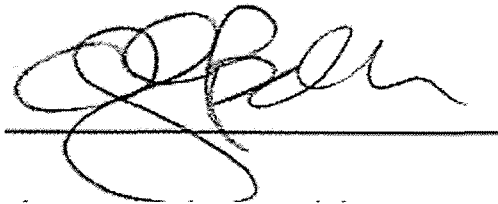
37. The results reported by Leuz, Triantis, and Wang and by Marosi and Massoud suggest that a typical delisting return is substantially smaller for voluntary delisting and deregistration events than Dr. Simmons' estimate of 19% to 50%. These results raise the question of whether any potential delisting for the Respondents' audit clients could be characterized as "voluntary." It is likely that these clients would prefer to avoid a delisting event. Nonetheless, Respondents' audit clients might have some choices available to them, including the possibility of changing auditors or listing on a stock exchange in a different country. Dr. Simmons provides no support for her apparent conclusion that firms experiencing economic and financial distress provide better comparables for Respondents' audit clients than these voluntary deregistrations.

38. Investors in state-controlled Chinese firms realize smaller benefits from an overseas listing. A paper by Ke, Rui, and Yu examines investor protection across Chinese state-controlled companies by analyzing their managers' pay-for-performance sensitivity. The authors measure pay-for-performance in Chinese firms by the sensitivity of managerial cash compensation to firm performance, the use of long-term managerial incentives such as stock options and share ownership, and the connection between CEO turnover and firm performance. They conclude that "the evidence from this study suggests that listing state-controlled Chinese firms abroad does not always lead to an automatic enhancement

³³ Marosi, Andras; Massoud, Nadia, "You Can Enter but You Cannot Leave . . .": U.S. Securities Markets and Foreign Firms," *Journal of Finance*, 63(5), October 2008, pp. 2477-2506.

in investor protection.”³⁴ The authors suggest that mainland China’s ownership and control of these firms dominates the influence of the Hong Kong exchange to prevent improvements in corporate governance. These results indicate that Chinese state-owned enterprises may realize reduced benefits from listing on a US exchange relative to firms from other countries, and consequently, would realize smaller-than-average adverse effects from a potential delisting.³⁵

Signed,

A handwritten signature in black ink, appearing to read 'Chyhe K. Becker', is written over a horizontal line. The signature is cursive and somewhat stylized.

Chyhe K. Becker, Ph.D.

Date: July 19, 2013

³⁴ Ke, Bin; Rui, Oliver; Yu, Wei, “Hong Kong stock listing and the sensitivity of managerial compensation to firm performance in state-controlled Chinese firms,” *Review of Accounting Studies*, 17(1), March 2012, p.168.

³⁵ Ke, Bin; Rui, Oliver; Yu, Wei, “Hong Kong stock listing and the sensitivity of managerial compensation to firm performance in state-controlled Chinese firms,” *Review of Accounting Studies*, 17(1), March 2012, pp. 166-188.

Appendix 1

CHYHE K. BECKER, Ph.D.
Assistant Director
Office of Litigation Economics
Division of Economic and Risk Analysis
U.S. Securities and Exchange Commission

Dr. Chyhe Becker leads the Office of Litigation Economics at the U.S. Securities and Exchange Commission. She serves as a key point of contact for attorneys throughout the Commission for information on the economics of securities law violations. She supervises a staff of financial economists that support the Enforcement Division through economic and quantitative analysis and research. She reports to the Director and the Deputy Director of the Division of Economic and Risk Analysis.

Dr. Becker joined the Securities and Exchange Commission in March 2008. She was previously a Principal with Chicago Partners LLC, where she specialized in securities litigation. Prior to Chicago Partners, she was a Principal with the Economic Consulting group at Deloitte Financial Advisory Services LLP. She has provided expert testimony and analysis in securities class action matters as well as contract disputes. She received an M.B.A. and Ph.D. in Financial Economics from The University of Chicago Graduate School of Business, and a B.A. in Psychology from Yale University. In addition, she taught corporate finance at The University of Chicago Graduate School of Business. Her research has been published in the Journal of Financial Intermediation.

EDUCATION

B.A., with Honors	Yale University	1985
M.B.A. (Finance)	University of Chicago	1997
Ph.D. (Finance)	University of Chicago	1998

PROFESSIONAL EMPLOYMENT

U.S. SECURITIES AND EXCHANGE COMMISSION, Washington, D.C.
Assistant Director, Division of Economic and Risk Analysis, 2013-present.
Assistant Director, Division of Risk, Strategy, and Financial Innovation, 2009-2013
Assistant Chief Economist, Office of Economic Analysis, 2008-2009

CHICAGO PARTNERS, LLC
Principal, 2006 – 2008

DELOITTE FINANCIAL ADVISORY SERVICES LLP, Chicago, IL
Economist & Principal, Economic Consulting, 2005 – 2006

DELOITTE & TOUCHE LLP, Chicago, IL
Economist & Principal, Economic Consulting, 2003 – 2005
Senior Manager, Economic Consulting, 2002-2003

ANDERSEN LLP, Chicago, IL
Senior Manager, Economic Consulting, 2000 – 2002
Experienced Manager, Economic Consulting, 1997 – 2000

UNIVERSITY OF CHICAGO GRADUATE SCHOOL OF BUSINESS
Lecturer 1997

MADANSKY & ASSOCIATES
Associate, 1994 – 1997

PREVIOUS EXPERT TESTIMONY

- In *Hope Land Mineral Corporation v. Panhandle Eastern Pipeline Company*, Dr. Becker provided testimony regarding potential damages due to condemnation of underground natural gas storage rights and alleged trespass.
- In *Kinetek Industries Inc., et al. v. Magnetic Metals Corp.*, Dr. Becker provided testimony on potential damages due to alleged breach of contract.
- Dr. Becker authored a 10b-5 expert report in *Kenneth Beach et al. v. Sofibank Corp and Gregory Drebin et al. v. Sofibank Corp* on behalf of plaintiffs who alleged that they had been misled regarding the value of their executive stock options. She used Black-Scholes methodologies to value their portfolios of securities.

PUBLICATIONS AND PRESENTATIONS

- “Model Risk, Quants, and the Law,” invited panelist at Society of Quantitative Analysts, April 2012.
- “Broudo v. Dura: Implications for Damages”, invited speaker at Mayer Brown Rowe and Maw LLP, September 2006.
- “Boardroom Best Practices - Stock Option Granting Best Practices and Majority Voting Update”, invited panelist at a webcast hosted by InsideCounsel and Foley & Lardner LLP, July 2006.
- “Economic Perspectives on Regulatory Damages”, invited speaker at Law Seminars International, June 2005.
- “Market Timing in Perspective”, moderator at Directors Roundtable Seminar, Investment Management: Challenges in a Turbulent Time, May 2005.
- “Recent Developments in Securities Litigation”, invited presentation for Skadden Arps, December 2004.

- “Current Issues in Securities Litigation”, invited presentation for Bingham McCutchen LLP, August 2004.
- “Recent Trends in Regulatory Penalties: SEC and Market Timing”, invited presentation for Law Seminars International, June 2004.
- “Calculating Damages in Securities Class Action Litigation”, presentation for Morrison & Foerster LLP, April 2004.
- “Securities Litigation: Calculating Damages”, training module presented at Deloitte & Touche, March 2003.
- “Ameritech’s Proposed Remedy Plan”, presentation before the Michigan Public Service Commission, August 2000.
- “Ameritech’s Proposed Remedy Plan”, presentation before the Illinois Commerce Commission, Indiana Utility Regulatory Commission, and the Ohio Public Utility Commission, June 2000.
- “The Effects of Asset Liquidity: Evidence from the Contract Drilling Industry”, *Journal of Financial Intermediation*, Volume 7, Issue 2, September 1998.
- “The Effects of Asset Liquidity on Managerial Decisions”, presentation at the JFI Symposium, June 1997.
- “Capital Structure and the Timing of Firms’ Exit Decisions from a Declining Industry”, working paper, November 1995.

HONORS AND AWARDS

Chairman’s Award for Excellence, 2012, 2011
 Recipient of Oscar Meyer Fellowship
 Awarded the State Farm Dissertation Prize

PROFESSIONAL ACTIVITIES

Member: American Finance Association, American Economic Association.

Appendix 2

Ajlouni, Moh'd M., "Regulating Information as a Case of Contractual Signaling Equilibria in an Incomplete Informational Market," *Finance India*, 22(3), September 2008, pp. 829-49
ABSTRACT: The paper analyses the nature of regulating the investment in information by informed agents and subsequent regulation enforcement issues in the context of modern economic theory. Paper also outlined the main regulations of the use of inside information in two well-organised and developed markets to shed light into how these highly efficient markets regulate information. It shows that there is no such regulation in Jordan. However, the Jordanian Companies Act is the main force behind prohibition of investment in information by informed agents, while the Securities Act regulates the disclosure of information. The economic theory supports the conclusion of the paper's model in that regulating of inside information failed in producing Pareto-optimal allocation, while regulation-free market competitiveness creates market efficiency and leads to Pareto-optimal allocation. Moreover, it shows that the Efficient Market Hypothesis and the Agency Theory provide further support to the conclusion of the model.

Aninat, Eduardo; Hardy, Daniel; Johnston, R. Barry, "Combating Money Laundering and the Financing of Terrorism," *Finance and Development*, 39(3), September 2002, pp. 44-47
ABSTRACT: Money laundering and terrorist financing can threaten financial stability and economic prosperity, adding to the gravity of the underlying crimes. The IMF, working closely with the global community, is stepping up its efforts to fight these abuses.

Arshadi, Nasser; Eysell, Thomas H.; Kempf, Kimberly, "The Law and Finance of Corporate Insider Trading," *Financial Practice and Education*, 3(1), Spring-Summer 1993, pp. 39-45

Ashbaugh-Skaife, Hollis; Collins, Daniel W.; Kinney, William R., Jr., "The Discovery and Reporting of Internal Control Deficiencies Prior to SOX-Mandated Audits," *Journal of Accounting and Economics*, 44(1-2), September 2007, pp. 166-92

ABSTRACT: We use internal control deficiency (ICD) disclosures prior to mandated internal control audits to investigate economic factors that expose firms to control failures and managements' incentives to discover and report control problems. We find that, relative to non-disclosers, firms disclosing ICDs have more complex operations, recent organizational changes, greater accounting risk, more auditor resignations and have fewer resources available for internal control. Regarding incentives to discover and report internal control problems, ICD firms have more prior SEC enforcement actions and financial restatements, are more likely to use a dominant audit firm, and have more concentrated institutional ownership.

At, Christian; Chappe, Nathalie; Morand, Pierre-Henri, "Sentencing Private Benefits in Takeover Contest," *International Review of Law and Economics*, 24(4), December 2004, pp. 409-24

ABSTRACT: We present a model of profit diversion into a takeover environment. The model incorporates a legal environment characterized by a probability of being convicted, a monetary sanction (ex-ante protection) and the costs of administrating the takeover (expost protection). We show that the extraction of private benefits is reduced by the existence of such a legal

environment, which is consistent with a number of empirical studies. It also predicts that legal environment can conduct the bidder to acquire more than 50% of the share due to the impact of the final holding of the bidder on the fine. The paper contributes to the current debate on regulation of white-collar crime. It highlights the trade-off between the ex-post profit diversion and minority protection, and the ex-ante probability of efficient takeovers. But, considering simultaneously two tools of protection, the ex-ante and the ex-post ones, which do not have the same impact, we derive some guidelines in order to analyze the current trend of the US and the EU laws.

Ayyagari, Meghana; Demirguc-Kunt, Asli; Maksimovic, Vojislav, "Symposium on Access to Finance: How Important Are Financing Constraints? The Role of Finance in the Business Environment," *World Bank Economic Review*, 22(3), 2008, pp. 483-516.

ABSTRACT: What role does the business environment play in promoting or restraining firm growth? Recent literature points to a number of factors as obstacles to growth. Inefficient functioning of financial markets, inadequate security and enforcement of property rights, poor provision of infrastructure, inefficient regulation and taxation, and broader governance features such as corruption and macroeconomic stability are all discussed without any comparative evidence on their ordering. Using firm-level survey data on the relative importance of different features of the business environment, the article finds that although firms report many obstacles to growth, not all the obstacles are equally constraining. Some affect firm growth only indirectly through their influence on other obstacles, or not at all. Analyses using directed acyclic graph methodology and regressions find that only obstacles related to finance, crime, and policy instability directly affect firm growth. The finance result is shown to be the most robust. The results have important implications for the priority of reforms. Maintaining policy stability, keeping crime under control, and undertaking financial sector reforms to relax financing constraints are likely to be the most effective routes to promote firm growth.

Bandiera, Oriana, "Land Reform, the Market for Protection, and the Origins of the Sicilian Mafia: Theory and Evidence," *Journal of Law, Economics, and Organization*, 19(1), April 2003, pp. 218-44

ABSTRACT: Historical records show that the Sicilian mafia developed to protect land from predatory attacks at a time when publicly provided security was scarce and banditry widespread. Using a common-agency model, this article shows that (i) it is optimal for each landowner to voluntarily buy protection even if this results in a worse equilibrium for the landowning class and (ii) all things equal, mafia profits are higher where land is more fragmented. The argument is based on the fact that protection involves an externality, in the sense that by buying protection, each landowner deflects thieves on others' properties. Using qualitative data from a parliamentary survey (1881), the article also shows that in 19th century rural Sicily the mafia was in fact more likely to be active in towns where land was more divided.

Barnes, Paul, "Stock Market Efficiency, Insider Dealing and Market Abuse: The UK Experience," *International Journal of Business Governance and Ethics*, 5(1-2), 2010, pp. 38-50

ABSTRACT: It is only recently that market abuse, of which insider dealing is a form, has been unlawful in the UK. The general impression is that insider dealing is common, that the Financial

Services Authority (FSA), the main regulator, is aware of this but is unable, except in the most obvious of cases, to prosecute at the criminal level. The picture is less clear for other forms of market abuse and the evidence as to their frequency of occurrence is conflicting. As a result we are unable to assess the extent to which these go unchecked.

Bauer, Johannes M.; van Eeten, Michel J. G., "Cybersecurity: Stakeholder Incentives, Externalities, and Policy Options," *Telecommunications Policy*, 33(10-11), November-December 2009, pp. 706-19

ABSTRACT: Information security breaches are increasingly motivated by fraudulent and criminal motives. Reducing their considerable costs has become a pressing issue. Although cybersecurity has strong public good characteristics, most information security decisions are made by individual stakeholders. Due to the interconnectedness of cyberspace, these decentralized decisions are afflicted with externalities that can result in sub-optimal security levels. Devising effective solutions to this problem is complicated by the global nature of cyberspace, the interdependence of stakeholders, as well as the diversity and heterogeneity of players. The paper develops a framework for studying the co-evolution of the markets for cybercrime and cybersecurity. It examines the incentives of stakeholders to provide for security and their implications for the ICT ecosystem. The findings show that market and non-market relations in the information infrastructure generate many security-enhancing incentives. However, pervasive externalities remain that can only be corrected by voluntary or government-led collective measures.

Bayar, Dogan, "Mali Yargi Nedir? (What Is Financial Jurisdiction? With English summary.)," *Maliye Dergisi*, 0(157), July-December 2009, pp. 33-46

ABSTRACT: According to the Article 142 of the Constitution of the Republic of Turkey, "The organization, functions and jurisdiction of the courts, their functioning and trial procedures shall be regulated by law." Within the framework of this provision, organization, functions and jurisdictions and functioning of all of the courts are determined in the organization laws. Their trial procedures, on the other hand, are determined in special provisions of organization laws and procedure laws (like HMUK, CMUK, and IYUK) in general. Judges shall be independent in the discharge of their duties; they shall give judgment in accordance with the Constitution, law, and their personal conviction conforming with the law (Article 138 of the Constitution). The law sets out which courts are entitled for the settlement of which disputes, judgment procedure, legal aspects of the dispute, content of the decision and limits of discretionary power if any. Organization, functions, and jurisdiction, functioning and trial procedures of the Turkish Court of Accounts (TCA), as a judicial authority, are regulated by the Court of Accounts Law No. 832. According to the Law, judicial power of the TCA shall be exercised for responsible public servants and in relation to the enforcement of financial laws. However, especially following the annulment of the General Account Law No. 1050, it has become highly uncertain which judgment is to be passed for which issues and under which circumstances. Court of Accounts Law states that upon trial of the accounts and transactions . . . acquittal and indemnification shall be decided and decision of indemnification is defined in the Article 45 as follows: "Article 45--The amounts relating to the revenues, expenditures, properties, and valuables that have not been accrued, collected, spent, given, kept, or managed in accordance with the law shall be

paid to the Treasury by the responsible officials, upon the final decision of the Court of Accounts, within three months from the date they are notified." The Law contains no other provision on this issue. Moreover, these two articles are largely incorrect. It is not possible to give judgment based on these two provisions. We believe that this problem can be solved by putting regulations for the responsibilities set out in the Law No. 1050 into implementation again by Law No. 5018 (or TCA Law) and including embezzlement decision into the decisions types (as used to be) of the TCA.

Becker, David; Kessler, Daniel; McClellan, Mark, "Detecting Medicare Abuse," *Journal of Health Economics*, 24(1), January 2005, pp. 189-210

ABSTRACT: This paper identifies which types of patients and hospitals have abusive Medicare billings that are responsive to law enforcement. For a 20% random sample of elderly Medicare beneficiaries hospitalized from 1994 to 1998 with one or more of six illnesses that are prone to abuse, we obtain longitudinal claims data linked with social security death records, hospital characteristics, and state/year-level anti-fraud enforcement efforts. We show that increased enforcement leads certain types of types of patients and hospitals to have lower billings, without adverse consequences for patients' health outcomes.

Benmelech, Efraim; Moskowitz, Tobias J., "The Political Economy of Financial Regulation: Evidence from U.S. State Usury Laws in the 19th Century," *Journal of Finance*, 65(3), June 2010, pp. 1029-73

ABSTRACT: Financial regulation was as hotly debated a political issue in the 19th century as it is today. We study the political economy of state usury laws in 19th century America. Exploiting the wide variation in regulation, enforcement, and economic conditions across states and time, we find that usury laws when binding reduce credit and economic activity, especially for smaller firms. We examine the motives of regulation and find that usury laws coincide with other economic and political policies favoring wealthy political incumbents, particularly when they have more voting power. The evidence suggests financial regulation is driven by private interests capturing rents from others rather than public interests protecting the underserved.

Berglof, Erik; Claessens, Stijn, "Enforcement and Good Corporate Governance in Developing Countries and Transition Economies," *World Bank Research Observer*, 21(1), Spring 2006, pp. 123-50

ABSTRACT: More than regulations, laws on the books, or voluntary codes, enforcement is key to creating an effective business environment and good corporate governance, at least in developing countries and transition economies. A framework is presented to help explain enforcement, the impact on corporate governance when rules are not enforced, and what can be done to improve corporate governance in weak enforcement environments. The limited empirical evidence suggests that private enforcement tools are often more effective than public tools. However, some public enforcement is necessary, and private enforcement mechanisms often require public laws to function. Private initiatives are often also taken under the threat of legislation or regulation, although in some countries bottom-up, private-led initiatives preceded and even shaped public laws. Concentrated ownership aligns incentives and encourages monitoring, but it weakens other corporate governance mechanisms and can impose significant

costs. Various steps can be taken to reduce these costs and reinforce other corporate governance mechanisms. But political economy constraints, resulting from the intermingling of business and politics, often prevent improvements in the enforcement environment and the adoption and implementation of public laws.

Bettis, J. Carr; Duncan, William A.; Harmon, W. Ken, "The Effectiveness of Insider Trading Regulations," *Journal of Applied Business Research*, 14(4), Fall 1998, pp. 53-70.

ABSTRACT: This work evaluates the effectiveness of the courts and regulators in achieving a fair and honest market. The regulatory system and market based empirical research are reviewed and evidence of regulatory failure are identified and examined. The advantages and disadvantages of four possible policy changes including new disclosure standards, a bar on insider trading, corporate fines for insider trading, and a new market based standard are discussed. Finally, recommendations for future research are offered.

Bisogni, Fabio; Cavallini, Simona; Di Trocchio, Sara, "Cybersecurity at European Level: The Role of Information Availability," *Communications and Strategies*, 0(81), 1st Quarter 2011, pp. 105-24

ABSTRACT: This paper aims to analyse the cybersecurity issue, taking into account the investment behaviour of operators managing ICT infrastructures and providing ICT services and trying to investigate which kind of actions must be implemented to increase their security level. The main finding is that information availability plays a key role in the cyber-risk assessment for ICT operators and is also critical for improving the cybersecurity behaviour of other ICT stakeholders. From the ICT operator perspective, lack of information affects the real perception of cyber-threat occurrence, the vulnerability of his system and the potential loss in case of cyber-attack. As ICT systems have to be regarded as a network of different actor categories, regulation efforts at the European level should focus on spreading information among all ICT stakeholders in order to reduce failures of the cybersecurity market. Virtuous behaviour of other ICT stakeholders may increase the level of cybersecurity also by reducing the current lack of information on cyber-attacks of ICT operators and pushing their investments.

Black, William K., "'Control Frauds' as Financial Super-Predators: How 'Pathogens' Make Financial Markets Inefficient," *Journal of Socio-Economics*, 34(6), December 2005, pp. 734-55

ABSTRACT: White-collar criminology scholarship shows that "control frauds" (frauds led by the CEO) use accounting fraud to deceive (or suborn) sophisticated financial market participants. Large control frauds cause greater financial losses than all other forms of property crimes combined. Weak regulation, supervision and ethics produce epidemics of control fraud that cause systemic economic damage. As with the natural world, these financial super-predators act like pathogens that take over a firm and act as a "vector" to cause ever greater damage. Control fraud theory poses a major challenge to the efficient markets hypothesis and the resulting praxis that devalues financial regulation.

Boeri, Tito, "Enforcement of Employment Security Regulations, On-the-Job Search and Unemployment Duration," *European Economic Review*, 43(1), January 1999, pp. 65-89.

ABSTRACT: Contrary to the popular wisdom, 'sclerotic' European labor markets are

characterized by relatively large job turnover rates. A model is developed that, unlike standard theories of job matching with on-the-job search, can account for the coexistence of strict employment security regulations, significant job-to-job shifts, and high long-term unemployment rates in these countries. This is because (1) employment security regulations can only be enforced by increasing the number of workers on 'short-term jobs' and (2) the latter compete for jobs with unemployed jobseekers. Evidence is presented showing that job-finding probabilities of the unemployed are decreasing in the incidence of temporary employment, in line with the predictions of the model.

Bris, Arturo, "Do Insider Trading Laws Work?" *European Financial Management*, 11(3), June 2005, pp. 267-312

ABSTRACT: This paper presents the first comprehensive global study of insider trading laws and their first enforcement. In a sample of 4,541 acquisitions from 52 countries, I find that insider trading enforcement increases both the incidence, and the profitability of insider trading. The expected total insider trading gains increase. Consequently, laws that proscribe insider trading fail to eliminate insider profits. However, harsher laws work better at reducing the incidence of illegal insider trading.

Brousseau, Eric, "Property Rights on the Internet: Is a Specific Institutional Framework Needed?" *Economics of Innovation and New Technology*, 13(5), Special Issue July 2004, pp. 489-507

ABSTRACT: Digital technologies allow the implementation of more decentralized Property Rights (PR) systems as compared to those traditionally set-up by public authorities at the national level. The self-implementation of exclusive rights of use over information and the design of self-regulation by virtual communities enable agents to set-up and manage PR according to their local constraints and individual preferences. However, a decentralized system has weaknesses. It can result in conflicts and defaults of enforcement that might discourage investments. It can also induce inefficient capture of public goods and favor the development of monopolies. Implementing a last resort authority in charge of limiting and preventing these inefficiencies might result in a more efficient use of resources. Based on the principle of subsidiarity, it should supervise the behaviors of individuals and communities to prevent boundless capture of public wealth by individual interests, to solve conflicts among claims for exclusive rights of use and among local regulations, and to guarantee enforcement when exclusive rights of use are legitimate.

Bruno, Clara Elena, "Concorrenza tra imprese e tutela del consumatore alla luce dell'art. 140 bis del codice del consumo. Un contributo di analisi economica del diritto. (With English summary.)," *Studi e Note di Economia*, 13(3), December 2008, pp. 575-96

ABSTRACT: This paper looks at the regulation which defends both the market and the consumer, according to the evolutive interpretation of the most recent jurisprudence, also from a law and economics perspective that considers the economic operators as rational individuals able to react to legislative changes and taking full advantage. In regard to enterprise, we will point out how their compliance to the law increases as in relation to the controls carried out. The focus will be on four monitoring systems: the activity of the various controlling authorities,

the role of the individual consumer, that of the associations which protect them and the business related laws. The analysis shows how the recent jurisprudence interpreted the legislation in an evolutive way, consolidating the private enforcement to protect the market and acting incisively to the policy maker's intentions. We will pay particular attention to the recent law which introduced the compensatory collective action, in order to reflect on its aspects.

Cascini, Karen T.; DelFavero, Alan; Mililli, Mario, "The Sarbanes Oxley Act's Contribution to Curtailing Corporate Bribery," *Journal of Applied Business Research*, 28(6), 2012, pp. 1127-42
ABSTRACT: In the wake of corporate scandals occurring in the early 2000s, a need for stricter regulation was deemed necessary by the investors of U.S. public companies. In 2002, the Sarbanes-Oxley Act (SoX) was created. Accordingly, under the rules of SoX, U.S. corporations were faced with increased oversight and also needed to substantially improve their internal controls. As companies began to scrutinize their internal affairs more closely, some businesses detected other forms of criminal activity occurring internally, such as bribery. Those companies and individuals found to have committed bribery have violated the Foreign Corrupt Practices Act of 1977 (FCPA). Throughout this paper, a plausible correlation between SoX and a recent increase in reported violations of the FCPA will be assessed. This possibility is evaluated via a presentation of cases involving multinational corporations that have been found to have violated the FCPA. Based on the authors' research, a pattern does exist between SoX and the enforcement of the FCPA. Finally, suggestions to modify the punishment for companies found guilty of committing bribery are also presented.

Chang, Kun Young, "The Effective Regulation of Transnational Securities Fraud in Global Markets," *Journal of International and Area Studies*, 12(2), December 2005, pp. 77-92.
ABSTRACT: The increase in cross-border securities transactions produces more opportunities to commit transnational securities fraud. Increasing transnational securities fraud could diminish investor confidence in global markets, resulting in less investment and more impediments to the free flow of capital across borders. In order to regulate the cross-border fraudulent activities effectively, securities regulators need international cooperation. The scope of such cooperation has indeed developed and expanded over time. This Article suggests that securities regulators should continue to negotiate and implement mutual and multinational assistance agreements, and anticipates that the IOSCO could play a critical role in providing international markets with tools necessary for successful regulation of securities fraud.

Chertoff, Michael, "The Cybersecurity Challenge: Comment," *Regulation and Governance*, 2(4), December 2008, pp. 480-84

Chung, Kee H.; Zhang, Hao, "Insider Trading Regulation and Market Quality: Evidence from American Depositary Receipts," *Asia-Pacific Journal of Financial Studies*, 39(3), June 2010, pp. 340-60

ABSTRACT: We investigate the relation between insider trading law enforcement and stock market quality using a sample of American depositary receipts (ADR) over the period from 1998 to 2006. We show that ADR from countries that have enforced insider trading laws have better

market liquidity and lower information asymmetry than ADR from countries that have not enforced insider trading laws. In addition, ADR from countries with insider trading law enforcement have greater price efficiency. Our results are robust to different estimation methods and alternative model specifications. We interpret these results as evidence that the enforcement of insider trading laws can effectively deter insider trading and enhance both market liquidity and price efficiency.

Cindori, Sonja, "Sustav sprjecavanja pranja novca. (The Money Laundering Prevention System. With English summary.)," *Financijska Teorija i Praksa/Financial Theory and Practice*, 31(1), 2007, pp. 55-72

ABSTRACT: The paper presents the money laundering and terrorist financing prevention system in Croatia. The basic concepts are defined, the principles and fundamentals of international regulations analysed, and the regulatory system in Croatia covered by statute and money laundering prevention Regulations is presented, in conjunction with a description of the organisation, remit and international actions of the Money Laundering Prevention Office. The infiltration of dirty money is a crucial problem from national economies. The purchase of shares, of real estate, the establishment of dirty investment funds and the use of the banking system for the embedding of such resources is a danger to the credibility of a whole country, and in particular to the security of the financial and banking system. Croatia has adopted statutory measures aimed at the effective detection and prevention of suspicious financial transactions, in other words the prevention of money laundering. Launderers constantly find new ways, make use of new non-financial channels and expand their activities to real estate, artworks and insurance. Hence it is necessary to keep up with European approaches and recommendations, to strive for further improvement of the laws and the modernisation of the system, and to adopt new regulations harmonised with international standards, particularly with Directive 2005/60/EC.

Coate, Malcolm B.; Kleit, Andrew N., "Art of the Deal: The Merger Settlement Process at the Federal Trade Commission," *Southern Economic Journal*, 70(4), April 2004, pp. 977-97

ABSTRACT: This paper models the modern merger review process in which an enforcement agency, here the Federal Trade Commission (FTC), interacts with the acquiring firm to determine the outcome of antitrust regulation. Our empirical implementation of a game theoretic analysis tests whether decisions are driven by the costs and benefits of the proposed enforcement initiative as well as whether firms' responses are colored by competitive and institutional considerations. With respect to firms, the results suggest that mergers are driven by the opportunity to capture efficiencies. In contrast, the structural (anticompetitive) characteristics of mergers do not seem to impact firms' litigation decisions. Firms, however, are deterred from fighting the FTC by the potential negative impact on their reputations. In addition, "hostage effects" associated with the size of the noncontroversial portion of acquisitions held up by the FTC's competitive concerns also affect firm decisions.

Coffee, John C., Jr., "A Theory of Corporate Scandals: Why the USA and Europe Differ," *Oxford Review of Economic Policy*, 21(2), Summer 2005, pp. 198-211.

ABSTRACT: A wave of financial irregularity in the USA in 2001-2 culminated in the Sarbanes-

Oxley Act. A worldwide stock-market bubble burst over this same period, with the actual market decline being proportionately more severe in Europe. Yet, no corresponding wave of financial scandals involving a similar level of companies occurred in Europe. Given the higher level of public and private enforcement in the USA for securities fraud, this contrast seems perplexing. This paper submits that different kinds of scandals characterize different systems of corporate governance. In particular, dispersed ownership systems of governance are prone to the forms of earnings management that erupted in the USA, but concentrated ownership systems are much less vulnerable. Instead, the characteristic scandal in such systems is the appropriation of private benefits of control. This paper suggests that this difference in the likely source of, and motive for, financial misconduct has implications both for the utility of gatekeepers as reputational intermediaries and for design of legal controls to protect public shareholders. The difficulty in achieving auditor independence in a corporation with a controlling shareholder may also imply that minority shareholders in concentrated ownership economies should directly select their own gatekeepers.

Colombo, Ronald J., "Trust and the Reform of Securities Regulation," *Delaware Journal of Corporate Law*, 35(3), 2010, pp. 829-77.

ABSTRACT: Trust is a critically important ingredient in the recipes for a successful economy and a well-functioning securities market. Due to scandals, ranging in nature from massive incompetence to massive irresponsibility to massive fraud, investor trust is in shorter supply today than in years past. This is troubling, and commentators, policy makers, and industry leaders have all recognized the need for trust's restoration. As in times of similar crises, many have turned to law and regulation for the answers to our problems. The imposition of additional regulatory oversight, safeguards, and remedies, some advocate, can help resuscitate investor trust. These advocates have it half right. For trust is complicated, and exists in a variety of forms. Some forms, predicated primarily upon reasoned calculation, respond well to law and regulation. But other forms, predicated primarily upon relationship and emotion, respond poorly to law and regulation. In fact, these latter forms of trust can be seriously harmed by legal intervention. Wise policymakers would carefully assess the nature of whatever particular trust relationship they wish to strengthen before taking action to ostensibly strengthen the trust in that relationship. Unfortunately, such an assessment has not been part of the significant securities law reforms recently proposed. As such, some of these reforms threaten to undermine, rather than enhance, the remaining supply of trust.

Coskun, Deniz, "Credit Rating Agencies in a Post-Enron World: Congress Revisits the NRSRO Concept," *Journal of Banking Regulation*, 9(4), August 2008, pp. 264-83

ABSTRACT: This paper gives an overview of the regulatory reforms in the US credit rating industry, most notably through the Credit Rating Agency Reform Act of 2006. The paper first explicates the developments that accelerated the regulatory reform in the credit rating industry and puts them in the broader context of the Sarbanes-Oxley Act of 2002. Next, the paper explains that the no-action letter NRSRO designation process has been replaced by a voluntary registration process that no longer has as essential criterion that a credit rating agency must be 'nationally recognized'. The Securities and Exchange Commission (SEC) aims to improve the quality and integrity of the credit rating industry foremost by increasing competition between

credit rating agencies, be it among existing credit rating agencies or be it through de novo entrants. Moreover, the SEC has been equipped with enforcement powers, which include the suspension and revocation of the NRSRO status. These powers may be put into effect, for example, when a credit rating agency does not comply with procedures regarding the prevention of the misuse of material non-public information, certain (prohibited) conflicts of interest, and other abusive practices. In addition, credit rating agencies are subject to (onsite) examination and extensive documentation retention and management programmes. While important barriers to de novo entry into the credit rating industry have been eliminated, it remains to be seen whether and to what extent increased competition in the credit rating industry will be realised and will have the desired effect of improving the quality and integrity of the credit rating industry. Given the influence of credit rating agencies in the capital markets and their regulatory responsibility as private-sector watchdogs, increased oversight of the credit rating industry is a necessary and laudable development. Credit rating agencies currently remain prominently in the spotlight of national, federal, and international securities regulators.

Costa, Stefano, "Implementing the New Anti-money Laundering Directive in Europe: Legal and Enforcement Issues; the Italian Case," *Global Business and Economics Review*, 10(3), 2008, pp. 284-308

ABSTRACT: In this paper, a first assessment of the 2007 reform of the Italian Anti-Money Laundering (AML) law is presented. In light of the relevant literature on AML, the reform seems to improve the Italian AML framework in many ways, but there persist some drawbacks on both the legal and the enforcement sides. As for the former, there are some advances in the definition of Money Laundering (ML) and the institutional framework, but a closer coordination with other specific legislations and some adjustments in the sanctions regime would be needed. On the enforcement side, the risk-based approach and the inclusion of professional associations among AML agents are promising, but the persisting noticeable gap in the number (and significance) of Suspicious Transactions Reports (STRs), both across the categories of agents and the geographic areas, needs to be explored to investigate the possible influence of (polluting) environmental factors hampering the implementation of the AML regulation.

Dalla Pellegrina, Lucia, "Illegal Finance, Interest Rates and Bank Lending: The Missing Supply Side of Usury," *Global Business and Economics Review*, 10(3), 2008, pp. 265-83

ABSTRACT: This paper aims at identifying a causal relationship going from bank interest rates and credit rationing to usury. We manage the endogeneity issues by exploiting the variables that are related to bankruptcy proceedings as exogenous factors that affect bank variables, but not the other nonmeasurable determinants of usury. The estimates carried out in Italian provinces during the period of 1999-2002 provide evidence that a higher bank credit availability reduces illegal lending, while interest rates respond ambiguously. We explain these results with the presence of contrasting forces that drive usury demand and supply. We test the robustness of our estimates using controls that capture economic and financial conditions, social standards, government intervention, the severity of punishments and the presence of organised crime.

Daouk, Hazem; Lee, Charles M. C.; Ng, David, "Capital Market Governance: How Do Security Laws Affect Market Performance?" *Journal of Corporate Finance*, 12(3), June 2006, pp. 560-93
ABSTRACT: This paper examines the link between capital market governance (CMG) and several key measures of market performance. Using detailed data from individual stock exchanges, we develop a composite CMG index that captures three dimensions of security laws: the degree of earnings opacity, the enforcement of insider laws, and the effect of removing short-selling restrictions. We find that improvements in the CMG index are associated with decreases in the cost-of-equity capital (both implied and realized), increases in market liquidity (trading volume, market depth, and U.S. foreign investments), and increases in market pricing efficiency (reduced price synchronicity and IPO underpricing). The results are quite consistent across individual components of CMG and over alternative market performance measures.

de Jong, Abe; DeJong, Douglas V.; Mertens, Gerard; Wasley, Charles E., "The Role of Self-Regulation in Corporate Governance: Evidence and Implications from the Netherlands," *Journal of Corporate Finance*, 11(3), June 2005, pp. 473-503
ABSTRACT: This paper studies The Netherlands' private sector self-regulation initiative ("The Peters Committee") to improve corporate governance practices. We examine the relation between firm value and corporate governance characteristics before and after the private sector initiative. We find the initiative had no effect on corporate governance characteristics or their relationship with firm value. Event study results suggest the market was skeptical about the success of self-regulation of corporate governance practices in The Netherlands. Our results on The Netherlands self-regulation initiative suggest little should be expected from initiatives that rely on monitoring without enforcement (e.g., similar or weaker initiatives in other European Union (EU) countries).

De Menil, Georges, "A Comment on the Place of Funded Pensions in Transition Economies," *International Tax and Public Finance*, 7(4-5), August 2000, pp. 431-44
ABSTRACT: Arguments are presented in the case of Eastern European transition countries for combining the restructuring of insolvent pay-as-you-go retirement systems with the introduction of mandatory, private, funded pensions. They involve the reduction of dead-weight loss, the return to formal activity of gray markets, and the development of capital markets. With the proper financing, such policies can also increase national savings. Lack of public knowledge about financial instruments for saving argues for making participation in the private funds mandatory. A combination of a reformed pay-as-you-go system with private, mandatory funds balances concern for political risk and real wage variability with concern for the variability of real financial returns. An important caveat is in order. Implementing such a policy requires a capacity for effective enforcement of prudential regulations and a commitment to macroeconomic stability. If these are not present, reform should be limited to restoring balance to the pay-as-you-go system.

Dechow, Patricia M.; Ge, Weili; Larson, Chad R.; Sloan, Richard G., "Predicting Material Accounting Misstatements," *Contemporary Accounting Research/Recherche Comptable Contemporaine*, 28(1), 2011, pp. 17-82
ABSTRACT: We examine 2,190 Securities and Exchange Commission Accounting and Auditing

Enforcement Releases (AAERs) issued between 1982 and 2005. We obtain a comprehensive sample of firms that are alleged to have misstated their financial statements. We examine the characteristics of misstating firms along five dimensions: accrual quality, financial performance, nonfinancial measures, off-balance sheet activities, and market-based measures. We compare misstating firms to themselves during nonmisstatement years and misstating firms to the broader population of all publicly listed firms. We find that managers appear to be hiding diminishing performance during misstatement years. We find that accruals are high and that misstating firms have a greater proportion of assets with valuations that are more subject to managerial discretion. In addition, the extent of leasing is increasing and there are abnormal reductions in the number of employees. Misstating firms are raising more financing, have higher price-to-fundamental ratios, and have strong prior stock price performance. We develop a model to predict accounting misstatements. The output of this model is a scaled logistic probability that we term the F-score, where values greater than one suggest a greater likelihood of a misstatement.

DeMarzo, Peter M.; Fishman, Michael J.; Hagerty, Kathleen M., "Self-Regulation and Government Oversight," *Review of Economic Studies*, 72(3), July 2005, pp. 687-706
ABSTRACT: Self-regulation is a feature of a number of professions. For example, in the U.S. the government delegates aspects of financial market regulation to self-regulatory organizations (SROs) like the New York Stock Exchange and the National Association of Securities Dealers. We analyse one regulatory task of an SRO, enforcing antifraud rules so agents will not cheat customers. Specifically, we model contracting/enforcement as a two-tier problem. An SRO chooses its enforcement policy: the likelihood that an agent is investigated for fraud and a penalty schedule. Given an enforcement policy, agents compete by offering contracts that maximize customers' expected utility. We assume that the SRO's objective is to maximize the welfare of its members, the agents. We show that the SRO chooses a more lax enforcement policy--meaning less frequent investigations--than what customers would choose. A general conclusion is that control of the enforcement policy governing contracts confers substantial market power to a group of otherwise competitive agents. We also investigate government oversight of the self-regulatory process. The threat of government enforcement leads to more enforcement by the SRO, just enough to pre-empt any government enforcement.

Dencic-Mihajlov, Ksenija, "Reforms of Corporate Governance and Takeover Regulation: Evidence from Serbia," *South-Eastern Europe Journal of Economics*, 7(2), Fall 2009, pp. 205-27
ABSTRACT: Good corporate governance is considered one of the building platforms upon which economic success is based. The challenges of corporate governance in Serbia, which is moving toward EU membership, are particularly serious. Takeover regulation is an important corporate governance external mechanism, and the attempts to improve its provisions have a significant impact on the wider corporate governance system. Having reviewed recently released investigations on the legal extensiveness and effectiveness of corporate governance regulation in Serbia, we analyze significant interventions that were made in corporate and security legislation in Serbia recent years. We indicate the privatization process as a primary, and concentration of ownership, low liquidity of the equity market, distortion of the key functions of the capital market, and de-corporatisation as consequent key factors of corporate

governance reform. We show that recent reforms include the reinforced role of the stock exchange and security commission in monitoring of companies' governance, as well as the improved regulatory framework, particularly in the field of takeover activity. The mandatory bid rule, principle of equal treatment of shareholders, squeeze-out, and sell-out rules, are the regulatory devices created in the Serbian takeover regulation to achieve two main aims--a well-functioning market for corporate control and protection of the interests of minority shareholders. However, we indicate that the takeover regulation itself provides the possibility to evade the enforcement of the provisions regarding mandatory rules, both when parties to bid are obliged to activate the rule application and in the price determination process.

Djankov, Simeon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, "The Law and Economics of Self-Dealing," *Journal of Financial Economics*, 88(3), June 2008, pp. 430-65

ABSTRACT: We present a new measure of legal protection of minority shareholders against expropriation by corporate insiders: the anti-self-dealing index. Assembled with the help of Lex Mundi law firms, the index is calculated for 72 countries based on legal rules prevailing in 2003, and focuses on private enforcement mechanisms, such as disclosure, approval, and litigation, that govern a specific self-dealing transaction. This theoretically grounded index predicts a variety of stock market outcomes, and generally works better than the previously introduced index of anti-director rights.

Dnes, Antony W., "Enron, Corporate Governance and Deterrence," *Managerial and Decision Economics*, 26(7), October-November 2005, pp. 421-29.

ABSTRACT: In this paper, I investigate the lessons from the financial scandals surrounding companies like Enron and WorldCom. These companies have generated concerns leading to the legal reform of corporate governance in America, and to the revision of voluntary, self-regulatory codes in Europe. The passage of time since the Enron debacle shows that critics were too quick to criticize, since the required adjustments have more the nature of minor adjustments to regulations.

Dolar, Burak; Shughart, William F., II, "The USA Patriot Act's Differential Impact on Large and Small Banks: Evidence from California's High-Risk Money Laundering and Related Financial Crime Areas," *Journal of Banking Regulation*, 13(2), April 2012, pp. 127-46

ABSTRACT: The anti-money laundering (AML) provisions of the USA Patriot Act of 2001 significantly expanded the private sector's role in disrupting the financial operations of terrorist groups and criminal organizations. In doing so, the law imposed substantial compliance costs on the financial services industry as a whole. In this study, we investigate whether enforcement of the new AML measures has also caused some commercial banks and thrifts to shoulder heavier compliance-cost burdens than others. Using a dataset comprising banking institutions that hold at least one-third of their total deposits within California counties designated as 'high-risk money laundering and related financial crime areas', the empirical results indicate that AML compliance costs have fallen disproportionately on smaller financial institutions, suggesting that the Patriot Act has produced an intra-industry redistribution of wealth.

Donato, Luigi; Masciandaro, Donato, "Putting the Crooks Out of Banking: Financial Integrity in Regulation and Supervision: The Italian Case (1991-2001)," *Rivista di Politica Economica*, 94(5-6), May-June 2004, pp. 163-99

ABSTRACT: After September 2001, the war against the financing of both terrorism and organized crime occupies the centre of the policy makers' agenda. This paper has a threefold objective. To better evaluate the design of the regulation and the supervision strategy, it reviews the economics of the relationships between banking activities, on one side, and money laundering and terrorism finance, on the other side. Then it describes how the subject of integrity progressively emerged in Italian banking sector. Finally it analyzes how the Italian financial regulation and supervision have responded to the threats to integrity.

DosSantos, Joe, "Compliance and Master Data Management: The New Profit Cocktail?" *Journal of Financial Transformation*, 0(21), November 2007, pp. 129-36

ABSTRACT: Compliance is a complex and reactive function in most financial institutions. Government regulations require legal experts to decode, lobbyists to shape, projects to address, and IT systems to enforce--costing millions of dollars with little or no perceived business value. The most frustrating aspect of regulations is that they tend to take a lowest common denominator approach, making corporate America pay for the sins of a few miscreants with sweeping reforms and new inspection regimes for what is fundamentally not broken. What if there was a way to inoculate your company from the costs of evolving regulation? What if you could build a framework that would control your organization's data in a manner that would not only meet future regulatory demands, but also provide competitive advantage to the business? This article posits an approach for doing just that using master data management (MDM) technology. Specifically, the article will expand upon three key topics: the 'not-so-obvious' master data commonality of regulations in the financial services industry, how master data management solutions help meet current and future compliance demands, and the business impact of implementing master data management solutions.

Duchateau, Alain, "Les consequences prudentielles de l'internet bancaire et financier. (The Prudential Consequences of On-Line Banking and Financial Activities. With English summary.)," *Revue d'Economie Financiere*, 0(69), 2002, pp. 227-32

ABSTRACT: The rapid development of banking and financial services on the Internet has created opportunities for financial institutions and for their customers, but also uncertainties. The Banque de France and the Commission bancaire (French regulators) presented in December 2000 banking and finance professionals, a set of best practices (gathered in a manual called "Livre blanc") for internal control, the fight against money laundering, and security, intended for use by the banking professionals and by new entrants. This "Livre blanc" also contains proposals to further enhance the security of banking and financial transactions over the Internet, including the definition of a security benchmark within the French Banking Organisation and Standardisation Committee. It proposes solutions to the prudential problems arising from the cross-border nature of on-line activity.

Engelen, Peter-Jan, "Difficulties in the Criminal Prosecution of Insider Trading--A Clinical Study of the Bekaert Case," *European Journal of Law and Economics*, 22(2), September 2006, pp. 121-

ABSTRACT: If the enforcement of insider trading prohibition is of crucial importance to ensure the integrity of financial markets, then the current criminal prosecution in Europe fails in reaching this goal. This article illustrates several difficulties in prohibiting and prosecuting insider trading by using a clinical study of the Belgian industrial company Bekaert, NV. It is shown that courts currently seem to lack knowledge of the functioning of financial markets to assess an insider trading case. Therefore their decisions give little guidance to future litigants. Using, a law and economics framework, this clinical study is clarifying in several aspects compared to a traditional legal analysis. The analysis focuses on two aspects of an insider trading case. First, the price-sensitive character of the information is examined. Second, the standard of proof is examined.

Engelen, Peter-Jan, "In Defense of Insider Trading: An Economic Analysis of Belgian Insider Trading Regulation," *Cahiers Economiques de Bruxelles*, 0(156), 4th Trimester 1997, pp. 349-72
 ABSTRACT: This article looks into the problem of the prohibition of insider trading in Belgium. Contrary to popular sentiment with respect to insider trading, the first part of the article shows that a prohibition of insider trading is difficult to support on the basis of economic grounds. Nevertheless, the Belgian legislator thought that a general prohibition was advisable. Using the law and economics framework, it appears that the current criminal sanctions are insufficient to restrict insider trading in Belgium. Moreover, the article shows that social welfare will increase by reducing enforcement effort or by eliminating insider trading regulation.

Engelen, Peter-Jan, "Structural Problems in the Design of Market Abuse Regulations in the EU," *Journal of Interdisciplinary Economics*, 19(1), 2007, pp. 57-82
 ABSTRACT: This article analyzes the regulatory and supervisory design of market abuse regulations in the EU in order to set the right incentives for corporate insiders to abstain from illegal trading. The analysis is illustrated by the Belgian insider trading law. Although the level of punishment seems to be rather high, the probability of conviction for insider trading is very low. The analysis suggests that the expected costs component of this crime is too low compared to the expected insider trading profits. In order to obtain a higher deterrence of the insider trading prohibition, a change in the design of the financial regulation and supervision must be made. To increase the probability of conviction broad investigative powers and the authority to impose administrative sanctions have to be assigned to the financial markets supervisor, as was recently the case with the European Market Abuse Directive.

Feldman, Yuval; Lobel, Orly, "Decentralized Enforcement in Organizations: An Experimental Approach," *Regulation and Governance*, 2(2), June 2008, pp. 165-92
 ABSTRACT: Social enforcement, the decentralized action by organizational actors of monitoring, identifying, and reporting legal violations, is widely recognized as a key factor in ensuring good governance. This article reports on an experimental survey conducted in the US and Israel examining the behavior of individuals when confronting workplace unlawful conduct. The study provides novel insights into the relationships between state based, organization based, and employee based enforcement. It finds that the likelihood and the manner of reporting will vary depending on the type of illegality and are strongly correlated to perceptions of legitimacy, job

security, and voice within the workplace. Comparing illegalities, employees prefer to report clear violations by rank and file employees rather than violations by managers. At the same time, external reporting to government or media entities is most likely when violations involve the organization as a whole or implicate top management. The study also finds cultural and gender differences in reporting patterns. Finally, the study provides support for the understanding that social norms are more predictive of social enforcement than expected organizational costs.

Fernandes, Nuno; Ferreira, Miguel A., "Insider Trading Laws and Stock Price Informativeness," *Review of Financial Studies*, 22(5), May 2009, pp. 1845-87

ABSTRACT: We investigate the relation between a country's first-time enforcement of insider trading laws and stock price informativeness using data from 48 countries over 1980-2003. Enforcement of insider trading laws improves price informativeness, as measured by firm-specific stock return variation, but this increase is concentrated in developed markets. In emerging market countries, price informativeness changes insignificantly after the enforcement, as the important contribution of insiders in impounding information into stock prices largely disappears. The enforcement does not achieve the goal of improving price informativeness in countries with poor legal institutions. It does turn some private information into public information, thereby reducing the cost of equity in emerging markets.

Fernandes, Nuno; Lel, Ugur; Miller, Darius P., "Escape from New York: The Market Impact of Loosening Disclosure Requirements," *Journal of Financial Economics*, 95(2), February 2010, pp. 129-47

ABSTRACT: We examine the first significant deregulation of U.S. disclosure requirements since the passage of the 1933/1934 Exchange and Securities Acts: the 2007 Securities and Exchange Commission (SEC) Rule 12h-6. Rule 12h-6 has made it easier for foreign firms to deregister with the SEC and thereby terminate their U.S. disclosure obligations. We show that the market reacted negatively to the announcement by the SEC that firms from countries with weak disclosure and governance regimes could more easily opt out of the stringent U.S. reporting and legal environment. We also find that since the rule's passage, an unprecedented number of firms have deregistered, and these firms often had been previous targets of U.S. class action securities lawsuits or SEC enforcement actions. Our findings suggest that shareholders of non-U.S. firms place significant value on U.S. securities regulations, especially when the home country investor protections are weak.

Files, Rebecca, "SEC Enforcement: Does Forthright Disclosure and Cooperation Really Matter?" *Journal of Accounting and Economics*, 53(1-2), February-April 2012, pp. 353-74

ABSTRACT: This study examines the conditions under which the Securities and Exchange Commission (SEC) exercises enforcement leniency following a restatement. I explore whether cooperation with SEC staff and forthright disclosure of a restatement (e.g., disclosures reported in a timely and visible manner) reduce the likelihood of an SEC sanction or SEC monetary penalties. After controlling for restatement severity, I find that cooperation increases the likelihood of being sanctioned, perhaps because it improves the SEC's ability to build a

successful case against the firm. However, cooperation and forthright disclosures are rewarded by the SEC through lower monetary penalties.

Fries, Steven; Lysenko, Tatiana; Polanec, Saso, "Environnement des affaires et performance de l'entreprise dans les economies en transition: Enseignements tires d'une enquete representative. (The Business Environment and Enterprise Performance in Transition: Evidence from a Large-Scale Survey. With English summary.)," *Revue d'Economie du Developpement*, 0(3-4), December 2004, pp. 155-95

ABSTRACT: This paper describes key findings of the 2002 Business Environment and Enterprise Performance Survey (BEEPS) and analyses the link between the business environment and enterprise performance. Several conclusions arise from our analysis the survey. First, consistency checks show that qualitative business environment measures from the BEEPS provide reasonably accurate measures of the quality of this environment. Second, obstacles in the business environment are associated significantly with the cost of doing business, including corruption. Third, there is a significant correlation across countries between firms that engage in state capture and firms affected by this undue influence over the formulation of the laws and regulations. Fourth, our analysis of enterprise performance finds that the quality of the business environment in 1999 is positively associated with investment by firms in the period 1999 to 2001. It also shows that state capture significantly boosts the investment and growth of the firms that engage in it, but at the cost of adversely affecting the productivity growth of other enterprises.

Fujime, Yuki, "Japanese Feminism and Commercialized Sex: The Union of Militarism and Prohibitionism," *Social Science Japan Journal*, 9(1), April 2006, pp. 33-50

ABSTRACT: This essay examines the relationship between U.S. policy toward commercialized sex, known as the "American Plan," and postwar Japan's prohibitionism in the context of changes in the global management of commercialized sex over the course of the 20th century, and reconsiders the meaning of prohibitionism for feminism. It draws on the existing literature on prostitution from Japan and abroad, the publications of the International Abolitionist Federation (IAF), and the records of local governments, among other sources. The first section of this essay examines the details of the American Plan, which constitutes the United States's first clear institutionalization of prohibitionism during World War I. In the following two sections, the essay turns to the influence of the American Plan on the reorganization of the Japanese prostitution system during the Occupation era and the participation of Japanese feminists in that process. Finally, the essay concludes by problematizing the affinities between the system of prostitution prevention and the U.S.-Japan security alliance.

Garay S., Luis Jorge, "En torno a la economia politica de la exclusion social en Colombia. (The Political Economy of Social Exclusion in Colombia. With English summary.)," *Revista de Economia Institucional*, 5(8), 1st Semester 2003, pp. 15-31

ABSTRACT: Colombia is a society with grave problems of social exclusion. However it is possible to work toward social inclusion if the political and economic forces of the country restructured democratically. It is necessary to create a comprehensive system of social protection and social security, adjust public finances, establish justice and defense as the two pillars of a state based

on law enforcement, work toward economic and political democratization, without interrupting the development of the market regime with appropriate regulation of the State. It is only possible to construct a political, economical and social democracy with a profound social transformation.

Garfinkel, Jon A., "New Evidence on the Effects of Federal Regulations on Insider Trading: The Insider Trading and Securities Fraud Enforcement Act (ITSFEA)," *Journal of Corporate Finance*, 3(2), April 1997, pp. 89-111.

ABSTRACT: This paper finds new evidence that the threat of legal sanctions significantly affects the trading behavior of insiders. Specifically, I examine the effects of the Insider Trading and Securities Fraud Enforcement Act (ITSFEA) on insider trading around earnings announcements. Given ITSFEA's stated concern with trading on private information prior to its release, I argue that insiders may respond to the Act by altering the timing of their trades. I find that, following ITSFEA, insiders are more likely to postpone liquidity sales until after negative earnings surprises. I also find that insiders increase their relative emphasis on post-event as opposed to pre-event information based trading. Finally, earnings announcements appear to be more informative in the post-ITSFEA period, consistent with less information based trading in front of earnings announcements, after the Act.

Garicano, Luis; Lastra, Rosa M., "Towards a New Architecture for Financial Stability: Seven Principles," *Journal of International Economic Law*, 13(3), September 2010, pp. 597-621

ABSTRACT: This article uses insights from organizational economics and financial regulation to study the optimal architecture of supervision. It suggests that the new architecture should revolve around the following principles: (i) banking, securities and insurance supervision should be further integrated; (ii) the macro-prudential supervisory function must be in the hands of the central bank; (iii) the relation between macro- and micro-supervisors must be articulated through a management by exception system involving direct authority of the macro-supervisor over enforcement and allocation of tasks; (iv) given the difficulty of measuring output on supervisory tasks, the systemic risk supervisor must necessarily be more accountable and less independent than central banks are on their monetary task; (v) the supervisory agency cannot rely on high-powered incentives to motivate supervisors, and must rely on culture instead; (vi) the supervisor must limit its reliance on self regulation; and (vii) the international system should substitute the current loose, networked structure with a more centralized and hierarchical one.

Gaviria, Alejandro, "The Cost of Job Security Regulation: Evidence from Latin American Labor Markets: Comments," *Economia: Journal of the Latin American and Caribbean Economic Association*, 1(1), Fall 2000, pp. 289-95

Glaeser, Edward L.; Johnson, Simon; Shleifer, Andrei, "Coase versus the Coasians," *Quarterly Journal of Economics*, 116(3), August 2001, pp. 853-99

ABSTRACT: Who should enforce laws or contracts: judges or regulators? Many Coasians, though not Coase himself, advocate judicial enforcement. We show that the incentives facing judges and regulators crucially shape this choice. We then compare the regulation of financial markets in Poland and the Czech Republic in the 1990s. In Poland, strict enforcement of the securities

law by a highly motivated regulator was associated with a rapidly developing stock market. In the Czech Republic, hands-off regulation was associated with a moribund stock market.

Gray, Andrew; Hamilton, Graeme, "Canadian Securities Regulation and Foreign Blocking Legislation," *International Journal of Business Governance and Ethics*, 5(1-2), 2010, pp. 87-97.
ABSTRACT: Knowing who benefits financially from a securities trade is necessary for the detection, prosecution, and deterrence of illegal securities trading. Foreign jurisdictions with banking or securities secrecy laws are frequently used as a platform for illegal activity to frustrate law enforcement. This paper considers the extent to which Canadian law gives effect to so-called foreign blocking legislation. We conclude that while Canadian law does not generally give effect to foreign blocking legislation, it imposes only limited requirements on market intermediaries to collect beneficial ownership information. Regulators are therefore left with the option of obtaining assistance from their foreign counterparts.

Gregoric, Aleksandra; Zajc, Katarina; Simoneti, Marko, "Agents' Response to Inefficient Judiciary: Social Norms and the Law in Transition," *European Journal of Law and Economics*, 34(1), August 2012, pp. 147-72

ABSTRACT: The paper questions the impact of rule-based governance in an environment with poor legal enforcement and general mistrust in the law-setting institutions. We conduct a quasi-experiment and a survey to prove that 'law on books' can still play a role by triggering the social norm of 'obeying the law'. We furthermore expose and empirically confirm the role of the Corporate Governance Code as a signaling tool, and discuss why in a weak institutional environment the Code's potential may be even stronger than in the developed market economies.

Gries, Thomas; Krieger, Tim; Meierrieks, Daniel, "Causal Linkages between Domestic Terrorism and Economic Growth," *Defence and Peace Economics*, 22(5), October 2011, pp. 493-508

ABSTRACT: We use the Hsiao-Granger method to test for terrorism-growth causality for seven Western European countries. In bivariate settings, the impact of economic performance on domestic terrorism is very strong. In trivariate settings, the impact of performance on terrorism diminishes. In general, we find that economic performance leads terrorist violence in robust ways only for three out of seven countries. Terrorism is almost never found to causally influence growth in bivariate and trivariate specifications. Our findings indicate that the role of economic performance in determining terrorist violence appears to have been important for some countries, whereas all attacked economies have been successful in adjusting to the threat of terrorism.

Grubestic, Tony H.; Murray, Alan T., "Spatial-Historical Landscapes of Telecommunication Network Survivability," *Telecommunications Policy*, 29(11), December 2005, pp. 801-20

ABSTRACT: Network security and survivability are critical components of the global telecommunication infrastructure. However, due to a string of recent events, including the attacks on the World Trade Center, the ability of this infrastructure to provide a robust platform for the movement of critical financial, political and cultural information is in doubt. In the United States, both law enforcement and national security agencies are questioning the

fundamentals of network security and survivability. This resurgence of interest in telecommunication network performance (particularly the Internet) by the US government is not only cyclical in nature, but has a decidedly geographic component. The purpose of this paper is to trace the evolution of telecommunication network survivability from the Cold War era to the present day, paying particular attention to its spatial manifestations. This includes an extended examination of network topology and survivability. In addition, this paper utilizes basic statistical analysis and a geographic information system to empirically examine a series of legacy communication bunkers scattered throughout the US. Results suggest that their locations were not only strategic during the 1960s, but remain geographically strategic today.

Grundfest, Joseph A., "Financial Scandals in the United States and Japan," *American Enterprise*, 3(3), May-June 1992, pp. 34-45

Hail, Luzi; Leuz, Christian, "International Differences in the Cost of Equity Capital: Do Legal Institutions and Securities Regulation Matter?" *Journal of Accounting Research*, 44(3), June 2006, pp. 485-531.

ABSTRACT: This paper examines international differences in firms' cost of equity capital across 40 countries. We analyze whether the effectiveness of a country's legal institutions and securities regulation is systematically related to cross-country differences in the cost of equity capital. We employ several models to estimate firms' implied or ex ante cost of capital. Our results support the conclusion that firms from countries with more extensive disclosure requirements, stronger securities regulation, and stricter enforcement mechanisms have a significantly lower cost of capital. We perform extensive sensitivity analyses to assess the potentially confounding influence of countries' long-run growth differences on our results. We also show that, consistent with theory, the cost of capital effects of strong legal institutions become substantially smaller and, in many cases, statistically insignificant as capital markets become globally more integrated.

Helland, Eric, "Reputational Penalties and the Merits of Class-Action Securities Litigation," *Journal of Law and Economics*, 49(2), October 2006, pp. 365-95

ABSTRACT: If private securities class actions alleging fraudulent behavior by officers or directors of a company are meritorious, directors and officers should pay a reputational penalty when they sit on a board of a company whose officers and directors are accused of fraud. I find little evidence of a negative effect associated with allegations of fraud. Using various definitions of board positions as a proxy for the reputation of directors who are accused of fraud, I find that the net number of board positions is consistently increased. Only in shareholder class actions in the top quartile of settlements or in which the Securities and Exchange Commission has initiated a case do directors appear to suffer a reputational penalty when a board they serve on is accused of fraud. The results call into question the merits of private securities class actions.

Hirose, Sumio, "Effects of the Bankruptcy Laws Reform on Banks: The Examination of Recent Japanese Experience," *Public Policy Review*, 5(2), November 2009, pp. 201-28

ABSTRACT: Making the legal system more advantageous to debtors could contribute to improvement in efficiency. For example, under DIP, the existing management team would be

allowed to remain and obtain incentives to start the reconstruction of their companies through bankruptcy proceedings before the company's value is significantly damaged. On the other hand, the revisions favorable to debtor could incur inefficient outcome. The revisions, favorable to debtors, could be unfavorable to creditors. It subsequently could reduce the amount expected to be recoverable by financial institutions upon bankruptcy. Consequently, the revisions could make financial institutions more reluctant to lend. This paper attempts to examine whether the above possible effects are caused by the recent reform of the bankruptcy laws in Japan, focusing especially on the introduction of the Civil Rehabilitation Law. The reform was intended to encourage reconstruction of distressed firms. For this purpose, the Civil Rehabilitation Law applies the provisions supporting incumbent managers to stay in business at the expense of creditors' benefits. Firstly, the possibility of the efficiency improvement is analyzed using the technique of an event study, focusing on the share price changes of main banks of bankrupt firms at the time when legal procedures were applied for. Secondly, the possible inefficient effect is examined by comparing borrowing amounts from financial institutions before and after the enforcement of the Civil Rehabilitation Law. The results of the event study show that applications for legal bankruptcy procedures had a significant negative impact on share prices before the enforcement of the Civil Rehabilitation Law. After the Law came into effect, however, the negative impact on the share price of main banks is no longer observed, therefore, the market did not necessarily perceive of filing legal reorganization as a negative factor any more. Moreover, after the second half of FY2001, applications for legal bankruptcy procedures turned to a significantly positive impact on the share price of the main banks. This was when the Financial Services Agency made bank inspections more rigorous than before. Particularly, they carefully inspected lending to large borrowers, which could have an impact on the soundness of main banks. At least, the main banks enjoy the effects of improved efficiency caused by the revisions of bankruptcy laws together with more rigor, bank inspections by the supervisory authority. On the other hand, the comparison of corporate borrowing from financial institutions before and after the enforcement of the Civil Rehabilitation Law shows a decrease in ratios of borrowing amounts from financial institutions against total debt amounts, mainly among smaller firms with a capitalization of 10 million to 1 billion yen. Thus, it is possible that lending by financial institutions has become passive. In this way, the amendments to bankruptcy proceeding legislation led conflicting effects. Therefore, the system needs to be designed in awareness of this kind of trade-off.

Hishamunda, Nathanael; Ridler, Neil B., "Sustainable Commercial Aquaculture: A Survey of Administrative Procedures and Legal Frameworks," *Aquaculture Economics and Management*, 7(3-4), 2003, pp. 167-78

ABSTRACT: Commercial aquaculture which, for this paper, is defined as the rearing of aquatic organisms that is profit oriented and primarily by the private sector, contributes to food security, directly by producing food fish, and indirectly by generating employment, and thus, income for the purchase of food. In addition, commercial aquaculture can be sustainable because it depends on private, rather than public funds that are usually lacking or scarce. The paper describes some enabling policies that are conducive to the promotion of commercial aquaculture. In particular it focuses on administrative and legal frameworks. The paper concludes that development of aquaculture can be enhanced by legislation specific to the

sector rather than relying on general fisheries legislation; such a legislative framework (particularly for land-based aquaculture) would resemble that of agriculture. Regulations require expensive and time-consuming monitoring and enforcement; they should focus on environmental protection and a sustainable industry.

Holthausen, Robert W., "Accounting Standards, Financial Reporting Outcomes, and Enforcement," *Journal of Accounting Research*, 47(2), May 2009, pp. 447-58

Hong, J. S., "Changing Structures in Korean Corporate Governance; A Review of Recent Legislation Affecting Boards of Directors," *Journal of Interdisciplinary Economics*, 17(1-2), 2006, pp. 193-217

ABSTRACT: Since the financial crisis of 1997, the Korean Commercial Code has been dramatically reformed to address several problems in the Korean corporate governance structure. The main purpose of legal reform in Korea has been to restrain small groups of controlling shareholders who exercise practical power over the corporate management. Especially in 1998, 1999, 2000, the Korean Company Law has been considerably revised to restrain controlling shareholders' practical power. To name just a few: such matters as the Liability of Shadow Directors, the Introduction of Outside Directors, Committees in Board of Directors, Adopting Accumulative Voting, etc., have been newly inserted. The legal reform in Korea is coming to a close with the enforcement of the Korean Securities Class Action that was strongly opposed by the Federation of Korean Industries in January 2005. However, view of the general public is that changes to the antiquated management ruling system by controlling shareholders have not been successfully implemented. The process of legal reform is therefore likely to continue beyond the next presidential election.

Humphery-Jenner, Mark L., "Internal and External Discipline Following Securities Class Actions," *Journal of Financial Intermediation*, 21(1), January 2012, pp. 151-79

ABSTRACT: Companies are sometimes accused of misleading the market. The SEC can punish this with enforcement actions. Alternatively, shareholders can seek redress through a shareholder class action (SCA). Thus, using a sample of 416 securities class actions, this paper shows that SCAs are a catalyst to promote disciplinary takeovers, CEO turnover and pay-cuts, and harm CEOs' future job-prospects.

Ialnazov, D., "The Impact of EU Accession on Corporate Governance Reform in Bulgaria," *Acta Oeconomica*, 57(2), June 2007, pp. 157-90

ABSTRACT: Since the start of its post-socialist transformation in 1989, Bulgaria has imported a large number of formal institutions from advanced market economies, including the EU-15. However, the adoption of EU and other international rules has not been effective due to weak enforcement and application by domestic actors such as the securities regulator, courts, and company owners/managers. The failures of corporate governance in Bulgaria until the early 2000s can be attributed to the broad institutional context (the lack of rule of law) as well as the creation of quasi-public companies as a result of the first wave of mass privatisation (1996-97). Since 2002, information disclosure and protection of shareholder rights have improved significantly. The article examines the proposition that this is partly due to the prospect of EU

accession, which has certainly influenced the attitudes and expectations of domestic actors. Based on company surveys and in-depth interviews, the paper analyses how the securities regulator and company owners/managers have been adapting to the imported formal rules.

Ilter, Cenap, "Fraudulent Money Transfers to Suppliers and Top Managers within Group Companies: A Case from Turkey," *Intellectual Economics*, 0(8), 2010, pp. 74-79

ABSTRACT: Three conditions of fraud arising from fraudulent financial reporting and misappropriations of assets are described in Section 5135.012 of the Canadian Institute of Chartered Accountants Assurance Handbook (The Auditor's Responsibility to Consider Fraud and Error). These three conditions are referred to as the fraud triangle. The three corners are as follows: incentives/pressures, opportunities, and attitudes/rationalization. Despite new laws and regulations, companies face pressures to meet short-term financial goals, creating a powerful motive for accounting fraud. The author of the present article discusses the case of a group company Volcano: the company belonged to a group which was taken over by the semi-governmental Saving Deposit Insurance Fund as a consequence of the failure of the group's bank to meet its obligations. The case shows how a cash-rich company's resources are drained to outsiders and group managers as a result of its manipulative top management.

Jackson, Howell E.; Roe, Mark J., "Public and Private Enforcement of Securities Laws: Resource-Based Evidence," *Journal of Financial Economics*, 93(2), August 2009, pp. 207-38

ABSTRACT: Ascertaining which enforcement mechanisms work to protect investors has been both a focus of recent work in academic finance and an issue for policy-making at international development agencies. According to recent academic work, private enforcement of investor protection via both disclosure and private liability rules goes hand in hand with financial market development, but public enforcement fails to correlate with financial development and, hence, is unlikely to facilitate it. Our results confirm the disclosure result but reverse the results on both liability standards and public enforcement. We use securities regulators' resources to proxy for regulatory intensity of the securities regulator. When we do, financial depth regularly, significantly, and robustly correlates with stronger public enforcement. In horse races between these resource-based measures of public enforcement intensity and the most common measures of private enforcement, public enforcement is overall as important as disclosure in explaining financial market outcomes around the world and more important than private liability rules. Hence, policymakers who reject public enforcement as useful for financial market development are ignoring the best currently available evidence.

Jamal, Karim; Maier, Michael; Sunder, Shyam, "Enforced Standards versus Evolution by General Acceptance: A Comparative Study of E-Commerce Privacy Disclosure and Practice in the United States and the United Kingdom," *Journal of Accounting Research*, 43(1), March 2005, pp. 73-96

ABSTRACT: We present data on privacy practices in e-commerce under the European Union's formal regulatory regime prevailing in the United Kingdom and compare it with the data from a previous study of U.S. practices that evolved in the absence of government laws or enforcement. The codification by the E.U. law, and the enforcement by the U.K. government, improves neither the disclosure nor the practice of e-commerce privacy relative to the United States. Regulation in the United Kingdom also appears to stifle development of a market for

Web assurance services. Both U.S. and U.K. consumers continue to be vulnerable to a small number of e-commerce Web sites that spam their customers, ignoring the latter's expressed or implied preferences. These results raise important questions about finding a balance between enforced standards and conventions in financial reporting. In the second half of the 20th century, financial reporting has been characterized by both a preference for legislated standards and a lack of faith in its evolution as a body of social conventions. Evidence on whether this faith in standards over conventions is justified remains to be marshaled.

Janjigian, Vahan; Dennis, John P., "Arbitration of Broker-Investor Unsuitability Claims: The Role of the Financial Expert," *Financial Practice and Education*, 3(2), Fall 1993, pp. 81-84

Jayaraman, Sudarshan, "The Effect of Enforcement on Timely Loss Recognition: Evidence from Insider Trading Laws," *Journal of Accounting and Economics*, 53(1-2), February-April 2012, pp. 77-97

ABSTRACT: I use the first-time enforcement of insider trading laws in sixteen countries as a shock to enforcement and examine its influence on timely loss recognition (TLR). Consistent with greater enforcement increasing the usefulness of accounting information in contracts and thereby the demand for higher quality reporting, insider trading enforcement is associated with a significant increase in TLR. No such increase is detected in neighboring non-enforcing countries. In addition to documenting how shocks to enforcement influence financial reporting outcomes, this is also the first study to extend the Khan and Watts (2009) measure of accounting conservatism to a cross-country setting.

Karayiannis, Anastassios D.; Hatzis, Aristides N., "Morality, Social Norms and the Rule of Law as Transaction Cost-Saving Devices: The Case of Ancient Athens," *European Journal of Law and Economics*, 33(3), June 2012, pp. 621-43

ABSTRACT: The importance of the institutional framework for economic development is widely accepted today and it is duly stressed in the economic literature. The protection of property rights, the enforcement of contracts and an efficient legal system are the pillars of the contemporary rule of law. However, formal institutions cannot function without being internalized by the citizens and without the strong backing of social norms. Morality and social norms are the major elements of the informal institutional structure, the social capital, which is also critical for social welfare and economic development. In this paper, we will discuss both the formal and the informal institutional framework of Ancient Athens, which was a free market society with economic problems similar to contemporary market societies. Athenians developed a highly sophisticated legal framework for the protection of private property, the enforcement of contracts and the efficient resolution of disputes. Such an institutional framework functioned effectively, cultivating trust and protecting the security of transactions. This entire system however was based on social norms such as reciprocity, the value of reputation and widely accepted business ethics. Conformity to social norms as well as moral behavior was fostered by social sanction mechanisms (such as stigma) and moral education. The Athenian example is a further proof of the importance of morality and social norms as transaction cost-saving devices even in quite sophisticated legal systems. Their absence or decline leads inevitably to the need for more regulation and litigation and to a growing

preference for clear-cut rules instead of discretionary standards. Athenian law was pioneering in the development of rules and institutional mechanisms suitable for the reduction of transaction costs, many of them surviving in the most complex contemporary legal systems.

Karmel, Roberta S., "Realizing the Dream of William O. Douglas--The Securities and Exchange Commission Takes Charge of Corporate Governance," *Delaware Journal of Corporate Law*, 30(1), 2005, pp. 79-144

ABSTRACT: The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) has markedly changed the boundary between the federal securities laws and state corporation law with regard to corporate governance. This change has not been some accident of hasty congressional action in the wake of the Enron, WorldCom and related scandals. The added grants of authority given to the SEC in Sarbanes-Oxley are with respect to matters of board composition and structure that the SEC has been angling to regulate for some time. Furthermore, in using the self-regulatory organizations to implement the new governance ideas of Sabanes-Oxley, the SEC has exercised its powers under the 1975 amendments to the Securities Exchange Act of 1934 in a manner long considered questionable. The SEC's new activism with respect to corporate governance can thus be analyzed as the latest maneuver in a long-running battle between federal and state authorities over the regulation of public corporations. Whether Sarbanes-Oxley will result in better corporate governance and greater sensitivity by corporate officers and directors to investor interests remains to be seen. Despite the laudatory goals of the statute, adverse consequences are possible. The provisions of Sarbanes-Oxley are proscriptive in an area where flexibility has long been valued. Furthermore, it is premised to some extent on an adversarial model of corporate governance in contrast to a consensus model which has been the prevailing norm in boardrooms. In changing the orientation of directors, Sarbanes-Oxley and its implementation by the SEC may result in diminished entrepreneurial activity, corporate profitability and competitiveness. The new emphasis on investor protection may detract attention from long-term business interests. This shift from state to federal law concerning internal corporate affairs may also cause state law either to become unduly restrictive of directorial discretion in an effort to compete with rigorous SEC enforcement cases, or at the other extreme, to atrophy.

Karpoff, Jonathan M.; Lee, D. Scott; Martin, Gerald S., "The Cost to Firms of Cooking the Books," *Journal of Financial and Quantitative Analysis*, 43(3), September 2008, pp. 581-611

ABSTRACT: We examine the penalties imposed on the 585 firms targeted by SEC enforcement actions for financial misrepresentation from 1978-2002, which we track through November 15, 2005. The penalties imposed on firms through the legal system average only \$23.5 million per firm. The penalties imposed by the market, in contrast, are huge. Our point estimate of the reputational penalty--which we define as the expected loss in the present value of future cash flows due to lower sales and higher contracting and financing costs--is over 7.5 times the sum of all penalties imposed through the legal and regulatory system. For each dollar that a firm misleadingly inflates its market value, on average, it loses this dollar when its misconduct is revealed, plus an additional \$3.08. Of this additional loss, \$0.36 is due to expected legal penalties and \$2.71 is due to lost reputation. In firms that survive the enforcement process, lost reputation is even greater at \$3.83. In the cross section, the reputation loss is positively related

to measures of the firm's reliance on implicit contracts. This evidence belies a widespread belief that financial misrepresentation is disciplined lightly. To the contrary, reputation losses impose substantial penalties for cooking the books.

Kaur, Harsh Vineet, "Whistle-Blowing," *Prabandhan: Indian Journal of Management*, 2(1), January-February 2009, pp. 24-28

ABSTRACT: The term whistleblower derives from the practice of English bobbies who would blow their whistle when they noticed the commission of a crime. The blowing of the whistle would alert both law enforcement officers and the general public of the danger. A whistleblower is an employee, former employee, or member of an organization, especially a business or government agency, who reports misconduct to people or entities that have the power and presumed willingness to take corrective action. Generally the misconduct is a violation of law, rule, regulation, and/or a direct threat to public interest, such as fraud, health/safety violations, and corruption. Whistle-blower meaning he exposes wrongdoing, fraud, or inefficiency in his or her workplace, where one is not supposed to.

Kedia, Simi; Rajgopal, Shiva, "Do the SEC's Enforcement Preferences Affect Corporate Misconduct?" *Journal of Accounting and Economics*, 51(3), April 2011, pp. 259-78

ABSTRACT: Recent frauds have questioned the efficacy of the SEC's enforcement program. We hypothesize that differences in firms' information sets about SEC enforcement and constraints facing the SEC affect firms' proclivity to adopt aggressive accounting practices. We find that firms located closer to the SEC and in areas with greater past SEC enforcement activity, both proxies for firms' information about SEC enforcement, are less likely to restate their financial statements. Consistent with the resource-constrained SEC view, the SEC is more likely to investigate firms located closer to its offices. Our results suggest that regulation is most effective when it is local.

Khanna, Vikramaditya; Dickinson, Timothy L., "The Corporate Monitor: The New Corporate Czar?" *Michigan Law Review*, 105(8), June 2007, pp. 1713-55

ABSTRACT: Following the recent spate of corporate scandals, government enforcement authorities have increasingly relied upon corporate monitors to help ensure law compliance and reduce the number of future violations. These monitors also permit enforcement authorities, such as the Securities & Exchange Commission and others, to leverage their enforcement resources in overseeing corporate behavior. However, there are few descriptive or normative analyses of the role and scope of corporate monitors. This paper provides such an analysis. After sketching out the historical development of corporate monitors, the paper examines the most common features of the current set of monitor appointments supplemented by interviews with monitors. This is followed by a normative analysis that examines when it is desirable to appoint monitors and what powers and obligations they should have. Based on this analysis, we provide a number of recommendations for enhancing the potential of corporate monitors to serve a useful deterrent and law enforcement function without being unduly burdensome on corporations. This involves, among other things, discussion of the kinds of powers monitors should have and the fiduciary duties monitors should owe to the shareholders whose businesses they are monitoring.

Kim, Iljoong, "Securities Laws 'Facilitating' Private Enforcement," *European Journal of Law and Economics*, 25(1), February 2008, pp. 17-38.

ABSTRACT: La Porta, Lopez-de-Silanes, and Shleifer (*J Financ* 61:1-32, 2006) (LLS) have undertaken an empirical analysis, making a critical but somewhat provocative proposition that "securities laws 'facilitating' private enforcement, rather than providing for public enforcement, benefit the securities market." After briefly providing a theoretical connection to the existing law and economics literature, I attempt to empirically advance this LLS proposition two-fold, particularly on the 'joint use of regulation and the liability rule,' by exploring the most meaningful word 'facilitate' therein. Firstly, I explore the cross-country LLS data associated with the specific case of an initial public offering to seek possibly more solid evidence on the facilitating effect. Secondly, motivated by LLS, I pursue a within-country positive analysis, regarding the major determinants of the joint use, but across overall harmful activities covered in the Korean Securities Law. The major tenet underscoring this second empirical exploration was the clear message from the existing theoretical literature that the joint use should be adopted in a selective manner even within a single substantive statute, because it usually governs vastly different harmful activities. Finally, I call for some essential research agenda, prior to approving the ineffectiveness of public enforcement claimed in the second part of the LLS proposition.

Kirchner, Emil J., "The Challenge of European Union Security Governance," *Journal of Common Market Studies*, 44(5), December 2006, pp. 947-68

ABSTRACT: The central aim of this article is to explore whether or not the EU is an effective security actor. To assess the strengths and weaknesses of the EU, three security functions (conflict prevention, peace-enforcement/peace-keeping and peace-building) and three core components of governance (co-ordination, management and regulation) are applied. Security governance is seen as a helpful framework for studying the interactions between a diverse number of actors and for conceptualizing EU security policy-making in a meaningful way.

Kouser, Rehana; Makki, Muhammad Abdul Majid; Qureshi, Muhammad Usman, "Corporate Financial Reporting System and Developments Herein: An Exploratory Study from Pakistan," *Pakistan Journal of Commerce and Social Sciences*, 6(1), 2012, pp. 12-26

ABSTRACT: To capture international opportunities of capital accumulation for corporate sector and to contribute in the development of economy, the government of Pakistan acted speedily to harmonize with international financial reporting system immediately after establishment. This study presents a comprehensive detail of Pakistan's adopted efforts along with a critical-eye on developments and improvements in the reporting system with the passage of time. It scrutinizes major milestones in development of the financial reporting framework of Pakistan. We traced financial reporting practices in Indian subcontinent era and found them unsatisfactory. Hindustan was under the colonial power of Great Britain; therefore its impact on accounting and financial reporting in Pakistan was dominant after independence. Examples of this influence are enforcement of Companies' Act 1913 and auditor's certificate rules. We examined the institutional development from establishment of Pakistan till now and divided that era in 1947-1971, 1971-1999 and a period of the 21st century which played a vital role in improvement of financial reporting practices in the country. These milestones are established

with view of crucial events toward advances in accounting. In early years of Pakistan PIA (Pakistan Institute of Accountants), it was first a private body but after it was ICAP (Institute of Chartered Accountants of Pakistan), which was made by government and was an important step. The next major step was taken in 1971; it was the formation of SECP (Securities and Exchange Commission of Pakistan). Its structure and provisions provided for external reporting of corporations and are discussed. Companies' Ordinance 1984 was another beneficial footstep toward this journey. After discussing all the institutional developments and improvements in the financial reporting system of Pakistan, we addressed the current status of financial reporting in the 2000s. The study concludes that major improvements and advances made in the financial reporting skeleton are appropriate, will cause improvements in the investor protection, value relevance of accounting information, and will help corporate sector in capital accumulation from international financial markets and will attract cross border investors.

Koyama, Mark, "Prosecution Associations in Industrial Revolution England: Private Providers of Public Goods?" *Journal of Legal Studies*, 41(1), January 2012, pp. 95-130

ABSTRACT: In early nineteenth-century England, there was no professional police force and most prosecutions were private. This paper examines how associations for the prosecution of felons arose to internalize the positive externalities produced by private prosecutions. Drawing upon new historical evidence, it examines how the internal governance and incentive structures of prosecution associations enabled them to provide public goods. Consistent with the reasoning of Demsetz (1970), I find that prosecution associations were economic clubs that bundled the private good of insurance with the public good of deterrence. Associations used local newspapers to advertise rewards and attract new members. Price discrimination was employed in order to elicit contributions from individuals with different security demands. Selective incentives helped to overcome free-rider problems between members.

Kumar, Vijay; Rani, Chanchal, "Management of Non Performing Assets (NPA) through Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act," *SS International Journal of Business and Management Research*, 3(2), March 2013, pp.

ABSTRACT: The non-performing assets of the banks and financial institutions have acquired the status of dangerous and calamitous problem all over the world. The survival of these institutions has been endangered as their viability and solvency are influenced by the NPAs. The main activity of such financial institutions i.e. lending activity gets adversely impacted due to the non recovery of the loan assets and interest on such assets influence the credit dispensation process. The Reserve Bank of India and the Government of India took number of measures from time to time like One Time Settlement Scheme (OTS), Debt Recovery Tribunals (DRTs), Lok Adalats, etc. to stem the rot, but fell short of the desired results and high expectations of the concerned people in particular and society in general. The government of India was criticised and faced scathing attack from different quarters of the economy and the society. Obsessed with the criticism, the Government of India promulgated Securitisation Ordinance in June 2002 and enacted the full fledged Act in December 2002 entitled Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002. This is also known as SARFAESI Act 2002 or simply the Securitisation Act.

La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, "What Works in Securities Laws?" *Journal of Finance*, 61(1), February 2006, pp. 1-32

ABSTRACT: We examine the effect of securities laws on stock market development in 49 countries. We find little evidence that public enforcement benefits stock markets, but strong evidence that laws mandating disclosure and facilitating private enforcement through liability rules benefit stock markets.

Lensvelt-Mulders, Gerty J. L. M.; van der Heijden, Peter G. M.; Laudy, Olav; van Gils, Ger, "A Validation of a Computer-Assisted Randomized Response Survey to Estimate the Prevalence of Fraud in Social Security," *Journal of the Royal Statistical Society: Series A (Statistics in Society)*, 169(2), 2006, pp. 305-18

ABSTRACT: In the Netherlands, there is a research tradition that measures fraud against regulations by interviewing eligible individuals using a survey. In these studies the sensitive questions about fraud are posed by using a randomized response method. The paper describes the results of a Dutch study into the consequences of replacing home interviews by trained interviewers with Internet-delivered interviews in a survey on fraud in the area of disability benefits. Both surveys used computer-assisted self-interviews with randomized response questions. This study has three goals: first to present the research tradition that makes use of randomized response, second to compare the results of home interviews and the Internet survey and finally to introduce an adapted weighted logistic regression method to test the relationship between the probability of fraud and explanatory variables. The results show that there are no systematic differences between modes of interview, either for estimates of the prevalence of fraud or for the identification of associated variables. These outcomes result in the conclusion that the Internet survey is a useful and cost-effective instrument for measuring fraud in a population, and that it is unlikely that replacing home interviews with the Internet survey will result in a significant break with tradition.

Linciano, Nadia, "The Effectiveness of Insider Trading Regulation in Italy: Evidence from Stock-Price Run-Ups Around Announcements of Corporate Control Transactions," *European Journal of Law and Economics*, 16(2), September 2003, pp. 199-218

Linnhoff, Stefan; Langenderfer, Jeff, "Identity Theft Legislation: The Fair and Accurate Credit Transactions Act of 2003 and the Road Not Taken," *Journal of Consumer Affairs*, 38(2), Winter 2004, pp. 204-16

ABSTRACT: This article provides a review of the Fair and Accurate Credit Transactions Act of 2003 (FACTA) as it relates to the growing problem of identity theft. The article also examines other identity theft-related proposed legislation from the 108th Congress and analyzes the effectiveness of the proposed measures. The authors conclude that FACTA represents an important step toward reducing the incidence of identity theft as well as ameliorating the damage that it causes. However, unless and until Congress addresses the extensive use and distribution of Social Security numbers and the safeguarding of data, identity theft is likely to continue to wreak financial and social havoc.

Macey, Jonathan R.; O'Hara, Maureen, "The Law and Economics of Best Execution," *Journal of Financial Intermediation*, 6(3), July 1997, pp. 188-223

ABSTRACT: This paper reviews and analyzes the legal and economic aspects of the duty of best execution. Although a well-established principle of securities trading, we show that the dual problems of definition and enforcement make best execution both unwieldy and unworkable as a mandated legal duty. We examine the impact of several market practices on best execution, in particular payment for order flow, preferencing and internalization practices, and price improvement and order execution protocols. We suggest three possible directions for the future rule and interpretation of duty of best execution. (c) 1997 Academic Press

Mahoney, Paul G., "Securities Regulation by Enforcement: An International Perspective," *Yale Journal on Regulation*, 7(1), Winter 1990, pp. 305-20.

Mahoney, Paul G., "The Political Economy of the Securities Act of 1933," *Journal of Legal Studies*, 30(1), January 2001, pp. 1-31

ABSTRACT: The Securities Act of 1933 is typically described as a "full disclosure" statute, yet many of its detailed provisions forbid disclosure about pending offerings during specified periods or using specified media. These features provided governmental enforcement of retail selling restrictions that are widely used by managing underwriters but that became difficult to enforce contractually during the late 1920s. The net effect was to reduce competition among investment banks. In particular, the act protected separate wholesale and retail investment banks from competition by integrated firms.

Malberti, Corrado, "Le "international securities litigations" nel diritto degli Stati Uniti d'America. (The International Securities Litigations in the U.S. Federal Law. With English summary.)," *Banca Impresa Societa*, 28(1), April 2009, pp. 125-60

ABSTRACT: This article examines the problems raised by international securities class actions in the U.S. federal law. With increasing frequency plaintiffs are filing before U.S. courts the so-called foreign cubed securities fraud cases that are actions filed against a foreign issuer on behalf of foreign investors who purchased securities of the issuer on a foreign exchange. In particular, this study analyzes under what conditions U.S. federal courts accept to hear these cases that have weak links with U.S. jurisdiction, and when, from a European perspective, the recourse to U.S. courts may become a viable alternative to domestic securities litigation private enforcement.

Mann, Michael D., "International Legal Assistance in Securities Law Enforcement-Status and Perspectives," *Wirtschaft und Recht*, 38(2), 1986, pp. 157-92

Markham, Jerry W., "Manipulation of Commodity Futures Prices--The Unprosecutable Crime," *Yale Journal on Regulation*, 8(2), Summer 1991, pp. 281-389

ABSTRACT: The commodity futures market has been beset by large-scale market manipulations since its beginning. This article chronicles these manipulations to show that they threaten the economy and to demonstrate that all attempts to stop these manipulations have failed. Many commentators suggest that a redefinition of "manipulation" is the solution. Markham argues

that enforcement of a redefined notion of manipulation would be inefficient and costly, and would ultimately be no more successful than earlier efforts. Instead, Markham argues for a more active Commodity Futures Trading Commission empowered not only to prohibit certain activities which, broadly construed, constitute manipulation, but also to adopt affirmative regulations which will help maintain a "fair and orderly market." This more powerful Commission would require more resources than the current CFTC, but Markham argues that the additional cost would be more than offset by the increased efficiencies of reduced market manipulation.

Masciandaro, Donato, "Could Sticks Become Carrots? Money Laundering, Black Lists and Offshore Centres," *Finance India*, 19(1), March 2005, pp. 117-34

ABSTRACT: The paper theoretically discussed and empirically tested the relationships between specific country features, policymaker choices, toward tax financial regulation and national non co-operative attitude with respect to the international effort to combat money-laundering phenomena. The results suggest that the non co-operative attitude does not coincide with the offshore tax competition attitude. When the international community points the finger at a given country as a leading supplier of money-laundering financial services, it may also be certifying, to the benefit of the country itself, that that country is indeed specialized in that business. The signalling effect embedded in the "name and shame approach" should not be underestimated. The paper finds that a country that is engaged in money laundering and finds itself blacklisted will find it even more difficult to switch course and decide to exit the market.

Masciandaro, Donato, "False and Reluctant Friends? National Money Laundering Regulation, International Compliance and Non-cooperative Countries," *European Journal of Law and Economics*, 20(1), July 2005, pp. 17-30.

ABSTRACT: In the aftermath of September 11th, growing attention has been paid to the role of Non-Cooperative Countries and Territories (NCCT) in money laundering and terrorist financing. The paper, applying the new political economy approach in the law and economics field, provides a model to describe, through the policymaker payoff maximization, the relationships between specific country features and endowments, on the one hand, and lax financial regulations, on the other hand. Given that in the real world relatively lax regulation means a non-cooperative attitude in the international fight against money laundering and terrorist financing we empirically test the above theoretical relationship in the case of the NCCT jurisdictions. The policy consequences on the pros and cons of international blacklisting procedures are discussed.

Mato, Rubhera R. A. M.; Mufuruki, T. S., "Noise Pollution Associated with the Operation of the Dar es Salaam International Airport," *Transportation Research: Part D: Transport and Environment*, 4(2), March 1999, pp. 81-89

ABSTRACT: The operation of airports results in environmental impacts associated with high levels of noises and vibrations. These may have severe negative effects to both workers and surrounding residents and their properties. Here we look at the noise impacts associated with the operation of the Dar es Salaam International Airport (DIA) in Tanzania. Field measurements were carried out to determine noise levels at various positions at the airport during aircraft

landing and take-off. The surrounding residents' perceptions on the noises were also investigated using semi-structured interviews. Workers on the apron (marshallers), house keepers, security workers, and mechanics are exposed to noise levels that could affect their health. The noise levels in the surrounding settlements of Kipawa and Kiwalani were higher than the WHO recommended limits and causing annoyance to residents. The use of appropriate ear protectors by the workers was found to reduce the noises to harmless levels. Periodical audiometric tests of the workers will help to monitor the noise impacts. Enforcement of appropriate environmental regulations on the airliners can also reduce noise pollution at the airport.

Matotek, Darko, "Analiza uporabe tehnika teorije neutralizacije u kršenju informacijske sigurnosti. (Analysis of the Use of Neutralisation Techniques in Violations of Information Security. With English summary.)," *Ekonomski Vjesnik*, 25(1), 2012, pp. 180-90
ABSTRACT: Neutralisation theory was postulated in 1957 in the field of criminology. The theory explains the behaviour of individuals who violate rules and regulations but do not see themselves as violators. They find justification for their acts in certain techniques and by doing so renounce their responsibility in a way. Using a questionnaire, a hypothetical scenario and intensity questions, this paper examines whether individuals apply neutralisation techniques to their behaviour with respect to violations of information security regulations. The second part of the questionnaire examines respondents' understanding of the term strong password, as well as of safe ways of password handling.

Matsumura, Toshihiro; Ryser, Marc, "Revelation of Private Information about Unpaid Notes in the Trade Credit Bill System in Japan," *Journal of Legal Studies*, 24(1), January 1995, pp. 165-87
ABSTRACT: This article examines a unique Japanese extralegal enforcement system. We discuss how banks in Japan reveal private information about unpaid notes through a joint clearinghouse. We use a 2-period model with asymmetric information between insiders and outside investors, in which banks choose whether or not to reveal information about the unpaid notes of their clients. Banks are constrained in their choice by the institution of a clearinghouse, which assigns reporting duties and imposes penalties on banks that shirk. We demonstrate that full revelation will occur under one type of assignment of reporting duties, which has been adopted in Japan.

Maug, Ernst, "Insider Trading Legislation and Corporate Governance," *European Economic Review*, 46(9), October 2002, pp. 1569-97
ABSTRACT: This paper analyzes the impact of insider trading legislation on corporate governance. In a context where large, dominant shareholders can monitor underperforming companies, managers have an incentive to give early warnings about adverse developments to dominant shareholders. This information is effectively a bribe to induce dominant shareholders to sell their stock and refrain from intervention. If insider trading is unregulated, dominant shareholders collude with management at the expense of small shareholders. The optimal regime forces the company to disclose all material information to the market. Private contracting between companies and shareholders leads to optimal insider trading regulation only if initial shareholders can enter a binding commitment, otherwise large shareholders and

managers recontract at the expense of small shareholders. Enforcement also matters. European Union legislation requires inside information to be precise. Such a narrow definition creates a grey zone, where information is private but cannot be classified as inside information. As a result the effectiveness of corporate governance and firm value are reduced. Regulation in the US that treats shareholders with a stake exceeding 10% as insiders is potentially harmful.

McNamara, Joseph D., "The Defensive Front Line," *Regulation*, 24(4), Winter 2001, pp. 61-63
ABSTRACT: It would be a travesty of our legal system to regard the slaughter of thousands of our people as anything but a declaration of war against the United States. After all, the fundamental duty of government is to protect the life, property, and liberty of its citizens. But, despite the crucial role of the military in responding to the September 11 attacks, law enforcement agencies and other civilian emergency services still have key responsibilities in the fight against terrorism: to identify terrorist perpetrators, to respond to the tragedies that do occur, and to assist in security and target-hardening measures. Unfortunately, history offers little insight into the sacrifices, responsibilities, and challenges that this new war will impose upon citizens and their federal and local governments.

Merkl-Davies, Doris, "Regulation and Enforcement of Financial Reporting in Austria," *Journal of Management and Governance*, 8(2), 2004, pp. 199-225.

ABSTRACT: This paper provides an overview of financial reporting instruments and enforcement mechanisms in Austria, with special emphasis on the role of the courts in this process. Former research in this area has either focused on the content of judicial rulings and interpretations of the law or on the interplay between regulation and creative accounting, whereas this paper focuses on the involvement of courts and administrative authorities in the regulation and enforcement process by means of a statistical analysis of judicial rulings and interpretations of the law in the case of Austria between 1990 and 2003. The Administrative Court, in its role as the highest court of appeal in all tax matters, emerges as by far the most active enforcement agent in Austria. This is a direct result of fiscal authorities fulfilling the role of an enforcement agency of financial reporting regulations in Austria. Regulation and enforcement of financial reporting regulations occur less frequently in the civil and criminal courts and emerge as a by-product of company litigation issues. Almost fifty percent of cases are not primarily concerned with the enforcement of accounting regulations, but with the enforcement of filing regulations.

Morehead Dworkin, Terry, "Sox and Whistleblowing," *Michigan Law Review*, 105(8), June 2007, pp. 1757-80

ABSTRACT: The language of the Sarbanes-Oxley Act ("SOX") leaves no doubt that Congress intended whistleblowing to be an integral part of its enforcement mechanisms. The Act attempts to encourage and protect whistleblowers in a variety of ways, including providing for anonymous whistleblowing, establishing criminal penalties for retaliation against whistleblowers, and clearly defining whistleblowing channels. Unfortunately, these provisions give the illusion of protection for whistleblowers without effectively providing it. There is increasing evidence that virtually no whistleblower who has suffered retaliation and pursued remedies under SOX has been successful. Additionally, social science research and studies of whistleblowing laws indicate that SOX is unlikely to increase reports. This Article compares the

SOX whistleblowing provisions with other state and federal whistleblowing statutes, discusses the shortcomings of the SOX provisions, and explains why SOX needs to be revised in order to help ensure the integrity of the markets. Recommended revisions include significantly rewarding whistleblowers that come forward with novel and relevant information. Experience with the False Claims Act and equivalent state statutes show such incentive legislation to be the only truly effective legislative model. The Article goes on to discuss various ways to create an incentive reward fund. While some of the current law as well as some of the suggested revisions potentially put SOX in conflict with privacy and whistleblowing laws of European countries, the conflicts can be eliminated through judicious use of exemptions and/or through judicial interpretation.

Mullins, David W., Jr., "Statement to the U.S. House Subcommittee on Telecommunications and Finance of the Committee on Energy and Commerce, October 25, 1991," *Federal Reserve Bulletin*, 77(12), December 1991, pp. 987-89

ABSTRACT: The author presents the views of the Federal Reserve Board on legislative proposals pertaining to the regulation of the government securities market and says that surveillance and enforcement activities in this market have been intensified and that plans for automating the auction process have been accelerated; however, he believes that more sweeping changes are premature at this time.

Mullins, David W., Jr., "Statement to the U.S. House Subcommittee on Telecommunications and Finance of the Committee on Energy and Commerce, March 17, 1993," *Federal Reserve Bulletin*, 79(5), May 1993, pp. 464-66

ABSTRACT: The author discusses legislative initiatives concerning the government securities market and says that the apparatus of reporting requirements in this market that could be implemented under H.R.618 might reduce the cost of investigating abuses and facilitate enforcement, but could also boost the cost of every trade and reduce the number of market participants, before the Subcommittee on Telecommunications and Finance of the House Committee on Energy and Commerce, March 17, 1993.

Murphy, Kristina; Tyler, Tom R.; Curtis, Amy, "Nurturing Regulatory Compliance: Is Procedural Justice Effective When People Question the Legitimacy of the Law?" *Regulation and Governance*, 3(1), March 2009, pp. 1-26

ABSTRACT: Procedural justice generally enhances an authority's legitimacy and encourages people to comply with an authority's decisions and rules. We argue, however, that previous research on procedural justice and legitimacy has examined legitimacy in a limited way by focusing solely on the perceived legitimacy of authorities and ignoring how people may perceive the legitimacy of the laws and rules they enforce. In addition, no research to date has examined how such perceptions of legitimacy may moderate the effect of procedural justice on compliance behavior. Using survey data collected across three different regulatory contexts--taxation (Study 1), social security (Study 2), and law enforcement (Study 3)--the findings suggest that one's perceptions of the legitimacy of the law moderates the effect of procedural justice on compliance behaviors; procedural justice is more important for shaping compliance behaviors when people question the legitimacy of the laws than when they accept them as

legitimate. An explanation of these findings using a social distancing framework is offered, along with a discussion of the implications the findings have on enforcement.

Murshed, Syed Mansoob, "Threat Perceptions in Europe: Domestic Terrorism and International Crime," *Defence and Peace Economics*, 22(2), April 2011, pp. 181-92

ABSTRACT: This paper focuses on two aspects of insecurity for the European Union: domestic terrorism and international crime. In the former case, such as with radicalized Islam in the West, identity is crucial to the putative terrorist, solving the group's collective action problem. This paper models the strategic interaction between the government and a potential terrorist group. Space needs to be created so that Muslim migrants are able to merge their personal identities within their adopted European homelands and the socio-economic disadvantage faced by Muslims in Europe needs redressing. In addition, a macro-model is sketched of drugs production in a conflict-ridden developing country, where it is argued that demand-side policies of regulation may be superior to policies aimed at eradicating supply. Aid to fragile drug producing states should be broad-based and poverty reducing, not just benefiting warlords.

Nielsen, Vibeke Lehmann; Parker, Christine, "Testing Responsive Regulation in Regulatory Enforcement," *Regulation and Governance*, 3(4), December 2009, pp. 376-99

ABSTRACT: The policy ideals of responsive regulation have been developed on the basis of substantial empirical evidence. The overall formulation of responsive regulation theory itself, however, has rarely been empirically tested. This article sets out the theoretical concept of responsive regulation in the context of business regulation enforcement and discusses how we might operationalize and empirically measure it. We develop two alternative theoretical interpretations of responsive regulatory enforcement: "tit for tat" responsive regulation and "restorative justice" responsive regulation. We then measure business firms' perceptions of the reactions and counter-reactions of a regulatory enforcement agency throughout the investigation and enforcement process. We find little evidence of tit for tat responsiveness actually occurring in practice. To the extent that tit for tat responsiveness does exist, we find a small amount of evidence that it has the hypothesized effects on behavior but not on attitudes. We find clearer evidence of restorative justice responsiveness having the hypothesized effects on attitudes but not on behavior.

Nourayi, Mahmoud M., "The Influence of Political Environment on the Regulatory Enforcement Process: The Case of the Securities and Exchange Commission," *Rivista Internazionale di Scienze Economiche e Commerciali*, 43(1), January-March 1996, pp. 31-40

ABSTRACT: Regulatory and policy researchers have noted the influence of political party platform, executive office, and legislature on the fiscal and monetary policies of the U.S. Very little evidence is available about the influence of politics on the enforcement activities by the regulatory agencies. The purpose of this study is to examine a possible relationship between enforcement activities by the SEC and the party affiliation of the office of the President. Results demonstrate that the number of litigation releases (LRs) by the SEC during Republican administrations exceeded that for Democratic administrations. This indicates that the SEC's enforcement process is influenced by the political affiliation of the executive office.

Nourayi, Mahmoud M.; Chavis, Betty M., "A Test of Regulatory Behavior: The Case of the Securities and Exchange Commission," *Rivista Internazionale di Scienze Economiche e Commerciali*, 41(4), April 1994, pp. 311-24

ABSTRACT: This study analyzes the enforcement activities of the U.S. Securities Exchange Commission (SEC) in conjunction with changes in economic and political conditions. The test of regulatory behavior revealed that the enforcement activities are more intense during the economic downturns regardless of the political affiliation of the executive office. The theory of pro-business behavior of the regulators conditioned on economic contraction is not confirmed. Results demonstrate that political affiliation of the executive office has an impact on the number of litigations filed by the Commission. These results indicate differences between the administrations and are consistent with the "partisan view" as introduced in macroeconomic literature.

Nugent, Jeffrey B.; Sukiassyan, Grigor, "Small Firms and Formality: The Influence of Judicial Efficiency and Regulation Costs," *Review of Industrial Organization*, 34(4), June 2009, pp. 349-71

ABSTRACT: Small firms face three serious problems, namely, the high costs of regulation, of contract enforcement, and of finance. A simple model is developed to explain why in dealing with these problems small firms choose different strategies. Special emphasis is given to the effects of regulation costs and judicial efficiency on these choices. Several propositions concerning these effects are derived from the model and tested with data on Mexican microenterprises. The results support most hypotheses, and show that firms obtain more credit when they either register with official entities or participate in private associations and especially when they do both.

Odagescu, Alexandra Ioana, "Analyses of the EU Market Abuse Directive: A Need to Review," *Petroleum-Gas University of Ploiesti Bulletin: Economic Sciences Series*, 60(3), 2008, pp. 63-72

ABSTRACT: Because of the recent changes in the financial market's conditions and because of the complexity of the European capital market, the problems regarding the market abuse have become more stressing in the recent years. Since the events that took place in 2007 and early 2008, it makes sense to address this area of concern regarding the review of market abuse regime. This paper therefore uses some hypothetical examples in order explain the main content and practical problems of the European regulations in this matter. First, it analyses the three main elements of the European market abuse regime, namely; insider dealing, ad-hoc-publicity, and market manipulation. Subsequently, the limits to these provisions--including cross-border aspects--are addressed. The final part deals with enforcement issues, in particular the extent to which the law of the Member States remains important.

Ojah, Kalu; Muhanji, Stella; Myburg, Andrew, "Market Reaction and Equity Market Efficiency: A Survey of the Insider Trading Law in South Africa," *African Finance Journal*, 10(2), 2008, pp. 1-28

ABSTRACT: We examine the market and firm-level effects of the effective insider trading prohibition recently initiated in South Africa--the Trading Act of 1999. We find that the law has increased the awareness and abhorrence of insider dealing as both criminal and illegal. Further,

we find that the average publicly traded firm in South Africa experienced significant improvements in equity value efficiency and corporate governance post the initiation of the law (2000-2004). Importantly, we find that upon controlling for other determinants of cost of capital, effective prohibition of insider dealings still explains reduction in the cost of equity by about 6% per annum. In fact, the mere initiation of the law does not reduce cost of equity instead the reduction in cost of equity occurs due to enforcement. These findings suggest that similar emerging markets in Africa and other regions of the world can benefit from enacting such capital market governance laws.

Ozsozgun, Arzu; Esen, Emel, "Insider Trading from the Perspectives of Justice and Virtue Ethics," *Marmara Universitesi Iktisadi ve Idari Bilimler Fakultesi Dergisi*, 29(2), 2010, pp. 513-26
ABSTRACT: Justice is about the moral choices which respect the measure of the people's rights, but in the respect of virtue ethics, it emphasizes the character of the moral agent, rather than rules or consequences. The purpose of the study is to investigate the insider trading which is about buying or selling of securities on the basis of material, non public information, with ethical judgements as justice and virtue ethics from the perspectives of business administration students. The data will be collected by different scenarios which reflect insider trading in the stock market. The results show that insider trading should be analyzing according to the condition of this perspective in order to find out what is ethical or unethical.

Pagano, Marco; Volpin, Paolo, "The Political Economy of Finance," *Oxford Review of Economic Policy*, 17(4), Winter 2001, pp. 502-19
ABSTRACT: The regulations that shape the design and operations of corporations and credit and securities markets differ vastly from country to country. In addition, similar regulations are often unequally enforced in different countries. Economists still have an imperfect understanding of why these international differences exist and of whether they tend to persist over time. However, a recent strand of research has shown that some progress on these issues can be made using the approach of the new political economy, which models regulation and its enforcement as the result of the balance of power between social and economic constituencies. In this paper we offer a first assessment of the results and potential of this approach in three fields: corporate finance, banking, and securities markets.

Phillips, Lance J., "The Implications of IFRS on the Functioning of the Securities Antifraud Regime in the United States," *Michigan Law Review*, 108(4), February 2010, pp. 603-31
ABSTRACT: The United States is home to one of the most investor-friendly securities anti-fraud regimes in the world. Corporate misstatements that form the basis for a cause of action under one of the many anti-fraud provisions arise in a variety of contexts, an important one being as violations of U.S. generally accepted accounting principles (GAAP). For several years, the SEC has been considering changing the standardized accounting practice in the U.S. from GAAP to International Financial Reporting Standards (IFRS) in order to promote comparability among global investment opportunities. IFRS is a principles-based system of accounting, while GAAP is rules-based. Because of the flexibility of financial reporting inherent in the principles-based approach of IFRS, investors and the SEC will face greater difficulty in relying on accounting

violations to establish the elements of the securities anti-fraud causes of action if IFRS is adopted.

Pitt, Harvey L.; Shapiro, Karen L., "Securities Regulation by Enforcement: A Look Ahead at the Next Decade," *Yale Journal on Regulation*, 7(1), Winter 1990, pp. 149-304.

Qi, Jianping, "How Can Shareholder Lawsuits Promote the Collective Interests of All Shareholders?" *Investment Management and Financial Innovations*, 6(3), 2009, pp. 148-55
ABSTRACT: Individual shareholders sometimes file lawsuits to seek redress of misdeeds by corporate executives. Do such lawsuits promote the collective interests of all shareholders? This is an important question because plaintiff shareholders' interests generally differ from those of shareholders as a whole. In this paper, we develop a simple model to illustrate the essential elements of a legal system that enable efficient shareholder lawsuits. First, the plaintiff shareholder, if he loses his suit, must be held responsible for the defendant's litigation costs. Second, the plaintiff shareholder must be compensated, if he wins his case, not just for his costs to bring the suit, but also for the penalty he would have received if he had lost the case because of judgment errors of the courts.

Reuter, Peter; Roman, John, "The Cost of Job Security Regulation: Evidence from Latin American Labor Markets: Comments," *Economia: Journal of the Latin American and Caribbean Economic Association*, 1(1), Fall 2000, pp. 279-88

Richardson, Paula, "Corporate Crime in a Globalized Economy: An Examination of the Corporate Legal Conundrum and Positive Prospects for Peace," *Journal of Public and International Affairs*, 15(0), Spring 2004, pp. 165-89

ABSTRACT: "This is it. They are going to arrest us all and execute us. All for Shell." Ken Saro-Wiwa, a leader of the Nigerian Movement for the Survival of the Ogoni People (MOSAP), made this statement two weeks before his arrest in May 1994. Jailed for exposing the company's role in directing and arming the Nigerian military, Saro-Wiwa's efforts paved the way for similar campaigns throughout the world, in places as diverse as India, China, Colombia, Chad and Sudan. As the number of such cases has increased over the past decade, so too has the public's scrutiny. What are the legal and ethical obligations of corporations operating in a conflict zone? How effective is existing international law in ensuring that companies are held accountable for extraterritorial human rights violations? Taking into account existing efforts to address corporate accountability on a global scale, this paper concludes that neither national legislation nor voluntary corporate codes of conduct provide an adequate means to ensure the protection of human rights. Instead, an international system must be created--one with sufficient oversight and monitoring powers to ensure that corporations adopt conflict-sensitive policies that contribute to peace and security.

Ritter, Jay R., "Forensic Finance," *Journal of Economic Perspectives*, 22(3), Summer 2008, pp. 127-47

ABSTRACT: During popular prime-time television shows, forensic investigators use specialized but wide-ranging scientific knowledge of chemical trace evidence, bacteria, DNA, teeth, insects,

and other specialties to collect and sift evidence of possible crimes. In economics and finance, forensic investigators apply their own specialized knowledge of prices, quantities, timing, and market institutions--and sometimes discover or substantiate evidence that is used by regulatory or criminal enforcement agencies. In this article, I will discuss four recent topics in forensic finance, all of which have attracted media attention: 1) the late trading of mutual funds, 2) stock option backdating, 3) the allocation of underpriced initial public offerings to corporate executives, and 4) changes in the records of stock analyst recommendations. In most of these cases, once certain practices or patterns have been publicized, financial industry practice has changed.

Roberds, William; Schreft, Stacey L., "Data Security, Privacy, and Identity Theft: The Economics behind the Policy Debates," *Federal Reserve Bank of Chicago Economic Perspectives*, 33(1), 1st Quarter 2009, pp. 22-30

Ronconi, Lucas, "Enforcement and Compliance with Labor Regulations in Argentina," *Industrial and Labor Relations Review*, 63(4), July 2010, pp. 719-36

ABSTRACT: The author empirically analyzes the effect of government enforcement on compliance with labor regulations in Argentina, a country where only half of the workforce receives all the benefits to which they are legally entitled. Constructing a panel data set of the period 1995-2002 across provinces and using the number of labor inspectors per capita as a proxy for enforcement, he investigates the extent to which employers comply with six employment and social security regulations: minimum wage, maximum hours, paid vacation time, annual extra monthly wage, workers' compensation insurance, and health insurance. Because of potential simultaneity between enforcement and compliance, the author explores whether the electoral cycle affects enforcement. Two-stage least squares estimates suggest enforcement increases compliance.

Rowley, Charles K.; Taylor, Jennis, "The Israel and Palestine Land Settlement Problem: An Analytical History, 4000 B.C.E.-1948 C.E.," *Public Choice*, 128(1-2), July 2006, pp. 41-75

ABSTRACT: This paper traces the history of the modern conflict between Israel and Palestine from 4000 B.C.E. to 1948 C.E.. It shows how Jews and Arabs diverged from a common source to become arch-enemies during the British Mandate over Palestine. It outlines the impact of world war II, the holocaust, treason, and terrorism on the Palestinian problem, and explains why Britain relinquished the Mandate in 1947, leaving the United Nations to resolve the land settlement problem. The paper outlines the manipulation by the USSR and the USA of the United Nations General Assembly vote on Resolution 181, in November 1947. It demonstrates why this corrupted land settlement set the scene for almost 60 years of continuous war and terrorism in the Middle East.

Rowley, Charles K.; Taylor, Jennis, "The Israel and Palestine Land Settlement Problem, 1948-2005: An Analytical History," *Public Choice*, 128(1-2), July 2006, pp. 77-90

ABSTRACT: This paper traces the history of the current conflict between Israel and Palestine from 1948-2005 C.E. It focuses on the frontier conflict between Israel and Palestine, a conflict that has resulted in four major wars during the post-Second World War period, and that has left

Israel as the occupying power over a large swathe of territory not allocated to it by the United Nations in 1947. It outlines the nature of the refugee problem in Palestine and neighboring Arab states, and defines the political problems posed both by relative Israel-Palestine population growth, and by the 'right to return' claim by ousted Palestinian Arabs. It reviews the political problems posed by religious extremism and theocratic government both in Israel and Palestine. It concludes with a brief discussion of the unpleasant alternatives left as the road map to peace disintegrates and outlines a preferred solution from the perspective of the advanced western nations.

Ryder, Nicholas; Turksen, Umut, "Islamophobia or an Important Weapon? An Analysis of the US Financial War on Terrorism'," *Journal of Banking Regulation*, 10(4), September 2009, pp. 307-20

ABSTRACT: This article considers the impact of the terrorist attacks of September 11, 2001 (9/11) on the legislative and policy response by the United States towards terrorist financing. This article is divided into three parts. Part 1 considers the alleged association between Islamic banking systems and terrorist finance. The second part of the article critically considers the ability of the US authorities to freeze the assets of organisations who are suspected of financing terrorism by virtue of Presidential Executive Order 13 224. The final part of the article considers the reporting requirements imposed by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act 2001 (USA PATRIOT Act 2001). The third part also highlights some provisions and practices that raise the spectre of racial profiling in the United States, and critiques the fairness and success of such measures imposed on particular group of persons. The objective is not to provide a comprehensive analysis of the laws and policies, but to emphasise areas that have not yet been subject to sufficient scrutiny from the perspective of success and equality of the application of the law.

Saavedra, Jaime; Tommasi, Mariano, "Informality, the State and the Social Contract in Latin America: A Preliminary Exploration," *International Labour Review*, 146(3-4), 2007, pp. 279-309

ABSTRACT: This article sees informality in Latin America as a reflection of dysfunctional interactions between individuals and the State and of the latter's inability to perform adequately in regard to redistribution and the provision of public goods and services. This translates into low rates of social security contribution and coverage; pervasive evasion of tax, labour and business regulations; and low levels of tax collection, law enforcement and trust in the State. The challenge for these countries, the authors argue, is to build more inclusive social contracts underpinned by realistic domestic consensus, taking account of country-specific institutional backgrounds and prevailing social norms.

Schmidt, Matthias, ""Whistle Blowing" Regulation and Accounting Standards Enforcement in Germany and Europe--An Economic Perspective," *International Review of Law and Economics*, 25(2), June 2005, pp. 143-68

ABSTRACT: Many countries regard whistle blowing by employees as a way to assure ethical conduct of firms and as a result various statutory rules have been enacted in order to fortify that behavior, such as the two provisions of the Sarbanes Oxley Act of 2002 (SOX) enacted in the US. The article takes a neo-institutional economics perspective on the phenomenon of

whistle blowing and analyzes in what sense a statutory fortification is indeed legitimate. Contrasting, sophisticated regulatory models of the US, the UK and Germany are critically discussed, and an appropriate statutory approach is suggested that utilizes whistle blowing particularly to enhance the regulation of accounting standards enforcement in Germany and Europe.

Schneider, Friedrich, "Shadow Economies and Corruption All Over the World: New Estimates for 145 Countries," *Economics: The Open-Access, Open-Assessment E-Journal*, 1(0), 2007, pp. ABSTRACT: Estimations of the shadow economies for 145 countries, including developing, transition, and highly developed OECD economies over 1999 to 2005 are presented. The average size of the shadow economy (as a percent of "official" GDP) in 2004/05 in 96 developing countries is 36.7%, in 25 transition countries 38.8% and in 21 OECD countries 14.8%. An increased burden of taxation and social security contributions, combined with a labour market regulation are the driving forces of the shadow economy. Furthermore, the results show that the shadow economy reduces corruption in high income countries, but increases corruption in low income countries. Finally, the various estimation methods are discussed and critically evaluated.

Sen, Pradyot K., "Ownership Incentives and Management Fraud," *Journal of Business Finance and Accounting*, 34(7-8), September-October 2007, pp. 1123-40
ABSTRACT: Agency Theory would suggest that increased firm ownership should mitigate a manager's propensity to fraudulently divert resources for unauthorized consumption. However, most of the frauds in recent times have been committed by senior managers and/or Chief Executives who may own a significant portion of the firm. Although such management fraud has been studied extensively in the economics of crime literature as white collar crime and has been the focus of many legislative initiatives such as the Sarbanes Oxley Act of 2002, the Securities Enforcement Remedies and Penny Stock Reform Act of 1995 and study teams such as the Treadway Commission (National Committee on Fraudulent Financial Reporting 1987), the assumptions behind many of these studies and legislative initiatives is that an increase in severity and certainty of ex-post penalty is an effective deterrent to financial fraud regardless of this ownership question. What separates financial fraud from other crime is that it is committed in the context of a market that is considered efficient in that it rationally anticipates and reacts to all information and uncertainty. Thus, the market is potentially able to protect itself to some extent by rationally pricing such possible behavior. Such ability to 'self protect' changes the nature of incentive and gain from fraud to a manager who, because of his part ownership, must face some consequences of his own fraud. In the ensuing game, though the penalty for fraud deterrence increases the cost of fraud, whether it can ensure complete honesty is a function of how efficient the legal system is and the extent of firm ownership by the manager. As the analysis of this paper shows, the question of fraudulent behavior can only be answered in conjunction with the question of the extent of ownership of the firm by the manager. The results show that increased ownership may not necessarily reduce the propensity to commit fraud. As the gain from fraud and the corresponding penalty increases, unless the gain from fraud is completely offset through the penalty, the results suggest that more and more managers may find it optimal to engage in a mixed strategy and behave fraudulently some of

the time. What is more likely to be successful is the certainty of determination and application of the penalty rather than its size. These results have significant implications in countries such as those in Europe where the insider holdings vary significantly.

Shen, Yifeng; Xiao, Min; Lin, Tao, "Investor Protection and Firm Capital Structure. (In Chinese. With English summary.)," *Jingji Yanjiu/Economic Research Journal*, 44(7), July 2009, pp. 131-42
ABSTRACT: This paper develops an investor protection enforcement index from the "Self-Assessment and Improvement Plan" disclosed by 1,184 listed companies in China's stock markets. Using firm-level data, we explore the impact of investor protection on the capital structure of listed companies. Our empirical evidences show that the investor protection is one of the important determinants of capital structure choice and there is significant negative correlation between investor protection and the debt ratio and debt-equity ratio. We find that investor protection and its enforcement can explain the difference of external financing behavior among Chinese listed companies. It is necessary to enhance the protection of shareholder's rights, the full disclosure of information, and the enforcement of investor protection to lower the cost of equity and to improve our security market.

Shnitser, Natalya, "A Free Pass for Foreign Firms? An Assessment of SEC and Private Enforcement against Foreign Issuers," *Yale Law Journal*, 119(7), May 2010, pp. 1638-1701
ABSTRACT: While proponents of the bonding hypothesis have posited that foreign firms crosslist in the United States to signal compliance with the strict U.S. corporate governance regime, these scholars have taken the enforcement of U.S. securities laws largely for granted. This Note presents an empirical examination of previously unexplored data on the enforcement of U.S. securities laws against foreign issuers. The results suggest that relative to domestic issuers, foreign issuers in the United States have benefited not only from a more lax set of rules, but also from a more forgiving public enforcement agency. At the same time, U.S. courts have limited private enforcement against foreign issuers, thus restricting an alternative to public enforcement and further widening the gap between the corporate governance regime for U.S. issuers and the one for foreign issuers.

Shughart, William F., II, "An Analytical History of Terrorism, 1945-2000," *Public Choice*, 128(1-2), July 2006, pp. 7-39
ABSTRACT: This paper traces the history of modern terrorism from the end of the Second World War to the beginning of the twenty-first century. It divides that history into three stylized waves: terrorism in the service of national liberation and ethnic separatism, left-wing terrorism, and Islamist terrorism. Adopting a constitutional political economy perspective, the paper argues that terrorism is rooted in the artificial nation-states created during the interwar period and suggests solutions grounded in liberal federalist constitutions and, perhaps, new political maps for the Middle East, Central Asia and other contemporary terrorist homelands.

Siegel, Jordan, "Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?" *Journal of Financial Economics*, 75(2), February 2005, pp. 319-59
ABSTRACT: The study tests the functional convergence hypothesis, which states that foreign firms can leapfrog their countries' weak legal institutions by listing equities in New York and

agreeing to follow U.S. securities law. Evidence shows that the SEC and minority shareholders have not effectively enforced the law against cross-listed foreign firms. Detailed evidence from Mexico further shows that while some insiders exploited this weak legal enforcement with impunity, others that issued a cross-listing and passed through an economic downturn with a clean reputation went on to receive privileged long-term access to outside finance. As compared with legal bonding, reputational bonding better explains the success of cross-listings.

Singh, Manjinder, "Issues concerning Corporate Disclosure through Web: An Analysis of the Views of Retail Investors," *International Journal of Business Economics and Management Research*, 2(8), August 2011, pp. 98-118

ABSTRACT: Due to continuous developments in information and communication technology, organizations in different countries are considering the impact of the web on the dissemination of corporate information. A part from the distinctive and attractive features, to date, there are many unresolved issues that put limit on the dissemination of corporate information on the web. In this context, the objective of this study is to elicit the views of retail investors regarding: (1) reasons for not adopting web medium for disclosure, (2) usefulness of navigation and search aids, (3) usefulness of different file formats, and (4) impact of corporate web disclosure on regulation and standard setting. Taken as a whole, the findings of the study suggest that no legal requirement, availability of alternative forms for users to obtain information, concern over security of information, lack of trust, potential legal liability, and expertise have been found to be the main reasons for not adopting web medium for disclosure. A range of navigation aids, search aids, and file formats are found by the retail investors to be at least some what useful. On regulatory aspects, respondents perceived some form of global regulation to ensure creditability of financial information disclosed on corporate website but they also agreed on the issue of difficulties in the enforcement of these regulations.

Small, Ken; Flaherty, Susan; Ionici, Octavian, "U.S. Cross-Listing and Market Liquidity: A Test of the Bonding Hypothesis," *Journal of Emerging Markets*, 11(3), Fall-Winter 2006, pp. 5-17

ABSTRACT: Research by Coffee (1999, 2002), and Doidge (2004) suggests firms cross-list on U.S. exchanges to gain additional protections provided by the U.S. regulatory environment. We employ market maker perception of informed trading in American Depository Receipts (ADRs) as a test of the bonding hypothesis. If bonding occurs, firms cross-listed from countries with and without insider trading laws should exhibit statistically insignificant differences between measured levels of perceived informed trading. We find that market makers do perceive higher levels of informed trading in firms cross-listed from countries without insider trading law enforcement. In turn, this provides evidence that firms cannot uniformly bond to U.S. security laws.

Spatt, Chester S., "An Informal Perspective on the Economics and Regulation of Securities Markets," *Annual Review of Financial Economics*, 2(1), 2010, pp. 127-43

ABSTRACT: This review uses an economic lens to offer perspectives on securities regulation. We discuss several motives for regulation and highlight some facets of regulatory conflict, competition, and coordination as well as the range of required securities market disclosures. We discuss the roles of economics and cost-benefit analysis in regulation under administrative

law as well as "counting" and "line-drawing" exercises and the nature of the "unintended consequences" of regulation. Among the specific examples of securities regulation that the review highlights using economic principles are short-sale regulation (including the economic costs associated with short interest) and enforcement sanctions against corporations. We also note some of the successes (options backdating) and failures (Madoff and mutual fund market timing) of the securities regulator in identifying new enforcement challenges. This review concludes by highlighting the importance of regulatory uncertainty and time-consistent policies and applies this principle to several contexts related to the financial crisis.

Spindler, James C., "Vicarious Liability for Bad Corporate Governance: Are We Wrong about 10b-5?" *American Law and Economics Review*, 13(2), Fall 2011, pp. 359-401

ABSTRACT: I formulate a rational expectations signaling model of vicarious liability for securities fraud, particularly the much criticized "fraud-on-the-market" private class action arising under Rule 10b-5. I show that fraudulent misreporting by managers occurs in the absence of managerial moral hazard--that is, where managers simply maximize shareholder payoffs--and that vicarious liability can serve as an appropriate deterrent, creating separating equilibrium. I then show that the particular remedy under Rule 10b-5 can perfectly deter fraud and perfectly compensate purchasers, and that Rule 10b-5 class actions may function better than critics claim.

Stiglbauer, Markus; Velte, Patrick, "Compliance with the German Corporate Governance Code and Firm Performance: A Ten-Year Experience," *International Journal of Behavioural Accounting and Finance*, 3(1-2), 2012, pp. 5-23

ABSTRACT: In 2002, the German Corporate Governance Code (GCGC) was established to improve corporate governance of German listed firms and to make the German corporate governance system and firm-specific corporate governance more transparent for (international) investors. With regard to the empirical corporate governance research, it is not sure whether these non-enforced soft law standards might contribute to a management-based influence of the behaviour of the investors. This paper explores how far companies are in line with the GCGC and if investors reward companies which comply with the GCGC. Against theoretical assumptions, reviewing the empirical studies on this topic we find compliance with the GCGC not to affect German listed firms' capital market performance significantly positive. The findings give good reason to discuss whether in view of the behavioural financial accounting enforcement of good corporate governance via soft law or rules is convenient for a still developing German capital market and the German bank-based corporate governance system with traditionally low investor protection (insider system).

Stringham, Edward, "The Extralegal Development of Securities Trading in Seventeenth-Century Amsterdam," *Quarterly Review of Economics and Finance*, 43(2), Summer 2003, pp. 321-44

ABSTRACT: It is often argued that government rule enforcement is necessary for the development of a stock market (Glaeser, Johnson, & Shleifer 2001). Work by Boot, Stuart, and Thalkor (1991), Klein and Leffler (1981) and Telser (1980), however, suggests that repeated interaction and reputation can create incentives for contracts to be self-enforcing. This paper investigates these claims by examining the first stock market, the Amsterdam Bourse. At a time

when many financial contracts were unenforceable in government courts the market developed surprisingly advanced trading instruments. Descriptions by seventeenth-century stockbroker, De la Vega [*Confusion de Confusiones*], indicate that a reputation mechanism enabled extralegal trading of relatively sophisticated contracts including short sales, forward contracts, and options.

Sukiassyan, Grigor; Nugent, Jeffrey B., "Associations versus Registration as Alternative Strategies of Small Firms," *Small Business Economics*, 31(2), August 2008, pp. 147-61
ABSTRACT: Small firms, especially those in developing countries, face several serious problems: (1) costs of regulation, including corruption, (2) contract enforcement, and (3) idiosyncratic risks that leave their owners with high costs of finance. To deal with these problems, it is recognized that firms exercise choice over their degree of formality. Little attention, however, has been given to the alternative strategies that firms may choose in gaining formality and dealing with these problems. This article examines the choice between two different strategies: (1) registering with official entities, and (2) participating in private associations. We develop hypotheses concerning factors that would favor one such choice over the other and then test these hypotheses with data taken from a large sample survey of Mexican microenterprises. The results provide support, in some cases strong support, for most of the hypotheses.

Sullivan, Richard J., "The Changing Nature of U.S. Card Payment Fraud: Industry and Public Policy Options," *Federal Reserve Bank of Kansas City Economic Review*, 95(2), 2nd Quarter 2010, pp. 101-33

ABSTRACT: As credit and debit card payments have become the primary payment instrument in retail transactions, awareness of identity theft and concerns over the safety of payments has increased. Traditional forms of card payment fraud are still an important threat, but fraud resulting from unauthorized access to payment data appears to be rising, and we are only beginning to get a sense of the dimensions of the problem. Thus far, the role of public policy has been to encourage the card payment industry to limit fraud by developing its own standards and procedures. Whether this policy stance is sufficient depends on the effectiveness of industry efforts to limit fraud in light of the dramatic shift toward card payments. Sullivan provides an overview of card payment fraud in the United States. He develops a preliminary estimate of the rate of U.S. card payment fraud and suggests that such fraud is higher than in several other countries for which data are available. The U.S. payment industry is taking steps to combat payment fraud, but progress has been slowed by conflicts of interest, inadequate incentives, and lack of coordination. Thus, policymakers should monitor the card payment industry to see if it better coordinates security efforts, and if not, consider actions to help overcome barriers to effective development of security.

Tanimura, Joseph K.; Okamoto, M. Gary, "Reputational Penalties in Japan: Evidence from Corporate Scandals," *Asian Economic Journal*, 27(1), March 2013, pp. 39-57.

ABSTRACT: We examine incidents in which Japanese businesses are implicated in corporate scandals. Such firms suffer statistically significant losses in their market values. Given the negligible legal and regulatory penalties for Japanese companies, we interpret the results as convincing evidence on the magnitude of reputational losses. We also compare our results to

those found in US studies. The average negative abnormal stock price reaction is larger in Japan than in the USA. Moreover, they are negative and statistically significant even when it is not obvious that the firm violated an implicit or explicit contract with the damaged party.

Toffel, Michael W.; Short, Jodi L., "Coming Clean and Cleaning Up: Does Voluntary Self-Reporting Indicate Effective Self-Policing?" *Journal of Law and Economics*, 54(3), August 2011, pp. 609-49

ABSTRACT: Regulatory agencies are increasingly establishing voluntary self-reporting programs both as an investigative tool and to encourage regulated firms to commit to policing themselves. We investigate whether voluntary self-reporting can reliably indicate effective self-policing efforts that might provide opportunities for enforcement efficiencies. We find that regulators used self-reports of legal violations as a heuristic for identifying firms that are effectively policing their own operations, shifting enforcement resources away from those that voluntarily disclose. We also find that these firms that voluntarily disclosed regulatory violations and committed to self-policing improved their regulatory compliance and environmental performance, which suggests that the enforcement relief they received was warranted. Collectively, our results suggest that self-reporting can be a useful tool for reliably identifying and leveraging the voluntary self-policing efforts of regulated companies.

Tuleasca, Luminita, "Insolvency in the Context of the Present Financial Crises--A Comparative Analysis," *Romanian Economic and Business Review*, 4(2), Summer 2009, pp. 33-44

ABSTRACT: This paper presents the current trends in the view of various national states and their impact on the application of collective insolvency proceedings, also called bankruptcy procedure in common language, by analysing their main pieces of legal regulation, extremely useful both for specialists as well as for creditors and debtors. The fact is that thanks to this procedure, businesses which are in a state of financial crisis, either actual or upcoming can be placed under court protection from creditors which results in blocking enforcement and increasing interest and penalties, allowing them a new start through a reorganization of their activities. Reorganizing the activities of insolvent debtors activity may also be in the interest of creditors, if they cannot obtain sufficient repayment through the debtor's bankruptcy. Thus, requests to open insolvency proceedings by them will appear as a means to preserve their rights and to avoid irreversible deterioration of the situation of the debtor. On the other hand, an aggressive insolvency procedure may be used by creditors as a means of pressure in order to obtain a quick settlement of their receivables from solvent borrowers acting in a state of panic created by the existence of an application to open a bankruptcy procedure. And not least, the paper presents how the situation has seriously deteriorated regarding the criteria allowing businesses to apply for an insolvency procedure and the proper use of the benefits of this procedure.

Turner, Jenia Iontcheva, "Transnational Networks and International Criminal Justice," *Michigan Law Review*, 105(5), March 2007, pp. 985-1032

ABSTRACT: The theory of transgovernmental networks describes how government officials make law and policy on issues of global concern by coordinating informally across borders, without legal or official sanction. Scholars have argued that this sort of coordination is useful in

many different areas of cross-border regulation, including banking, antitrust, environmental protection, and securities law. One area to which the theory has not yet been applied is international criminal law. For a number of reasons, until recently, international criminal law had not generated the same transgovernmental networks that have emerged in other fields. With few exceptions, international criminal law had been enforced at either the purely domestic or the international level. That picture appears to be changing. Investigators, prosecutors, and judges dealing with international crimes are beginning to collaborate, both with their peers across borders and with their counterparts at international criminal tribunals. This article describes and evaluates these developments and provides a conceptual defense of why networks could be useful in international criminal law. It then suggests what future forms this sort of cooperation might take and draws implications from the emergence of international criminal law networks for the study of networks more generally.

Vasiliev, D. V.; Drobyshchev, P. I.; Konov, A. V., "Objective Factors of Corruption in the Implementation of Procedures for the Financial Rehabilitation of Firms," *Problems of Economic Transition*, 47(7), November 2004, pp. 54-94

Vlcek, William, "Power and the Practice of Security to Govern Global Finance," *Review of International Political Economy*, 19(4), October 2012, pp. 639-62

ABSTRACT: While the end of the Bretton Woods system led to deregulation and increased international capital flows, the trend over the past two decades has been toward increased international financial supervision. Aspects for an emerging structure of global governance are congealing into a form of 'financial governmentality' as a means to secure society and to isolate criminal and terrorist money. Efforts to defend society from organised crime and transnational terrorism extend into financial services and introduce increased levels of surveillance over all forms of financial exchange. The paper begins with an explication for the power relations between international organisations (created by select states to manage and direct the global economy) and the non-member jurisdictions that are, in turn, subjected to their guidance. The experience of the Philippines with the international campaign against money laundering directed by the Financial Action Task Force (FATF) is presented as a case study for the governmentality present in global financial governance. Initially the Philippine government sought to retain a measure of autonomous action while satisfying the FATF's demands for legislative change. The initial failure to meet the expectations of international standards impacted international financial flows to the Philippines, including migrant remittances. It was with this specific experience in mind that the government of the Philippines crafted new regulations to cover emerging technologies that facilitate money transfer via mobile phone, positioning the Philippines as the leader for this form of governance to prevent money laundering and terrorist financing. At the same time, this case represents an emerging practice for self-discipline by states seeking to demonstrate compliance with internationally produced standards and best practices for banking and finance.

Vollaard, Ben; van Ours, Jan C., "Does Regulation of Built-In Security Reduce Crime? Evidence from a Natural Experiment," *Economic Journal*, 121(552), May 2011, pp. 485-504

ABSTRACT: We provide evidence that large-scale government intervention in the use of self-

protective measures lowers crime. Since 1999, all new-built homes in the Netherlands have to have burglary-proof windows and doors. We find the regulatory change to have reduced burglary in new-built homes from 1.1 to 0.8% annually, a reduction of 26%. Even though the regulation of built-in security does not target preventative measures at homes that are most at risk, the social benefits of the regulation are likely to exceed the social costs.

Vu, Kim T., "Conscripting Attorneys to Battle Corporate Fraud without Shields or Armor? Reconsidering Retaliatory Discharge in Light of Sarbanes-Oxley," *Michigan Law Review*, 105(1), October 2006, pp. 209-39

Weismann, Miriam F., "Regulating Unlawful Behavior in the Global Business Environment: The Functional Integration of Sovereignty and Multilateralism," *Journal of World Business*, 45(3), July 2010, pp. 312-21

ABSTRACT: This article uses the Convention on Cybercrime as a case study to illustrate the functional integration of international law into diverse national legal systems through the paradigm of treaty harmonization. Nations control the impact of international regulation on domestic business interests by implementing legislation to preserve fundamental rights. Thus, the sovereignty-based legal harmonization model better explains the baseline characteristics of national sovereignty while recognizing that global cooperation in business is a necessary and positive feature of multilateralism. Critics dismiss sovereignty as irrelevant, claiming instead that a "new world order" has emerged in its place. That kind of deconstructionist talk typically injects fear of multilateralism into the global business community. However, the premise is flawed because it ignores the actual mechanics of treaty accession and the synergy between international law and commerce in the global legal environment.

Wielhouwer, Jacco L., "When Is Public Enforcement of Insider Trading Regulations Effective?" *International Review of Law and Economics*, 34(0), June 2013, pp. 52-60

ABSTRACT: In this paper we investigate when public enforcement of insider trading regulations reduces the amount of insider trading. We model a game between a potentially self-interested regulator enforcing insider trading laws and a trader who may be trading on inside information. We show that equilibrium strategies exist where despite active enforcement all inside information is used. Furthermore, we find that increased disclosure in order to reduce the amount of inside information does not necessarily lead to less insider trading as insiders may more frequently use their information. Increased disclosure decreases the contribution of public enforcement to reducing insider trading. We also show that improvements in the risk analysis system used by the regulator for monitoring purposes may prompt more insider trading. The results yield policy implications, contribute to explaining empirical observations, and suggest possible directions for future empirical research into the relationship between enforcement and the cost of equity.

Winer, Jonathan M., "Countering Terrorist Finance: A Work, Mostly in Progress," *Annals of the American Academy of Political and Social Science*, 618(0), July 2008, pp. 112-32

ABSTRACT: Prior to the September 11, 2001, attacks, the United States and the international community had undertaken only limited measures to address terrorist finance. Seven years

later, despite vast efforts and stronger counterterrorist finance regimes, major gaps in regulation and enforcement remain. Funds still reach terrorist groups through state sponsors, charities, and criminal activities. In Afghanistan, Saudi Arabia, Pakistan, Iran, and beyond, terrorist financing remains a huge problem. The next administration must do seven things to address terrorist finance: first, implement country-specific strategies to ensure global cooperation, particularly with state sponsors; second, undermine terrorist-affiliated charities by replacing the social services they provide; third, make U.S. law enforcement a truly global entity; fourth, regulate all domestic financial sectors; fifth, address smuggling of bulk currency and high-value commodities; sixth, reinvigorate the UN's support for counterterrorist finance regimes; and finally, improve U.S. domestic enforcement and communication with the American public and the world.

Wisniewski, Tomasz P.; Bohl, Martin T., "The Information Content of Registered Insider Trading under Lax Law Enforcement," *International Review of Law and Economics*, 25(2), June 2005, pp. 169-85

ABSTRACT: With the use of event study methodology, this paper examines abnormal returns following insider trading on the Warsaw Stock Exchange (WSE). The profits to informed investors appear to be substantially higher than estimates reported for mature markets. It is our contention that these profits are a manifestation of insufficient enforcement of insider trading regulations. To explore the origins of informational asymmetries we relate insider gains to firm and trade characteristics. As changes in shareholdings have to be disclosed promptly and the informational content of the insiders' trades is not instantly discounted in stock prices, outsiders who mimic the insiders' behavior are able to beat a benchmark portfolio.

Yeo, Gi-Tae; Pak, Ji-Yeong; Yang, Zaili, "Analysis of Dynamic Effects on Seaports Adopting Port Security Policy," *Transportation Research: Part A: Policy and Practice*, 49(0), March 2013, pp. 285-301

ABSTRACT: Policy variables, such as security levels at seaports, affect port efficiency in a non-linear way while other factors affecting efficiency at ports such as a number of berths, the area of port yard, and the number of port labors have linear structural relation. Ensuring a certain level of regulations can increase port efficiency, while an excess of the level may result in the reverse of these gains. Addressing seaport-related issues is not a simple undertaking because a seaport is regarded as a system-of-system, which is both difficult to understand and to model. Therefore, studies that adequately analyze the overall dynamic of a port complex in terms of security concerns have been seen insufficient, leaving a significant research gap to fill in. To analyze the relationship between seaport security levels and container volumes, this study adopts the method of system dynamics (SD). Use of the SD can demonstrate the benefits of simulations, such as suggesting the visual causal loops among evaluation factors, representing the several sub-models, and enabling various forms of analysis, such as the base model, optimistic scenario model, and pessimistic scenario model. As a result of simulation, the impacts on handling container cargo volumes in Korea due to the increasing level of security is estimated at 2,770,000 TEUs by the year 2015 and 3,050,000 TEUs by 2020. Appropriate tailor of the proposed SD based methodology can stimulate security-economic quantitative analysis

in a wider range of port context, thus promoting effective implementation of security measures.

Zaharia, George Cristinel; Zaharia, Constantin; Tudorescu, Nicolae; Zaharia, Ioana, "Online Crime and the Regulation of Business on the Internet," *Economics, Management, and Financial Markets*, 5(4), December 2010, pp. 238-43

ABSTRACT: The goal of the present study is to determine if there are relationships between the challenges computer crime present to the law enforcement and security communities, the criminal use of computers, the challenges currently faced by the SMEs in the regulatory domain, facilitation of symmetric knowledge sharing and equal access to information, and the identification of specific trust facets for e-business activities. The overall results provide strong evidence for the ongoing drive to reduce fraud, the evolution and subsequent shift of consumer trust in EM, and the compounding global effect of electronic commerce.

Appendix 3

Agyei-Ampomah, Sam; Mazouz, Khelifa, "The Comovement of Option Listed Stocks," *Journal of Banking and Finance*, 35(8), August 2011, pp. 2056-69.

ABSTRACT: This study examines the changes in return comovement around the listing and delisting of stock option contracts. We show that newly option listed stocks experience an increase in comovement with a portfolio of option listed stocks and a decrease in comovement with the portfolio of non-optioned stocks. Similarly, stocks that undergo option delisting exhibit a decrease in comovement with option listed stocks and an increase in comovement with non-optioned stocks. We verify the reliability of our findings in several ways. A matched sample analysis suggests that our results are not driven by factors other than option listing and we find similar results using a calendar-time approach. Further analysis reveals that commonalities in option trading may induce the comovement in the option listed stocks. Overall, our evidence is consistent with the predictions of the category or habitat view of comovement.

Allen, Jeffrey W., "Private Information and Spin-Off Performance," *Journal of Business*, 74(2), April 2001, pp. 281-306.

ABSTRACT: Following pro rata spin-offs, shareholders, including insiders, trade their stock holdings in public subsidiaries independently of trades in parent firms. This article examines the predictive ability of informed trading with respect to post-spin-off stock performance and corporate control transactions. I find that subsequent to spin-offs, insiders are substantial purchasers of stock in public subsidiaries and sellers in parent firms. The trades of insiders are significantly related to post-spin-off stock returns, takeovers, and delistings of spun-off firms. The results are highly significant for senior managers of public subsidiaries, but they do not generally hold for outside directors or large blockholders.

Baker, George P.; Kennedy, Robert E., "Survivorship and the Economic Grim Reaper," *Journal of Law, Economics, and Organization*, 18(2), October 2002, pp. 324-61.

ABSTRACT: The 10-year survival rate for firms trading on the New York and American stock exchanges between 1963 and 1995 is only 61%. This article explores the process by which firms come to be delisted. We calculate the returns of firms from 10 years before delisting to their delisting date and show that, on average, the economic grim reaper kills poorly performing firms. We document takeover and distress delisting rates through time, analyze predelisting equity market returns for both groups, and explore how firm characteristics and regulations governing corporate takeovers and bankruptcy affect the friction with which these processes operate. We believe this is the first analysis to document long-term equity market and operating performance of delisting firms. The study builds on research from both finance and industrial organization and is consistent with a Schumpeterian view of economic development.

Baker, H. Kent; Meeks, Sue E., "Research on Exchange Listings and Delistings: A Review and Synthesis," *Financial Practice and Education*, 1(1), Spring 1991, pp. 57-71.

Bartunek, Kenneth S., "Option Delisting of Stocks That Continue Trading: An Examination of Welfare Effects," *Financial Review*, 31(3), August 1996, pp. 565-83.

ABSTRACT: This paper addresses the resulting effects from the delisting of options on underlying stocks that continue to trade. The evidence generally supports the argument that options in this sample are delisted as a result of financial difficulty and/or a lack of interest. An insignificant average abnormal return and a small significantly negative average standardized abnormal return are observed around the delisting date, but the average price effect is determined to be considerably less than the normal discrete trading intervals at which stocks trade on exchanges. There are no effects found on volatility measures directly attributable to option delisting.

Beatty, Anne; Weber, Joseph, "Accounting Discretion in Fair Value Estimates: An Examination of SFAS 142 Goodwill Impairments," *Journal of Accounting Research*, 44(2), May 2006, pp. 257-88.

ABSTRACT: This study examines Statement of Financial Accounting Standards 142 adoption decisions, focusing on the trade-off between recording certain current goodwill impairment charges below the line and uncertain future impairment charges included in income from continuing operations. We examine several potentially important economic incentives that firms face when making this accounting choice. We find evidence suggesting that firms' equity market concerns affect their preference for above-the-line vs. below-the-line accounting treatment, and firms' debt contracting, bonus, turnover, and exchange delisting incentives affect their decisions to accelerate or delay expense recognition. Our study contributes to the accounting choice literature by examining managers' use of discretion when adopting a mandatory accounting change and by developing and testing explicit cross-sectional hypotheses of the determinants of firms' preferences for immediate below-the-line versus delayed above-the-line expense recognition.

Beatty, Randolph; Kadiyala, Padma, "Impact of the Penny Stock Reform Act of 1990 on the Initial Public Offering Market," *Journal of Law and Economics*, 46(2), October 2003, pp. 517-41.

ABSTRACT: The Penny Stock Reform Act of 1990 (PSRA) was an attempt to curb fraudulent security issues by placing severe restrictions on initial public offerings that were priced below \$5. The regulation had the cosmetic effect of reducing the number of initial public offerings priced below \$5 but had no substantive impact on issuer quality. Delisting risk, which is a measure of issuer quality, did not decline significantly in the post-PSRA period. Instead, abnormal returns earned by a portfolio of nonpenny stocks declined significantly in the post-PSRA period. We present evidence that attributes the decline in abnormal returns to the migration of speculative issuers into the nonpenny range.

Beaver, William; McNichols, Maureen; Price, Richard, "Delisting Returns and Their Effect on Accounting-Based Market Anomalies," *Journal of Accounting and Economics*, 43(2-3), July 2007, pp. 341-68.

ABSTRACT: We show that tests of market efficiency are sensitive to the inclusion of delisting firm-years. When included, trading strategy returns based on anomaly variables can increase (for strategies based on earnings, cash flows and the book-to-market ratio) or decrease (for a strategy based on accruals). This is due to the disproportionate number of delisting firm-years in the lowest decile of these variables. Delisting firm-years are most often excluded because the

researcher does not correctly incorporate delisting returns, because delisting return data are missing or because other research design choices implicitly exclude them.

Benhamou, Françoise, "Is Increased Public Spending for the Preservation of Historic Monuments Inevitable? The French Case," *Journal of Cultural Economics*, 20(2), 1996, pp. 115-31.

ABSTRACT: There is a permanent expansion of the number of sites or properties listed as historic monuments in France. This expansion and the lack of productivity gains in the sector of restoration lead, within a stable economy, to an ever greater proportion of the national income being earmarked for upkeep and restoration. Hence, the number of monuments to be subsidized grows. The policy does not include any mechanism of regulation. Ironically, laws governing this area have the effect of precipitating cost increases. Three possible alternatives are considered: appeals for sponsorship, merchandising, delisting.

Bessler, Wolfgang; Kaen, Fred R.; Kurmann, Philipp; Zimmermann, Jan, "The Listing and Delisting of German Firms on NYSE and NASDAQ: Were There Any Benefits?," *Journal of International Financial Markets, Institutions and Money*, 22(4), October 2012, pp. 1024-53.

ABSTRACT: From 1990 through 2005 18 German firms listed their shares in the U.S. in the hopes of increasing their market values and lowering their cost of capital. We examine whether these anticipated benefits materialized and find the companies obtained no valuation benefits from their listings. The absence of valuation benefits may explain why 13 firms have delisted since 2006 once Rule 12h-6 was adopted that enabled firms to delist without having to continue to file reports with the SEC. Other factors were the passage of SOX, changes in German corporate governance laws and the emergence of alternative trading platforms.

Blay, Allen D.; Geiger, Marshall A., "Market Expectations for First-Time Going-Concern Recipients," *Journal of Accounting, Auditing and Finance*, 16(3), Summer 2001, pp. 209-26.

ABSTRACT: Prior research on market reaction to going-concern modifications indicates that unanticipated modifications cause a negative market reaction, whereas anticipated modifications produce no similar reaction. This paper uses previously proposed measures of market expectations and a naive model--actual subsequent viability status--to assess market reaction to going-concern report recipients. Our results indicate that a naive measure of market expectations provides information to the market that is incremental to previously developed measures when using market reaction as an indication of changed expectations. Multiple regression analyses controlling for firm size, going-concern expectation, bankruptcy probability, changes in financial condition, default status, and delisting support our finding of differential abnormal returns based on subsequent viability, and indicate a need for improved models of market expectations.

Boynton, Wentworth; Oppenheimer, Henry R., "Anomalies in Stock Market Pricing: Problems in Return Measurements," *Journal of Business*, 79(5), September 2006, pp. 2617-31.

ABSTRACT: We study four asset pricing anomalies: market size, contrarian, momentum, and book-to-market premia. We first control for two biases. We control for delisting effects, which create a survivorship bias. We then control for microstructure distortions from the bid-ask

spread bounce, which upwardly biases returns when the bid-ask spreads are large. We find that these two biases account for a substantial portion of the market size, contrarian, and book-to-market anomalies. While these bias effects are substantial, they do not invalidate the anomalies. Controlling for bias, the momentum premium strengthens.

Bristow, Duke K.; King, Benjamin D., "Regulatory Risk Including Unintended Outcomes: Examining the Effects of SOX and the Trans-Atlantic IPO Markets," *Journal of Financial Transformation*, 0(22), March 2008, pp. 163-70.

ABSTRACT: Regulatory risk, including unintended outcomes, presents a clear and present danger to investors. The Sarbanes-Oxley Act (SOX) significantly impacts entrepreneurs and their investors and constitutes the largest addition to U.S. federal securities laws since the Great Depression. Recent research indicates that, on balance, SOX negatively impacts U.S. and non-U.S. firms seeking U.S. investors, especially smaller firms. Negative SOX impacts were grossly underestimated. Section 404 was estimated at U.S.\$91,000 per firm but actual costs were U.S.\$3.8 million per firm--an over 40-fold mistake costing investors over U.S.\$50 billion on just one section of SOX. Research on aggregate net impacts, including large indirect costs, indicates that the U.S. market lost over U.S.\$1 trillion around key SOX events. To these enormous, unintended, and underestimated costs, this paper adds a new and perhaps more serious unintended outcome of the SOX risk. This paper is the first to estimate that U.S.-based initial public offering (IPO) activity appears to have had a net shortfall of approximately 1,650 U.S. IPOs in the post-SOX era. Furthermore, SOX increases delistings, adversely affects cross-listing activity, and has played a role in the rise of London's Alternative Investment Market Exchange (AIM) listings. However, the rise in London only partially offsets the fall in the U.S. Thus, SOX presents a new potent variety of regulatory risk that contributes to a decline in the preeminence of the U.S. financial markets and the ascendancy of the AIM, with a likely net loss to future global growth and innovation.

Carpentier, Cecile; Suret, Jean-Marc, "The Survival and Success of Canadian Penny Stock IPOs," *Small Business Economics*, 36(1), January 2011, pp. 101-21.

ABSTRACT: We analyze the survival and success of a large sample of Canadian penny stock initial public offerings (IPOs), launched mostly by small and unprofitable firms from 1986 to 2003. The failure rate of these IPOs is lower than in the US for larger IPOs, probably because of lax delisting rules and the market's capacity to refinance non-profitable firms. The survival of new issuers is significantly associated with their characteristics at the IPO and with the level of initial listing requirement they meet. The involvement of reputable intermediaries in the IPO process mitigates this effect. Success, estimated by the graduation to a senior exchange, is not linked to the financial conditions at the IPO. Overall, Canada seems to have developed a particular strategy to finance the growth of small firms even if the propensity to fail of firms listed at a pre-revenue stage is very high.

Carverhill, Andrew; Chan, Alex W. H., "Jardine Matheson Group's Delisting from the Stock Exchange of Hong Kong: Evidence on International Market Integration/Segmentation," *Review of Pacific Basin Financial Markets and Policies*, 9(2), June 2006, pp. 213-28.

ABSTRACT: In 1994-1995, Jardine Matheson Group delisted its five major group members from

the Stock Exchange of Hong Kong, so that their trading was transferred to Singapore. We document that the trading volume of these five stocks fell after the delisting, and that they became less correlated with the Hong Kong market. We use a multivariate GARCH framework, which also allows us to present the correlations dynamically. We argue that this is evidence in favor of international market segmentation, since the delisting was not associated with a change in the business strategy of the Group.

Chan, Kalok; Hameed, Allaudeen; Lau, Sie Ting, "What If Trading Location Is Different from Business Location? Evidence from the Jardine Group," *Journal of Finance*, 58(3), June 2003, pp. 1221-46.

ABSTRACT: We examine the price behavior and market activity of the Jardine Group companies after they were delisted from Hong Kong in 1994. Although the trading activity of the Jardine Group moved to Singapore, the core businesses remained in Hong Kong and Mainland China. Evidence indicates the Jardine stocks are correlated less (more) with the Hong Kong (Singapore) market after the delisting. This result cannot be explained by various hypotheses, such as relocation of core business, time-varying betas, migration of trading activity, and currency and tax distortions. We conclude that price fluctuations are affected by country-specific investor sentiment.

Chandy, P. R.; Sarkar, Salil K.; Tripathy, Niranjana, "Empirical Evidence on the Effects of Delisting from the National Market System," *Journal of Economics and Finance*, 28(1), Spring 2004, pp. 46-55.

ABSTRACT: This study analyzes empirical evidence related to changes in market value and liquidity characteristics of stocks, which are delisted from the National Market System (NMS) due to an elevation of NMS listing standards. Our results are thus relatively independent of the financial conditions of the firms prior to delisting. We document significant increase in bid-ask spreads and decrease in trading volume after delisting. A significant negative stock price reaction around the delisting announcement period is also observed. Both sets of findings suggest that delisting from NMS increases a firm's cost of capital by adversely affecting the liquidity of its stock.

Chaplinsky, Susan; Ramchand, Latha, "What Drives Delistings of Foreign Firms from U.S. Exchanges?," *Journal of International Financial Markets, Institutions and Money*, 22(5), December 2012, pp. 1126-48.

ABSTRACT: We examine time dependency in the factors motivating delistings of foreign firms from major U.S. Exchanges over the period 1962-2006. For firms listing before Sarbanes-Oxley (SOX), we find that governance has no significant effect on delisting but after SOX, it becomes one of the main forces driving delisting. For firms whose delisting decision is most likely attributable to SOX, we find they realize low benefits from listing--they originate from countries with strong home market governance, and from listing onward realize low trading volume, analyst coverage, and make little use of capital raising. Our results suggest that SOX has had a large influence on the benefits seek from a U.S. listing, leading firms from well governed countries and low capital raising needs to delist.

Chen, Huafeng (Jason), "Firm Life Expectancy and the Heterogeneity of the Book-to-Market Effect," *Journal of Financial Economics*, 100(2), May 2011, pp. 402-23.

ABSTRACT: I argue that the reason the book-to-market effect is stronger in small stocks is because smaller stocks generally have shorter life expectancy and therefore shorter equity duration. I build a model in which the book-to-market effect is stronger in stocks with shorter life expectancy. Empirically, I use delisting probability as my proxy for life expectancy. The data support my model's central prediction and its additional implications for stock return and variance. My results provide a rational explanation for the heterogeneity of the book-to-market effect, evidence previously taken as support for behavioral explanations.

Cheng, Ping; Lin, Zhenguo; Liu, Yingchun, "Property Delisting, Housing Cycle and Pricing Bias," *Journal of Housing Economics*, 20(2), June 2011, pp. 152-57.

ABSTRACT: This paper provides a formal analysis on a well-known issue of the housing market--observable transaction prices are a biased indication of the true market condition if significant numbers of listed properties are delisted without sale. We provide a closed-form formula to identify and correct such pricing bias. The model can help market participants and policy makers to form less biased views of the true state of the housing market, especially during the down cycles.

Chou, Pai-Lung; Chi, Tsung-Li, "Enterprises Distress Duration of China's Stock Market: Evidence from Shanghai and Shenzhen ST Companies," *Empirical Economics Letters*, 7(2), February 2008, pp. 223-30.

ABSTRACT: The "special treatment" (ST) regulation in China's stock market provides investors an announcement of financial distress companies. Research on China's listed companies label as ST companies applies absorbing Markov chain to estimate the ST companies' duration those who either recall ST label or delisting in the future. Results show that the accuracy ratio could be higher than 90.4%; and the financial distressed companies estimated by absorbing Markov chain can exactly approximate the actual failed companies. Finally, we hope to provide valid quantitative recommendation about risk assessment of China's listed companies.

Chou, Pin-Huang; Chou, Robin K.; Ko, Kuan-Cheng, "Prospect Theory and the Risk-Return Paradox: Some Recent Evidence," *Review of Quantitative Finance and Accounting*, 33(3), October 2009, pp. 193-208.

ABSTRACT: There is extensive evidence indicating a negative risk-return relation when a firm's performance is measured based on accounting measures such as return on asset (ROA) and return on equity (ROE). Previous studies show that the risk-return paradox can be explained by the prospect theory, which predicts that managers' risk attitudes are different for firms of different performances. However, those studies mostly use earlier data from the COMPUSTAT database, which suffers from a survivorship bias. Failure to account for delisting firms may understate the risk-return relation. We reexamine the mixture of risk-seeking and risk-averse behaviors based on an updated 20-year sample period that is free from the survivorship problem. Interestingly, our results show stronger and robust evidence supporting the prospect theory during the period from 1984 to 2003.

Clyde, Paul; Schultz, Paul; Zaman, Mir, "Trading Costs and Exchange Delisting: The Case of Firms That Voluntarily Move from the American Stock Exchange to the Nasdaq," *Journal of Finance*, 52(5), December 1997, pp. 2103-12.

ABSTRACT: The authors examine forty-seven stocks that voluntarily left the American Stock Exchange from 1992 through 1995 and listed on the NASDAQ. They find that both effective and quoted spreads increase by about 100 percent after listing on the NASDAQ. These spread changes are consistent across stocks. In contrast, excess returns are positive when firms announce a switch from the American Stock Exchange to the NASDAQ. The authors are unable to explain this apparent contradiction.

Corwin, Shane A.; Harris, Jeffrey H., "The Initial Listing Decisions of Firms That Go Public," *Financial Management*, 30(1), Spring 2001, pp. 35-55.

ABSTRACT: We analyze the initial listing decisions of IPOs that qualify for New York Stock Exchange listing. We find that IPOs are more likely to list on the exchange where their industry peers are listed. Further, reverse LBOs and carveouts are more likely to choose the NYSE if the firm or their parent was previously NYSE-listed. Consistent with avoidance of delisting costs, we find that smaller, riskier firms tend to list on Nasdaq. Although direct issue costs are higher on the NYSE than on Nasdaq, total issue costs do not differ across exchanges and are unlikely to affect the listing decision.

Dahiya, Sandeep; Klapper, Leora, "Who Survives? A Cross-Country Comparison," *Journal of Financial Stability*, 3(3), October 2007, pp. 261-78.

ABSTRACT: How capital structure, dividend policy, and corporate governance vary across countries has been the focus of recent studies, but how resources are reallocated in response to poor performance has not received as much attention. This paper argues that the market for corporate control and the formal bankruptcy/liquidation processes of a country are two key mechanisms through which corporate assets are reallocated. Ideally, an economy would only allow the best users of economic resources to retain the right to use those assets and any sub-optimal use would result in either a take-over by a more proficient owner or an asset sale. We present evidence that equity market delistings occur more frequently in countries with strong shareholder rights. Furthermore, both strong creditor and shareholder rights increase the use of bankruptcy, relative to acquisitions, as a mechanism to resolve financial distress. We also present some evidence that these mechanisms are not as effective in Japan.

Daugherty, Mary; Georgieva, Dobrina, "Foreign Cultures, Sarbanes-Oxley Act and Cross-Delisting," *Journal of Multinational Financial Management*, 21(4), October 2011, pp. 208-23.

ABSTRACT: Using a sample of foreign firms listed in U.S. and delisting shares over the period 2000 and 2010, this paper studies the impact of Sarbanes-Oxley Act (SOX) on the cross-delisting behavior of foreign firms based on the firm characteristics, legal tradition, overall culture, and degree of individualism of the country of domicile. Pre-SOX, the propensity to delist is lower for firms from countries with cultural similarities to the U.S. and higher for firms from individualistic societies. Post-SOX these trends are reversed. Consistent with the existing research we find that the delisting decision of foreign firms cross-listed in the U.S. is based on the potential gains from listing based on the growth opportunities, length of presence in the

U.S. and legal regulations of the country of domicile. Our findings provide evidence of the cultural factors that impact the competitiveness of U.S. capital markets.

De, Soumendra; Jindra, Jan, "Why Newly Listed Firms Become Acquisition Targets," *Journal of Banking and Finance*, 36(9), September 2012, pp. 2616-31.

ABSTRACT: We study the operating, financial, and ownership structure characteristics of newly listed firms which become acquisition targets shortly after their initial public offerings. We examine whether such firms get acquired because of their successful performance or as an alternative to delisting. We find that firms, which do relatively well in terms of operating as well as stock performance and attract institutional investor interest, draw the attention of acquirers. Furthermore, we observe that investments made by newly listed target firms do not destroy shareholder value and have comparable profitability to investments made by newly listed firms which grow by acquisitions. Overall, firms acquired shortly after listing are on a growth trajectory similar to that of surviving firms.

Desai, Hemang; Krishnamurthy, Srinivasan; Venkataraman, Kumar, "Do Short Sellers Target Firms with Poor Earnings Quality? Evidence from Earnings Restatements," *Review of Accounting Studies*, 11(1), March 2006, pp. 71-90.

ABSTRACT: We study the behavior of short sellers around earnings restatements. We find that short sellers accumulate positions in restating firms several months in advance of the restatement and subsequently unwind these positions after the drop in share price induced by the restatement. The increase in short interest is larger for firms with high levels of accruals prior to restatement. We document that heavily shorted firms experience poor subsequent performance and a higher rate of delisting. Overall, these results suggest that the motive for short selling is, at least in part, related to suspect financial reporting and that short sellers pay attention to information being conveyed by accruals.

Dewenter, Kathryn L.; Kim, Chang-Soo; Novaes, Walter, "Anatomy of a Regulatory Race to the Top: Changes in Delisting Rules at Korea's Two Stock Exchanges, 1999-2002," *Journal of Corporate Finance*, 16(4), September 2010, pp. 456-68.

ABSTRACT: One dimension of competition among stock exchanges is the quality of products they have to offer. In order to attract listings and trading volume, exchanges can affect the quality of their listed firms by altering their standards for firm disclosure and governance. We identify a competition with respect to delisting standards between Korea's two stock exchanges and show that it complies with the three components of a regulatory race to the top: external trigger, mobility among diverse regimes, and meaningful changes that converge to similar rules. The race between the two Korean exchanges ended with stricter rules and better protected minority shareholders. The race also ended, however, with neither exchange gaining market share with respect to trading volume or new listings. Korea's experience, therefore, suggests a reason why these races are rare. In the absence of an external trigger, exchanges will be reluctant to enter a race if they think it will result in rule convergence and no winner.

D'Souza, Frank; Fletcher, Harold; Ionici, Octavian, "Equity Market Timing and Subsequent Delisting Likelihood," *International Journal of Business and Finance Research*, 5(2), 2011, pp.

85-94.

ABSTRACT: Timing the market for equity is an accepted practice by managers who in theory have the best interests of current shareholders in mind. It is clear that by using their superior information, managers can indeed successfully issue overvalued equity to the new shareholders. Recent research has determined that some firms do well after a market timed issue, while others underperform. The post-issue performance is linked to the investment opportunity set of the issuing firms as well as their choice of investments. In general, firms without good investment options will perform poorly. We extend this line of research by studying the post-issue delisting pattern of market timing firms and the two subsets. Specifically, we research whether firms that mistakenly time the market for equity are more likely to compromise their future and get delisted (through acquisitions, bankruptcies etc.) in the immediate future than those firms that have a use for the funds. Using logistic regression models, we show that firms that are market timing firms and that lack good investment opportunities are indeed more likely to get delisted, strengthening the growing argument that equity market timing does not always result in shareholder benefit.

Eisdorfer, Assaf, "Delisted Firms and Momentum Profits," *Journal of Financial Markets*, 11(2), May 2008, pp. 160-79.

ABSTRACT: I find that approximately 40 percent of the momentum profit is generated by delisting returns. Most of the delisting-profit is derived from bankrupt firms, while merged firms have a minor effect on the momentum profitability. I further show that ex-ante, firms with high likelihood to go bankrupt exhibit stronger momentum, and firms with high likelihood to be merged exhibit weaker momentum; and that almost the entire profits of these bankruptcy- and merger-candidates strategies are generated by delisting returns. These findings have implications on the size and the implementability of momentum.

Ferris, Stephen P.; Jayaraman, Narayanan; Sabherwal, Sanjiv, "Characteristics and Behavior of Newly Listed Firms: Evidence from the Asia-Pacific Region," *Journal of International Financial Markets, Institutions and Money*, 17(5), December 2007, pp. 420-36.

ABSTRACT: We examine the size, profitability and delisting experience during 1980-1999 of new lists in the Pacific Basin countries. We also examine the impact of the legal environment on post-listing behavior. We find that new lists are more numerous in common law countries. They are smaller than seasoned firms, regardless of legal regime. New lists are more profitable in civil law countries, but this is due to the high profitability of Japanese new lists. Asian new lists have lower rates of delisting compared to U.S. firms. The delisting frequency of seasoned firms exceeds that of new lists for our sample countries.

Fungacova, Zuzana; Hanousek, Jan, "Determinants of Firm Delisting on the Prague Stock Exchange," *Prague Economic Papers*, 20(4), December 2011, pp. 348-65.

ABSTRACT: This research investigates the emergence of a stock market in the Czech Republic. We use Czech mass privatization as an experiment that allows us to analyze under what conditions a viable stock market arises. On the Prague Stock Exchange (PSE), unlike its counterparts in Poland or Hungary, exceptionally large amounts of shares were delisted e.g. excluded from public trading soon after trading at this market began in 1993. We estimate the

determinants of shares delisting, analyzing the period 1993-2004. Using firm-level data on listed and delisted companies we show that it was possible to prevent massive delisting if certain pre-privatization and privatization characteristics of the companies had been taken into account when deciding which companies to place on the stock exchange for public trading following the mass privatization. This result has important implications for establishing stock markets in emerging economies.

Goble, Dale D., "The Endangered Species Act: What We Talk about When We Talk about Recovery," *Natural Resources Journal*, 49(1), Winter 2009, pp. 1-44.

ABSTRACT: The objective of the Endangered Species Act is to recover species that are at risk of extinction. The drafters of the Act shared a widely held assumption that recovery would follow an orderly progression: species at risk of extinction would be identified, the factors placing them at risk would be determined, the conservation methods needed to eliminate the threats would be determined and implemented at the biologically relevant scale, and the species would be recovered to a point at which it could be delisted as a self-sustaining wild population. The only protection the species might continue to require would be available through already existing regulatory mechanisms. The reality has proved far more complex. Conceptually, recovery requires an assessment of the risk (the probability of extinction over some period of time) facing the species and an ethical/policy judgment on the acceptability of that risk. The federal wildlife agencies have only recently begun to address these factors explicitly. As a result, the best information of what "recovery" means are the decisions delisting species as recovered. The pattern that emerges from an examination of delisting decisions reveals two distinguishable factors. The first is a biological or demographic component that is met when a species has sufficient numbers and is sufficiently dispersed to reduce the risk from stochastic events to a reasonable level. The second factor focuses on risk management: are there sufficient conservation-management mechanisms to provide reasonable assurances that the removal of the Endangered Species Act's protection will not jeopardize the species? The agency implicitly evaluates the acceptability of both elements of risk under a reasonableness rubric. The application of these standards in delisting decisions has become increasingly minimalistic over the past eight years.

Hansen, Bowe; Pownall, Grace; Wang, Xue, "The Robustness of the Sarbanes Oxley Effect on the U.S. Capital Market," *Review of Accounting Studies*, 14(2-3), September 2009, pp. 401-39.

ABSTRACT: We examine the incidence of new listings and delistings on U.S. stock exchanges and firms' propensity to delist, as a function of general market conditions, firm fundamentals, and the costs of compliance with the Sarbanes Oxley Act (SOX). We find that both general market conditions and firm fundamentals explain the delisting incidence and firms' delisting decisions; while SOX variables are positively associated with firms' delisting likelihood only when general market conditions are not included in the analyses. Further analyses on the population partitioned into size quintiles suggest that the passage of SOX was not associated with an increase in the likelihood of delisting for any size quintile of firms and that the implementation of SOX section 404 is positively associated with the delisting likelihood for midsized and larger firms. Our empirical evidence is useful to regulators as they consider changes in the imposition and implementation of SOX section 404.

Harris, Trevor S., "Discussion of "The Robustness of the Sarbanes Oxley Effect on the U.S. Capital Market"," *Review of Accounting Studies*, 14(2-3), September 2009, pp. 440-52.

ABSTRACT: In this paper, I use anecdotal evidence and logical reasoning to suggest that, despite the use of an extensive database, it is not possible to conclude that passage of the Sarbanes Oxley Act did not have an impact on companies' delisting decisions. Moreover, the instrumental variables used to proxy for SOX effects are too weak and suffer from a significant endogeneity problem given that passage of SOX was driven by many of the economic and control problems that are used to control for market and company factors. I also discuss some broader issues about the trade-off between large sample statistical inference and anecdotal analysis for addressing practical questions.

Jarrell, Gregg A.; Poulsen, Annette B., "Dual-Class Recapitalizations as Antitakeover Mechanisms: The Recent Evidence," *Journal of Financial Economics*, 20(1/2), January-March 1988, pp. 129-52.

ABSTRACT: The authors report evidence on shareholder wealth effects of ninety-four firms recapitalizing with dual classes of common stock with disparate voting rights. They find significant, negative abnormal stock price returns at the announcement of the dual-class recapitalization. When they consider recapitalizations separately announced since the NYSE imposed a moratorium in June 1984 on the delisting of companies with dual classes of equity, the authors find significant, negative abnormal returns as compared with insignificant returns in the earlier period. Those firms recapitalizing from June 1986 through May 1987 experienced the most significant negative returns observed.

Lamba, Asjeet S.; Khan, Walayet A., "Exchange Listings and Delistings: The Role of Insider Information and Insider Trading," *Journal of Financial Research*, 22(2), Summer 1999, pp. 131-46.

ABSTRACT: We examine whether insiders systematically exploit their private information before exchange listings and delistings about which they are likely to know before outsiders/investors. Analyzing a comprehensive sample of over-the-counter (OTC) firms, which list on the New York Stock Exchange (NYSE) or American Stock Exchange (AMEX) during 1977-93, we find evidence that insiders act upon their private information of an impending exchange listing by purchasing, or postponing the sale, of stock on private account. For firms delisting from the NYSE or AMEX, we find that insiders of these firms sell stock on private account prior to delisting. Overall, the evidence indicates that insiders act on their private information before exchange listings and delistings.

Leone, Andrew J.; Rice, Sarah; Weber, Joseph P.; Willenborg, Michael, "How Do Auditors Behave during Periods of Market Euphoria? The Case of Internet IPOs," *Contemporary Accounting Research/Recherche Comptable Contemporaine*, 30(1), Spring 2013, pp. 182-214.

ABSTRACT: How do auditors behave during periods of market euphoria? To address this question, we study auditor going-concern opinions around the time of the wave of stressed Internet companies filing to go public on NASDAQ, a period many characterize as the "dotcom bubble". We focus on the day the auditor signed the opinion in a stressed, Internet registrants' IPO filing, and we document a sharp increase in the number of audit opinions with dates

between January 1999 and April 2000. Contemporaneous with this jump in transaction volume, and for the duration of these 16 months, Big 5 firms were less likely to render going-concern opinions to their stressed, Internet IPO registrant clients. Upon conducting tests for determinants that could lead auditors to shift their decision criteria during this euphoric audit market, we find the presence of a going-concern opinion varies with variables that proxy for client reasons (financial distress, company age, venture backing, IPO cash burn) and for less auditor independence/skepticism (recent fees for clients without venture backing and a rush to market for clients with venture backing) by the Big 5. These findings suggest a mixed conclusion regarding the Big 5's behavior, as the presence of a going-concern opinion varies inversely with variables that proxy for both client viability and auditor self-interest. As for consequences to investors, our analysis of two-, three-, and four-year post-IPO stock delistings provides some evidence of a decrease in the predictive content (early warning value) of Big 5 opinions signed during the Internet IPO bubble.

Li, Edward Xuejun; Ramesh, K.; Shen, Min, "The Role of Newswires in Screening and Disseminating Value-Relevant Information in Periodic SEC Reports," *Accounting Review*, 86(2), March 2011, pp. 669-701.

ABSTRACT: We examine the role of newswires in identifying and conveying market-moving information in periodic SEC reports to capital market participants. Using data on Dow Jones Newswires, we find that newswires are more likely to send alerts on firms that do not release preliminary earnings, have credit ratings, are included in major market indices, have litigation exposure, or report losses. Reflective of the market's focus on certain key events, firms with a nonstandard audit opinion, in the process of delisting, reporting unusual accounting items, or raising equity capital also receive alerts. Moreover, not only do we find significant price and volume reactions to the alerts at the daily level, but also we document immediate intra-day market activity triggered by the alerts, whereas we detect no similar reaction for SEC filings that trigger the alerts. Additional analysis suggests that the intra-day reaction is not driven by noise trading.

Liu, Jia; Lister, Roger; Pang, Dong, "Corporate Evolution Following Initial Public Offerings in China: A Life-Course Approach," *International Review of Financial Analysis*, 27(0), April 2013, pp. 1-20.

ABSTRACT: We study the determinants of firms' post-IPO trajectory in terms of three outcomes: delisting; acquisition with change of corporate control; and acquisition without such change. Our risk assessment models examine some historical and some current information. Variables cover the perspectives of the issue itself, the issuer, investors, the industry and corporate control, the last being of particular interest in a mixed economy such as China. We find that delisting is predominantly influenced by issue-specific information, by the issuer's financial status leading up to the eventual outcome, and by corporate ownership and governance structure. Acquisition with and without change of control differs most significantly according to industry features, ultimate state ownership, divergence of cash flow rights and control rights, and the extent of board independence. Centrally we find that the trajectory is shaped by corporate control considerations. We conclude that the after-market outcomes are mixed consequences of market selection and government control.

Liu, Shinhua, "The Impacts of Involuntary Foreign Delistings: An Empirical Analysis," *Journal of Emerging Markets*, 10(3), Fall-Winter 2005, pp. 22-39.

ABSTRACT: This study investigates for the first time the effects of involuntary foreign delistings from the U.S. stock exchanges. Upon announcement of delisting, prices drop a significant 4.5% permanently. The price effects do not seem to differ significantly by various measures of differential market segmentation and indirect investment barriers. We explore further explanations for the permanent price drop, including changes in risks, liquidity, and demand, and show that the price effects are consistent with the downward sloping demand curve hypothesis. Finally, the price drop is appreciably smaller than that reported by previous studies for purely domestic delistings.

Liu, Shinhua; Stowe, John D., "The Shareholder Wealth Effects of Voluntary Foreign Delistings: An Empirical Analysis," *Applied Financial Economics Letters*, 1(4), July 2005, pp. 199-204.

ABSTRACT: This study investigates the shareholder wealth effects of voluntary foreign delistings for the first time using a sample of US firms delisted voluntarily from Japan. Using conventional event study methodology, no significant price changes are found following the delisting events, consistent with the voluntary nature of the delistings and the public information nature of the delisting reasons cited, i.e., small number of shareholders and low trading volume for the dually-listed stocks in the host market. Nonetheless, stock prices, on average, do seem to drop gradually over time, in line with possible liquidation of the to-be-delisted stocks around the events.

Liu, Shinhua; Stowe, John D.; Hung, Ken, "Why U.S. Firms Delist from the Tokyo Stock Exchange: An Empirical Analysis," *International Review of Economics and Finance*, 24(1), October 2012, pp. 62-70.

ABSTRACT: We investigate possible reasons for voluntary delistings by U.S. firms from the Tokyo Stock Exchange from 1982 to 2005. We find that the small shareholder base, as measured by low turnover, for U.S. stocks in Japan helps to explain the voluntary foreign delistings. This finding is consistent, from the converse, with the foreign listing literature, which cites enhanced shareholder base and liquidity as two of the reasons for foreign listing. Further investigations rule out the sample firms' financial and operating performances, including the percentage of export sales, as a likely reason for the low turnover and, thus, the voluntary foreign delistings.

Macey, Jonathan; O'Hara, Maureen; Pompilio, David, "Down and Out in the Stock Market: The Law and Economics of the Delisting Process," *Journal of Law and Economics*, 51(4), November 2008, pp. 683-713.

ABSTRACT: Since 1995, more than 9,000 firms have delisted from U.S. stock markets, with almost half of these being involuntary. This paper examines the law and economics of the delisting process. We examine economic rationales for delisting, the legal rules that define it, and the causes of delisting. Using a sample of New York Stock Exchange firms delisted in 2002, we examine the effects of their delisting and subsequent trading on the Pink Sheets. We find huge costs to delisting, with percentage spreads tripling and volatility doubling but with volume being remarkably high. We also show that actual delisting times vary considerably, with some

firms trading for months after failing the listing requirements. With exchanges transitioning to profit-seeking status, we argue that the current delisting process also needs to change, and we suggest properties of an optimal delisting rule and approaches to achieve it.

Manchanda, Shashank, "Price and Volume Effects of Voluntary Delisting in India," *Indian Journal of Finance*, 6(5), May 2012, pp. 41-50.

ABSTRACT: This paper presents an empirical analysis of stock exchange delisting in India. Volume and wealth effects of such a delisting are investigated using data of 41 stocks voluntarily delisted from NSE, BSE and CSE. There is an increase in trading volume and decline in the firm's value after the announcement. The paper further shows that delisting from NSE\BSE leads to a decline in shareholders' wealth by 12.01% over the entire event window. Delisting from CSE does not elicit such a decline in value and the overall effect on firm value after CSE delisting is insignificant.

Martinez, Isabelle; Serve, Stephanie, "The Delisting Decision: The Case of Buyout Offer with Squeeze-Out (BOSO)," *International Review of Law and Economics*, 31(4), December 2011, pp. 228-39.

ABSTRACT: In this paper, we exploit the specificity of going-private transactions that are initiated by the historic controlling shareholders (i.e., voluntary delistings). In Continental Europe, the majority of firms that become private do so following a buyout offer with squeeze-out (BOSO); using this mechanism, the controlling shareholder can cash out minorities and take the firm private. We argue that the decision to go private results from a cost-benefit analysis. Moreover, we pay particular attention to the consequences and the related costs of compliance resulting from the passage of the French Financial Security Law (FSL) in 2003. A quantitative study was performed using a unique dataset spanning 1997-2006. This data set consists of 140 French firms, of which 70 were voluntarily delisted via BOSO and 70 were industry-matched control firms. Univariate analysis and logistic regressions support the cost-benefit analysis: when listing benefits decrease because of weak liquidity and/or weak analyst coverage, it seems better for the firm to go private. Furthermore, the inherent characteristics of delisted firms (i.e., performance, leverage, and risk as measured by the beta factor) appear to be important driving factors of delisting. The passage of the FSL has strengthened the impact of these characteristics on the decision to go private. Mature firms that have weak performance and low specific risk and that are not financially constrained by debt will decide to go private because they cannot afford the listing status anymore. Finally, we show that the driving factors of delisting differ according to the identity of the controlling shareholder; specifically, the level of risk appears to be the strongest determinant for family firms, while non-family firms also consider their own financial structure.

Maxwell, Winston; Vernet, Frederic, "Access Issues Raised by Internet Portals," *Communications and Strategies*, 0(36), 4th Quarter 1999, pp. 237-53.

ABSTRACT: In a period of consolidation and convergence in the Internet industry, Internet portal sites raise both competition and access issues. After defining the Internet portal, the article reviews some anticompetitive practices that may occur in the portal business (access to directories, Microsoft "channel bar", electronic program guide, electronic commerce platform,

intellectual property rights related to search engines). While keeping in mind the highly open and competitive nature of Internet, the article considers the possibility for a portal holding a dominant position to be liable for "abusive listing and delisting" of Internet sites. Finally, the article considers the risk of a user's choice of portal being restricted by the operator of the local loop, through techniques such as "hard-wiring" a particular portal to the ISP and local loop.

Meera, Ahamed Kameel; Tripathy, Niranjana; Redfearn, Michael R., "Wealth and Liquidity Effects of Stock Delistings: Empirical Evidence from the Stock Exchanges of Singapore and Malaysia," *Applied Financial Economics*, 10(2), April 2000, pp. 199-206.

Neill, John D.; Perfect, Steven B.; Wiles, Kenneth W., "The Time-Series Behavior of IPO Betas," *Review of Quantitative Finance and Accounting*, 13(3), November 1999, pp. 261-76.

ABSTRACT: We examine individual IPO betas and provide further evidence that the documented decline in IPO betas results primarily from a seasoning or information effect and not from the delisting of high beta securities. We employ stochastic coefficient regression analysis which permits the estimation of individual IPO betas at all points in time, and therefore avoids disadvantages associated with grouped cross-sectional beta estimates and average individual time-series beta estimates. We find that IPO firms with the lowest betas are more likely to delist, and that individual IPO betas, on average, decline over time which provides support for the information hypothesis.

Nielsson, Ulf, "Do Less Regulated Markets Attract Lower Quality Firms? Evidence from the London AIM Market," *Journal of Financial Intermediation*, 22(3), July 2013, pp. 335-52.

ABSTRACT: The paper examines whether the moderately regulated London AIM market is at a disadvantage in attracting high quality firms. The results show that firms listed on AIM are of the same quality level as firms listed in the US and in Continental Europe, albeit smaller in size. Furthermore, the delisting and valuation pattern is the same across markets, whereas AIM listed firms raise relatively more capital. Thus, rather than catering to low quality firms seeking to conceal their type, the AIM market attracts small firms that--due to size--face disproportional regulatory costs, but are otherwise equivalent to firms listing in more regulated markets.

Ning, Yixi; Davidson, Wallace N., III; Zhong, Ke, "The Variability of Board Size Determinants: An Empirical Analysis," *Journal of Applied Finance*, 17(2), Fall-Winter 2007, pp. 46-61.

ABSTRACT: We use a sample of randomly selected CRSP-listed firms to explore the cross-sectional determinants of corporate board size. We find that the average number of directors on boards differs significantly across industries. Further evidence indicates that these differences are jointly and significantly determined by a variety of director, CEO, ownership, and firm-specific variables across industries. The determinants of board size also vary substantially across surviving and delisting firms, regulated and unregulated companies, firms in financial distress, and bankrupt firms. Our models explain as much as 52% of the observed variation in board size. The cross-sectional variation in board size is driven by various economic forces. Therefore, understanding the choice of board structure requires a thorough examination of the associated costs and benefits for individual firms.

Palmrose, Zoe-Vonna; Scholz, Susan, "The Circumstances and Legal Consequences of Non-GAAP Reporting: Evidence from Restatements," *Contemporary Accounting Research/Recherche Comptable Contemporaine*, 21(1), Spring 2004, pp. 139-80.

ABSTRACT: Our study examines the circumstances of non-GAAP financial reporting by 492 U.S. companies that announced restatements from 1995 to 1999. We focus on income statements to analyze the occurrence and resolution of litigation over restatements and explore the role of accounting items in bringing and resolving this litigation. We provide evidence on the pervasiveness of accounting misstatements, describe their nature, and show how, if at all, they affect litigation. We assess the nature of restatements by determining whether regular, recurring earnings from primary operations (core) or other components of earnings (noncore) are misstated, and we assess their pervasiveness by estimating the number of primary accounts misstated. In our sample, companies with core restatements have higher frequencies of intentional misstatements (fraud) and subsequent bankruptcy or delisting. Likewise, these companies have, on average, more material misstatements, more negative security price reactions to restatement announcements, and more negative security price changes over the six months preceding and following restatement announcements. However, controlling for these and other factors, we find a significant association between accounting items and litigation, whether occurrences or resolutions. Specifically, core restatements--driven primarily by misstatements of revenue, a component of core earnings--and more pervasive restatements each play a role, while misstatements of noncore earnings alone do not.

Pellegrini, Luca, "Structural Implications of Vertical Relationships between Manufacturing and Retailing," *Economia dei Servizi*, 3(2), May-August 2008, pp. 225-36.

ABSTRACT: The paper reviews the implications of vertical relationships in the fast moving consumer goods markets. Concentration in retailing has changed the balance of power between large brand manufacturers and retailers, making effective the countervailing power that Galbright pointed out in his 1952 book. Through the allocation of space in their stores and selective delisting of products from their assortments, large retailers can obtain lower prices from their suppliers which are then passed on to consumers. Rents obtained by brand manufacturers are reduced and, to improve their margins, they are also lead to dealing more aggressively with their own suppliers. In this way, competition in retailing spills over vertically and improves the efficiency of the entire value chain. Moreover, retailers also challenge the market power of their suppliers offering consumers their own brands. This plays as an indirect stimulus to innovation as manufacturers have to propose new products to make more difficult to retailers to copy existing ones and obtain part of their market. Therefore, it is emphasized how a competitive retail system has widespread implications on the overall efficiency of the economy.

Pfister, Matthias; von Wyss, Rico, "Delistings of Secondary Listings: Price and Volume Effects," *Financial Markets and Portfolio Management*, 24(4), December 2010, pp. 395-418.

ABSTRACT: Despite their growing importance in recent years, delistings of secondary listings have received very little attention. This article investigates whether a delisting is accompanied by any price or volume effects on the company's primary exchange. We apply a standard event study methodology to analyze these effects. The total sample consists of 255 companies that

either delisted from the SIX Swiss Exchange, the Sponsored Segment of the SIX, Deutsche Borse, or the Tokyo Stock Exchange. The results show no significant price effects, either around the announcement or around the effective delisting. Furthermore, the results vary considerably between subsamples. Prices tend to decline around announcement; however, the effect is not permanent. The effective delisting is preceded by declining prices, whereas the event itself has no influence. Overall, this initial decline appears to be permanent. In general, volumes seem to rise around the announcement as well as around the date of the delisting.

Ragasa, Catherine; Thornsbury, Suzanne; Bernsten, Richard, "Delisting from EU HACCP Certification: Analysis of the Philippine Seafood Processing Industry," *Food Policy*, 36(5), October 2011, pp. 694-704.

ABSTRACT: This paper employs firm level benefit-cost and supply chain analyses to explore the reasons why a majority of Philippine seafood processing firms discontinued EU HACCP between 2004 and 2005. Results indicate that only 38% of firms remained certified, as they gained significantly from retention of EU markets, gained access to US markets, captured new buyers, and reduced product wastage. However, 62% of the initially certified firms abandoned certification, as they did not realize most of the anticipated benefits from certification and continuing certification was not economically viable. Delisting by some processors led to profit losses among their raw fish and input suppliers amounting to \$4-6 million per year, representing approximately 6-9% of the value of Philippine seafood exports to the EU and mainly affecting small aquaculture fish suppliers.

Renneboog, Luc; Simons, Tomas; Wright, Mike, "Why Do Public Firms Go Private in the UK? The Impact of Private Equity Investors, Incentive Realignment and Undervaluation," *Journal of Corporate Finance*, 13(4), September 2007, pp. 591-628.

ABSTRACT: This paper examines the magnitude and the sources of the expected shareholder gains in UK public to private transactions (PTPs) in the second wave from 1997 to 2003. Pre-transaction shareholders on average receive a premium of 40% and the share price reaction to the PTP announcement is about 30%. We test the sources of the anticipated value creation of the delisting and distinguish between: tax benefits, incentive realignment, control reasons, free cash flow reduction, transactions cost reduction, takeover defences, undervaluation and wealth transfers. The main sources of the shareholder wealth gains are undervaluation of the pre-transaction target firm, increased interest tax shields and incentive realignment. An expected reduction of free cash flows does not determine the premiums, nor are PTPs a defensive reaction against a takeover.

Sanger, Gary C.; Peterson, James D., "An Empirical Analysis of Common Stock Delistings," *Journal of Financial and Quantitative Analysis*, 25(2), June 1990, pp. 261-72.

ABSTRACT: This paper presents an empirical analysis of firms that are delisted from a major stock exchange. The delisting process is described and stock price movements surrounding delisting are analyzed. For firms with prior announcements, equity values decline by approximately 8.5 percent on announcement day. For firms without prior announcements, a similar adjustment takes place between the last day of trading in the initial market and the close of the first day of trading in the new market. Four hypotheses concerning the decline in

firm value are examined. These are the liquidity hypothesis, the management signalling hypothesis, the exchange certification hypothesis, and the downward sloping demand curve hypothesis. Evidence consistent with the liquidity hypothesis is presented in the paper. Unlike evidence on stock exchange listings, returns in the post-delisting period do not appear to be anomalous.

Sermet, Catherine; Andrieu, Veronique; Godman, Brian; Van Ganse, Eric; Haycox, Alan; Reynier, Jean-Pierre, "Ongoing Pharmaceutical Reforms in France: Implications for Key Stakeholder Groups," *Applied Health Economics and Health Policy*, 8(1), 2010, pp. 7-24.

ABSTRACT: The rapid rise in pharmaceutical costs in France has been driven by new technologies and the growing prevalence of chronic diseases as well as considerable prescribing freedom and choice of physician among patients. This has led to the introduction of a number of reforms and initiatives in an attempt to moderate expenditure whilst ensuring universal coverage and rewarding innovation. These reforms include accelerating access to and granting average European prices for new innovative drugs, delisting drugs where there are concerns over their value and instigating rebates for excessive prescribing. Alongside this, ongoing initiatives to improve the quality and efficiency of prescribing include programmes to enhance generic prescribing and dispensing as well as to reduce antibacterial and anxiolytic/hypnotic prescribing. However, there have been few publications documenting the impact of specific reforms on the overall costs and quality of care, which have been exacerbated by compartmentalization of budgets. Estimates suggest savings of over euro 27 million/year by decreasing antibacterial prescribing, euro 450 million/year by not reimbursing ineffective drugs, euro 670 million/year from pharmaceutical company rebates and approximately euro 1 billion/year from increased prescribing and dispensing of generics (year 2003-7 values). Additional savings of at least euro 1.5 billion/year are seen as being possible from increased use of generics such as generic proton pump inhibitors, statins (HMG-CoA reductase inhibitors) and ACE inhibitors instead of current branded products such as angiotensin II type 1 receptor antagonists (angiotensin receptor blockers [ARBs]). Delisting drugs when there are concerns about their value provides an example to other countries with currently limited demand-side measures. Other possible examples include price:volume agreements and multifaceted campaigns to enhance generic prescribing and dispensing and reduce antibacterial prescribing. Possible future initiatives could include adopting more stringent criteria for categorizing new drugs as innovative as well as further reductions in the prices of generics. Other initiatives could include further enhancement of the quality and efficiency of prescribing, including formal auditing of physician prescribing, as well as increasing efforts to monitor the risk:benefit ratio of new drugs post-launch in real-world practice.

Shumway, Tyler, "The Delisting Bias in CRSP Data," *Journal of Finance*, 52(1), March 1997, pp. 327-40.

ABSTRACT: The author documents a delisting bias in the stock return data base maintained by the Center for Research in Security Prices. He finds that delists for bankruptcy and other negative reasons are generally surprises and that correct delisting returns are not available for most of the stocks that have been delisted for negative reasons since 1962. Using over-the-

counter price data, the author shows that the omitted delisting returns are large. Implications of the bias are discussed.

Shumway, Tyler; Warther, Vincent A., "The Delisting Bias in CRSP's Nasdaq Data and Its Implications for the Size Effect," *Journal of Finance*, 54(6), December 1999, pp. 2361-79.

ABSTRACT: We investigate the bias in CRSP's Nasdaq data due to missing returns for delisted stocks. We find that the missing returns are large and negative on average, and that delisted stocks experience a substantial decrease in liquidity. We estimate that using a corrected return of -55 percent for missing performance-related delisting returns corrects the bias. We revisit previous work which finds a size effect among Nasdaq stocks. After correcting for the delisting bias, there is no evidence that there ever was a size effect on Nasdaq. Our results are inconsistent with most risk-based explanations of the size effect.

Simmons, Randy T., "The Endangered Species Act: Who's Saving What?," *Independent Review*, 3(3), Winter 1999, pp. 309-26.

ABSTRACT: Proponents of the Endangered Species Act claim it saves species but offer little evidence beyond the number of threatened or endangered species listed each year, as if listing instead of delisting were the real purpose of the law. In reality, the protection of species at risk has been hampered by the ESA's perverse incentives and lack of prioritization.

Sun, Qian; Tang, Yuen-Kin; Tong, Wilson H. S., "The Impacts of Mass Delisting: Evidence from Singapore and Malaysia," *Pacific-Basin Finance Journal*, 10(3), June 2002, pp. 333-51.

ABSTRACT: The mass delisting of cross-listed stocks in the Kuala Lumpur Stock Exchange of Malaysia (KLSE) and Stock Exchange of Singapore (SES) provides us a unique opportunity to examine whether delisting without firm-specific information affects stock returns. Our result shows that if delisting conveys no firm information, it generates no abnormal returns although it still has effect on firm betas and trading volume.

Tay, Nicholas S. P.; Oladi, Reza, "Listings from the Emerging Economies: An Opportunity for Reputable Stock Exchanges," *International Review of Economics and Finance*, 20(3), 2011, pp. 388-94.

ABSTRACT: We provide current evidence to show that the numbers of sponsored depository receipts created and cross-listed have increased by more than two-fold over the last decade and a substantial proportion of this growth came from the emerging and developing economies. We argue that the needs of this clientele and the inadequacies of existing legal and financial system create an opportunity for reputable stock exchanges to play the role of an information and reputation intermediary and in so doing allow exchanges to leverage on their reputation capital to compete more effectively for the growing business from the emerging and developing economies. We contribute further by developing a parsimonious model to analyze the interaction between an exchange playing the new role and firms seeking to list their equity on the exchange. We show that a subgame perfect equilibrium is obtained and provide an explanation for the spike in delisting in the latter half of 2007. Our model fills an important gap by addressing some shortcomings in existing theoretical models.

Wagner, S.; Cockburn, I., "Patents and the Survival of Internet-Related IPOs," *Research Policy*, 39(2), March 2010, pp. 214-28.

ABSTRACT: We examine the effect of patenting on the survival prospects of 356 Internet-related firms that made an initial public offering on the NASDAQ at the height of the stock market bubble of the late 1990s. By March 2005, almost 2/3 of these firms had delisted from the exchange. Changes in the legal environment in the US in the 1990s made it much easier to obtain patents on software, and ultimately, on business methods, though less than 1/2 of the firms in our sample obtained, or attempted to obtain, patents. For those that did, we hypothesize that patents conferred competitive advantages that translate into higher probability of survival, though they may also simply be a signal of firm quality. Controlling for other determinants of firm survival, patenting is positively associated with survival. Quite different processes appear to govern exit via acquisition compared to exit via delisting from the exchange due to business failure. Firms that applied for more patents were less likely to be acquired, though if they obtain unusually highly cited patents they may be a more attractive acquisition target. These findings do generally not hold true for "business method" patents, which do not appear to confer a survival advantage.

Weber, Joseph; Willenborg, Michael, "Do Expert Informational Intermediaries Add Value? Evidence from Auditors in Microcap IPOs," *Journal of Accounting Research*, 41(4), September 2003, pp. 681-720.

ABSTRACT: Do expert informational intermediaries add value? We address this question by examining the informativeness of the audit report contained in the prospectus associated with a firm's initial public offering (IPO). At the time of the IPO, there is a relative lack of information to facilitate the establishment of equity values, suggesting that the information provided by outside "experts" (e.g., auditors, underwriters) is particularly important. In this article we study small, non-venture-backed IPOs, a segment of the market with the poorest long-run performance and where the prestigious audit firm is often the sole (if any) expert present. We find that the pre-IPO opinions of larger auditors are more predictive of post-IPO negative stock delistings. Of particular note, the opinions of the national-tiered firms are comparably predictive to those of the Big 6, though this finding emerges only after we consider the selectivity-based differences in the clients that hire these national firms. Our findings also indicate that, for larger auditors the presence of a pre-IPO going-concern opinion is more strongly associated with first-year stock returns and that larger auditors are more likely to give such opinions to their distressed clients. Overall, we address a deficiency in the literature relating to "the paucity of evidence on the value of auditor opinions to investors" (Healy and Palepu [2001 p. 415]).

Yen, Gili; Li, Jian-Fa, "Financial Distress Announcements, Transaction Mode Change, and Aggregate Shareholder Wealth: Empirical Evidence from TAIEX-Listed Companies," *Review of Pacific Basin Financial Markets and Policies*, 13(1), March 2010, pp. 19-43.

ABSTRACT: This study is to address the estimation of financial distress costs including the deterioration in asset value. A sample of 104 TAIEX-listed financially distressed companies was collected covering the period from 1998 to 2004. As expected, it is found that the TAIEX-listed financially distressed companies have registered a huge reduction in stock price. Moreover, as

expected, it is found that the financial distress costs of the "delisting" group are largest, the financial distress costs of the "maintaining normal trading" group are lowest, and the financial distress costs of the "cash transaction only/suspended trading" group fall somewhere in between. Based on the empirical findings, the present study concludes that the magnitude of financial distress costs is substantially underreported in the literature as a result of ignoring deterioration in asset value.

You, Leyuan; Parhizgari, Ali M.; Srivastava, Suresh, "Cross-Listing and Subsequent Delisting in Foreign Markets," *Journal of Empirical Finance*, 19(2), March 2012, pp. 200-216.

ABSTRACT: Employing a sample of stocks cross-listed and subsequently delisted from foreign markets, we examine the consequences of delisting to investors in terms of price, risk, and liquidity. We also provide a direct comparison between the firm's performance after a foreign cross-listing and after its subsequent delisting. We find a positive cross-listing and negative delisting effect on stock price, both of which dissipate in the long run. No significant changes in the market risk are found for either event. Foreign cross-listing and delisting are associated with increasing and decreasing long term trading volume respectively. Further analysis reveals that firms delist in response to low host market return and low firm trading volume in the host market. The changes in liquidity and market risk from delisting relate those from cross-listing. Finally, our results show that the bonding hypothesis fails to explain the listing premium and the delisting loss.

Yung, Chris; Colak, Gonul; Wang, Wei, "Cycles in the IPO Market," *Journal of Financial Economics*, 89(1), July 2008, pp. 192-208.

ABSTRACT: We develop a model in which time-varying real investment opportunities lead to time-varying adverse selection in the market for IPOs. The model is consistent with several stylized facts known about the IPO market: economic expansions are associated with a dramatic increase in the number of firms going public, which is in turn positively correlated with underpricing. Adverse selection is procyclical in the sense that dispersion in unobservable quality across firms should be more pronounced during booms. Taking the premise that uncertainty is resolved (and thus private information revealed) over time, we test this hypothesis by looking at long-run abnormal returns and delisting rates. Consistent with the model, we find (a) greater cross-sectional return variance, and (b) higher incidence of delisting for hot-market IPOs.

Appendix 4

A. Results of "foreign listing" search

TI: The Nature of the Foreign Listing Premium: A Cross-Country Examination

AU: Sarkissian, Sergei; Schill, Michael J.

SO: Journal of Banking and Finance, 36(9), September 2012, pp. 2494-2511

AB: An expanding literature asserts that non-US firms achieve a unique valuation premium for listing on US equity markets. In this paper, we test the uniqueness of the US foreign listing premium by examining the premium achieved by foreign listings across a global set of stock exchanges. We highlight that the documented valuation premium for listing on US exchanges is not unique but common to many home and host markets including US firms that list abroad. The cross-sectional variation in the valuation premium appears to have little association with such cross-country institutional features as investor protection rules, law enforcement practice, or accounting disclosure standards. Rather the premium appears most related to variation in pre-listing valuation ratios.

TI: Measuring the Asymmetric Information Spillovers between Markets at the Time of Foreign Listing

AU: Koulakiotis, Athanasios

SO: International Journal of Economic Research, 1(2), June 2004, pp. 183-99

AB: This paper develops the approach suggested by Howe, Madura and Tucker (1993) to examine the impact of cross-listing on stock price volatility in specific European markets. We also use La Porta et al.'s (1998) broad stock market regulatory classification to analyse the magnitude and persistence of asymmetric volatility spillovers from the foreign listing to the home equity of cross-listed companies in the Amsterdam, Copenhagen, and Stockholm markets. Overall, there is evidence to suggest that bad news have much of an influence on volatility spillovers resulting from foreign cross listings.

TI: The Impact of Foreign Cross-Listings on Volatility Spillovers between Stock Markets: The Case of the Paris Stock Exchange

AU: Koulakiotis, Athanasios; Tolikas, Konstantinos; Lyroudi, Katerina; Angelidis, Dimitrios

SO: International Research Journal of Finance and Economics, 0(25), March 2009, pp. 240-46

AB: This paper examines the impact of cross-listed French firms on volatility spillovers from the foreign listing to the home equity in the Paris stock exchange. For that reason a modified GARCH approach is used which also takes into account the different regulatory structures of the stock markets in which the firms are cross-listed. It was found that volatility spillovers are significant for the Paris stock exchange and that the different regulatory structures have a significant impact on volatility spillovers. In particular, foreign listings in lax regulatory environments appeared to be more important for volatility spillovers to home equity cross-listings.

TI: Disclosure Environment and Listing on Foreign Stock Exchanges

AU: Cheung, C. Sherman; Lee, Jason

SO: Journal of Banking and Finance, 19(2), May 1995, pp. 347-62

AB: The benefits of listing a company's stock on a foreign exchange to achieve better global market integration have been quite extensively examined. What has been overlooked in the finance literature is an attempt to explain why the New York Stock Exchange (NYSE) tends to be bypassed in favor of the London market and other exchanges when firms select foreign exchanges for listing. This paper explains the behavior of firms in their selection of foreign stock markets for listing by using a signaling model. Another purpose of this study is to address the current dispute between the NYSE and the Securities and Exchange Commission (SEC) regarding the desire of the NYSE to relax its registration requirements in order to gain more listings by foreign companies.

TI: Managed Exchange Rates, Dual Listing and Foreign Exchange Exposure: The Experience of Chinese Banks around the Financial Crisis

AU: Ye, Min; Hutson, Elaine

SO: *Journal of the Asia Pacific Economy*, 16(3), August 2011, pp. 393-421

AB: Using daily equity price data, we find that most of the 14 Chinese listed banks are highly exposed to the RMB/USD exchange rate. By breaking our data period into two subperiods around the financial crisis, we find that Chinese banks were even more exposed in the post-crisis period, despite the fact that the renminbi reverted to a de facto peg against the dollar in September 2008. This cannot be explained by direct foreign exchange exposure, and we argue that China's banks are subject to substantial indirect exposure as a result of concerns about their loan books in the face of anticipated further appreciation of the RMB. We also find that the exchange rate sensitivities of the twin shares of dual-listed Chinese banks (those listed in China and Hong Kong) are very different--not only in magnitude but also in sign. We discuss two possible explanations for this: investor sentiment and 'hot money' inflows into China.

TI: Asset Pricing and Dual Listing on Foreign Capital Markets: A Note

AU: Alexander, Gordon J.; Eun, Cheol S.; Janakiramanan, S.

SO: *Journal of Finance*, 42(1), March 1987, pp. 151-58

TI: Foreign Listings, Firm Value, and Volatility: The Case of Japanese Firms' Listings on the US Stock Markets

AU: Ko, Kwangsoo; Lee, Insup; Yun, Kesop

SO: *Japan and the World Economy*, 9(1), March 1997, pp. 57-69

AB: The purpose of this study is to analyze the effects of Japanese firms' listings on the U.S. stock markets in terms of price change and volatility. The event study method is used to examine how foreign listing affects the value of 24 Japanese firms listed on the New York Stock Exchange and over-the-counter market. In addition, the relationship between listing and abnormal return volatility is analyzed using the GARCH model. The empirical results indicate the following: First, the Japanese firms' listings on the U.S. markets show positive, but statistically insignificant abnormal returns. Second, U.S. market listing has no significant effects on stock prices. Third, an abnormal return pattern shows no significant movement around the foreign listing date. Finally, the valuation effects of listing on the New York Stock Exchange tend to be similar to those from the over-the-counter market.

TI: Choice of Foreign Listing Location: Experience of Chinese Firms

AU: Yang, Ting; Lau, Sie Ting

SO: Pacific-Basin Finance Journal, 14(3), June 2006, pp. 311-26

AB: At the end of October 2003, there were 237 Chinese firms' listings on various stock exchanges outside of Mainland China. Beyond geographical proximity and other obvious explanations of why Chinese firms prefer listing in Hong Kong more than in the United States, we identify two additional benefits of a Hong Kong listing. We find that Chinese firms listed in Hong Kong have a better information environment than those listed solely in the United States. We also find that the Hong Kong-listed firms are less financially constrained, which may be due to their ability to access the Hong Kong capital market for external financing. The results of our study show that different stock markets offer different benefits as a listing venue and the benefits of foreign listing may depend on the choice of listing location.

TI: Foreign Listings, Corporate Governance, and Equity Valuations

AU: Salva, Carolina

SO: Journal of Economics and Business, 55(5-6), September-December 2003, pp. 463-85

AB: This paper analyzes the impact of foreign listing on equity valuations and relates it to an improvement in corporate governance. It documents abnormal returns around the announcement to list foreign shares on the London Stock Exchange. These are partially explained by a reduction of agency costs that is consistent with the enhanced monitoring and investor protection that prevail in a superior information and legal environment. The results are consistent with predictions derived from theoretical models of agency costs and illustrate an interesting implication of more open global equity markets.

TI: Listing BRICs: Stock Issuers from Brazil, Russia, India, and China in New York, London, and Luxembourg

AU: Wojcik, Dariusz; Burger, Csaba

SO: Economic Geography, 86(3), July 2010, pp. 275-96

AB: In the past decade, hundreds of companies from emerging markets have listed their shares on American and European stock markets. Brazil, Russia, India, and China (BRIC) are the main countries of origin of issuers, and stock exchanges in the United States, the United Kingdom, and Luxembourg are the main destinations involved in the process. We use a comprehensive data set for these home and host markets for the end of 2008 to explore the intensity of foreign listings, the subnational geography of cross-listed firms, and the destinations of foreign listings. Cross-listing firms tend to be relatively large and come from capital-intensive, export-oriented, and high-growth sectors. Trading links with and industrial specialization of the host markets affect the choice of destination markets. These patterns, however, are not universal across countries. There is a high concentration of cross-listed firms in the leading financial centers of the BRIC countries, particularly in Russia and Brazil. Firms outside of the leading centers rarely cross-list, and when they do, they enter second-tier host markets. While BRIC countries have a large potential for further foreign listings, the process remains politically sensitive. Our results highlight the shortcomings of the literature on cross-listing in economics and the significance of the cross-listing phenomenon to future research in financial geographies.

TI: Has New York Become Less Competitive Than London in Global Markets? Evaluating Foreign Listing Choices over Time

AU: Doidge, Craig; Karolyi, G. Andrew; Stulz, Rene M.

SO: Journal of Financial Economics, 91(3), March 2009, pp. 253-77

AB: We study the determinants and consequences of cross-listings on the New York and London stock exchanges from 1990 to 2005. This investigation enables us to evaluate the relative benefits of New York and London exchange listings and to assess whether these relative benefits have changed over time, perhaps as a result of the passage of the Sarbanes-Oxley Act in 2002. We find that cross-listings have been falling on US exchanges as well as on the Main Market in London. This decline in cross-listings is explained by changes in firm characteristics instead of by changes in the benefits of cross-listing. We show that after controlling for firm characteristics there is no deficit in cross-listing counts on US exchanges related to SOX. Investigating the valuation differential between listed and non-listed firms (the cross-listing premium) from 1990 to 2005, we find that there is a significant premium for US exchange listings every year, that the premium has not fallen significantly in recent years, and that it persists when allowing for time-invariant unobservable firm characteristics. In contrast, no premium exists for listings on London's Main Market in any year. Firms increase their capital-raising activities at home and abroad following a cross-listing on a major US exchange but not following a cross-listing in London. Our evidence is consistent with the theory that an exchange listing in New York has unique governance benefits for foreign firms.

TI: Why U.S. Firms Delist from the Tokyo Stock Exchange: An Empirical Analysis

AU: Liu, Shinhua; Stowe, John D.; Hung, Ken

SO: International Review of Economics and Finance, 24(1), October 2012, pp. 62-70

AB: We investigate possible reasons for voluntary delistings by U.S. firms from the Tokyo Stock Exchange from 1982 to 2005. We find that the small shareholder base, as measured by low turnover, for U.S. stocks in Japan helps to explain the voluntary foreign delistings. This finding is consistent, from the converse, with the foreign listing literature, which cites enhanced shareholder base and liquidity as two of the reasons for foreign listing. Further investigations rule out the sample firms' financial and operating performances, including the percentage of export sales, as a likely reason for the low turnover and, thus, the voluntary foreign delistings.

TI: Market Revaluations of Foreign Listings' Reconciliations to U.S. Financial Reporting

AU: El-Gazzar, Samir M.; Finn, Philip M.; Jacob, Rudy A.

SO: International Advances in Economic Research, 8(3), August 2002, pp. 221-34

AB: The Securities and Exchange Commission requires foreign firms wishing to list their securities on the U.S. exchanges to convert their financial statements to U.S.-based generally accepted accounting principles (GAAP) in a reconciliation filing known as Form 20-F. This paper extends prior research analyzing the importance of the SEC requirement by examining the value relevance to U.S. capital markets of Form 20-F reconciliation information under two additional hypotheses: investors' anticipation of the reconciliation, and investors' perception of foreign countries' enforcement and reliability in applying local accounting rules. This study hypothesizes that reconciliations made by firms from countries with mature and developed capital markets should be more value relevant to U.S. investors. The results show that both

unexpected foreign earnings and anticipated reconciliations to U.S. GAAP are significantly associated with unexpected market returns during the week of earnings announcements. The region of the foreign country is also significantly associated with market returns. However, unexpected reconciliations are not significantly associated with unexpected market returns during the week of Form 20-F filing.

TI: The Impact of Foreign Equity Ownership on Emerging Market Share Price Volatility

AU: Coppejans, Mark; Domowitz, Ian

SO: *International Finance*, 3(1), April 2000, pp. 95-122

AB: We ask whether foreign equity ownership affects the stability of share prices in an emerging economy. We address the effect of ownership restrictions exogenously imposed on stock ownership and the impact of introducing or widening foreign ownership through cross-listing. A methodology for variance ratio analysis is introduced that corrects for liquidity and volume differences across stock series experiencing different degrees of foreign ownership. We find that foreign ownership does not affect volatility in the absence of cross-listing. Foreign ownership introduced or accompanied by cross-listing of a stock series raises the variance of returns. This effect is found to operate in part through increases in volume traded on the domestic market following the listing, and through an identifiable increase in the volatility of information net of volume effects.

TI: Accessing the International Capital Markets with Depositary Receipts

AU: Gupta, M. L.; Khurana, Simmi

SO: *International Journal of Research in Commerce and Management*, 3(5), May 2012, pp. 61-62

AB: In today's era there is lot of competition between companies. A business needs capital for expansions, growth, and existence. Due to liberalization, globalization, and privatization, companies need hefty funds to remain in the market and the companies can raise funds from international markets. Companies that previously had to raise capital only domestically can now tap financial markets in the foreign countries. In order to do so, companies may list their stocks on foreign stock exchanges while investors may trade overseas. An examination of trends in global financial markets over past few years reveals that many companies are looking beyond their domestic financial markets to develop an investor base and to raise international capital. For foreign listing of their stocks, firms can choose between the direct listing of their equity stocks and listing of their depositary receipt (DR) on the foreign exchange. Indian capital market is one of the fastest growing markets in the world and the momentum has gained a lot of potential in the recent years. There are many MNC operating in India but they have not raised capital from Indian market yet. Standard Chartered Bank PLC is the only company that has recently raised capital from Indian capital market through Indian Depositary Receipt (IDR). In this research report an attempt is made to study the Standard Chartered Bank PLC IDR issue and the future prospect IDR.

TI: European Managerial Perceptions of the Net Benefits of Foreign Stock Listings

AU: Bancel, Franck; Mittoo, Usha R.

SO: *European Financial Management*, 7(2), June 2001, pp. 213-36

AB: This study surveys the European managers on the costs, benefits, and net benefits of foreign listing. Increase in prestige and visibility, and growth in shareholders are perceived as the major benefits, and the costs of public relations and legal fees are cited as the major costs by the managers. While a majority of managers (60%) perceive that benefits outweigh the costs of foreign listing, about 30% also view the net benefits to be negative. Perceived net benefits are positively related to the increase in the total trading volume after foreign listing, the financial disclosure levels of the firm, and the dual listing on both the US and European foreign exchanges. Without the influence of these factors, the perceived net benefits are negative.

TI: The Impact of Scandinavian Foreign Cross-Listing on Symmetric Information Spillovers between European Markets

AU: Koulakiotis, Athanasios; Dasilas, Apostolos; Angelies, Dimitrios

SO: International Economics and Finance Journal, 2(1-2), January-December 2007, pp. 93-108

AB: This study extends the approach suggested by Howe, Madura, and Tucker (1993) to examine the impact of cross-listing on stock price volatility in Scandinavian markets. What makes this study to differ from that of Howe, Madura, and Tucker (1993) is the use of a modified GARCH modeling approach, as suggested by Li and Engle (1998), to examine the impact of cross-listings on volatility spillover. Overall, we find that information spillover effects are important across Scandinavian markets for cross-listed equities and that different regulatory environment has a significant impact on information spillover. In fact, spillover effects appear to be more common from foreign listings on stock exchanges with less onerous regulatory environment. Volatility transmissions from foreign listing with lax regulatory environment appear to be more important to home equities in the case of Copenhagen and Oslo markets. Regarding foreign listing days, it appears that spillovers occurring on Tuesday are the most prevalent, followed by them on Friday. In general, the empirical results clearly indicate that volatility transmission can vary across different regulatory environments and for various listing dates.

TI: Cross-Listing and Subsequent Delisting in Foreign Markets

AU: You, Leyuan; Parhizgari, Ali M.; Srivastava, Suresh

SO: Journal of Empirical Finance, 19(2), March 2012, pp. 200-216

AB: Employing a sample of stocks cross-listed and subsequently delisted from foreign markets, we examine the consequences of delisting to investors in terms of price, risk, and liquidity. We also provide a direct comparison between the firm's performance after a foreign cross-listing and after its subsequent delisting. We find a positive cross-listing and negative delisting effect on stock price, both of which dissipate in the long run. No significant changes in the market risk are found for either event. Foreign cross-listing and delisting are associated with increasing and decreasing long term trading volume respectively. Further analysis reveals that firms delist in response to low host market return and low firm trading volume in the host market. The changes in liquidity and market risk from delisting relate those from cross-listing. Finally, our results show that the bonding hypothesis fails to explain the listing premium and the delisting loss.

TI: The Impact of the Listing of Options in the Foreign Exchange Market

AU: Shastri, Kuldeep; Sultan, Jahangir; Tandon, Kishore

SO: Journal of International Money and Finance, 15(1), February 1996, pp. 37-64

AB: This paper documents the impact of the introduction of foreign currency options and options on foreign currency futures on the underlying securities. The authors find that the volatility of exchange rates decreases following the listing of options for a majority of the currencies under consideration. In addition, they find that trading volume and open interest in currency futures increases after option introduction. This evidence is consistent with the notion that derivative securities are important innovations for stabilizing and increasing liquidity in the market for the underlying assets.

TI: The Impact of Foreign Cross-Listings on Asymmetric Spillovers in Brussels Stock Exchange

AU: Papasyriopoulos, Nicholas; Katrakilidis, Constantinos; Koulakiotis, Athanasios

SO: Investment Management and Financial Innovations, 3(1), 2006, pp. 89-96

AB: This paper develops the approach suggested by Howe, Madura and Tucker (1993) to examine the impact of cross-listings on stock price volatility in Brussels. In general, bad news on and around Friday listings appears to be the most prevalent for laxer shareholder protection rules of regulatory environments.

TI: The Effects of Market Segmentation and Investor Recognition on Asset Prices: Evidence from Foreign Stocks Listing in the United States

AU: Foerster, Stephen R.; Karolyi, G. Andrew

SO: Journal of Finance, 54(3), June 1999, pp. 981-1013

AB: Non-U.S. firms cross-listing shares on U.S. exchanges as American depositary receipts earn cumulative abnormal returns of 19 percent during the year before listing, and an additional 1.20 percent during the listing week, but incur a loss of 14 percent during the year following listing. The authors show how these unusual share price changes are robust to changing market risk exposures and are related to an expansion of the shareholder base and to the amount of capital raised at the time of listing. Their tests provide support for the market segmentation hypothesis and Robert Merton's (1987) investor recognition hypothesis.

TI: Cross-Listing Effect on Information Environment of Foreign Firms: ADR Type and Country Characteristics

AU: Lee, Hei Wai; Valero, Magali

SO: Journal of Multinational Financial Management, 20(4-5), December 2010, pp. 178-96

AB: We examine sources of improvement in the information environment of foreign firms that cross-listed in the United States as American Depositary Receipts (ADRs) between 1995 and 2005. We analyze changes in the number and dispersion of analyst recommendations on foreign firms following their cross-listing. We find increases in analyst coverage intensity across all four types of ADR programs, especially among firms that were listed on organized exchanges (the listing effect), and those that adopted capital raising ADR programs (the financing effect). Our results suggest that the listing effect is more persistent than the financing effect. On the other hand, reductions in recommendation dispersion are observed mainly for firms that choose non-capital raising ADRs and those from emerging markets. Overall, improvements in

information environment are more profound among foreign firms originating from countries with greater information asymmetry, namely, countries with weaker legal tradition and rule of law, and countries that are less familiar to U.S. investors.

TI: Are There Permanent Valuation Gains to Overseas Listing?

AU: Sarkissian, Sergei; Schill, Michael J.

SO: *Review of Financial Studies*, 22(1), January 2009, pp. 371-412

AB: This paper tests whether foreign equity listings are associated with permanent valuation gains and examines how market and firm characteristics influence any valuation effects. Using a global sample of 1,676 listings placed in 25 countries, we find that much of the valuation gains to overseas listings are not permanent. The transitory nature of valuation gains holds for both average US listings and average first-time firm listings. We find little evidence of a permanent effect on returns for firms that list abroad, even for firms' listings in markets that are more liquid, provide better legal protection, or have a larger shareholder base.

TI: The Impact of ADR Listing on Returns of Underlying Stocks in the Emerging Markets: A Global Perspective

AU: Lin, Lin; Yang, Sheng-Yung; Wu, Chiou-Yan

SO: *Empirical Economics Letters*, 4(5), September 2005, pp. 275-88

AB: This paper uses a larger and more complete emerging market dataset, consisting of 238 ADR programs of 23 economies, to re-examine the listing effect of ADR programs upon underlying stocks. Results show a mountain-shaped movements of CARs of the firms listing on foreign markets, consistent with the Managerial Timing Hypothesis, and the difference between the CARs on the firms trading on PORTAL and on NYSE/NASDAQ supports the Liquidity and Investor Recognition Hypotheses. However, new evidence indicates an insignificant listing effect in general, which is inconsistent with the prior research and could be a result of the characteristics of the companies included in the sample.

TI: American Depositary Receipts: An Analysis of International Stock Price Movements

AU: Ely, David; Salehizadeh, Mehdi

SO: *International Review of Financial Analysis*, 10(4), 2001, pp. 343-63

AB: With significant increases in private capital flows across the globe, there has been a rise in the US listing of foreign stocks as American depositary receipts (ADRs). In this study, we employ cointegration techniques and estimate error-correction (EC) models to examine the degree of integration between US and three foreign equity markets. We find that ADRs are cointegrated with ordinary shares trading in the UK, Japan, and Germany, which implies that for long-term investors, they are a substitute for ordinary shares. Our analysis of the dynamic relationships between ADRs and foreign equities suggest that both markets contribute information pertinent to portfolio valuation. However, the foreign markets are found to be the more important source of information.

TI: Analyse des déterminants de l'adoption anticipée des normes comptables internationales IAS/IFRS par les groupes français. (An Analysis of the Factors for the Early Adoption of IAS/IFRS by the French Groups. With English summary.)

AU: Zeghal, Daniel; Mnif Sellami, Yosra

SO: *La Revue des Sciences de Gestion*, 45(245-246), September-December 2010, pp. 99-110

AB: This study examines the deciding factors for the early adoption of the international accounting standards IAS/IFRS by French groups after the entry into force of the European rule CE 1606/2002 dated from 19 July 2002 that required all traded companies of the European Union to use these standards no later than January 1st, 2005. We examine the early adoption of these standards in order to identify the features that differentiate the French environment of the other environments notably the Anglo-American. The main results of our study show a positive and very significant influence of audit firm's type and firm's size on the early adoption decision of the international accounting standards IAS/IFRS by French groups. These results also reveal a positive and significant influence of the number of listings on foreign financial markets, the percentage of foreign sales, and the debt ratio on this decision.

TI: Cross-Listings and Financial Integration in Asia

AU: Cavoli, Tony; McIver, Ron; Nowland, John

SO: *ASEAN Economic Bulletin*, 28(2), August 2011, pp. 241-56

AB: Recent literature suggests the extent of foreign listings (cross-listings) on domestic stock exchanges may be informative as a measure of financial integration. In this study, we present both stylized facts and panel data analysis examining relationships between the proportion of foreign listings and other measures of integration in a sample of Asian markets to determine if this form of cross-listing complements or substitutes for other aspects of integration. We find that higher trade openness, higher output growth and lower inflation are associated with a greater proportion of foreign listings. In addition, we find that FDI openness has a negative relationship to the proportion of foreign listings, suggesting that these aspects of financial integration are substitutes. For policymakers, our results indicate that unless the appropriate financial liberalisation policies are in place, countries may find it difficult to simultaneously attract foreign listings to enhance development of their stock market and to grow their real economy through FDI.

TI: Globalization and the Value of US Listing: Revisiting Canadian Evidence

AU: Mittoo, Usha R.

SO: *Journal of Banking and Finance*, 27(9), September 2003, pp. 1629-61

AB: As capital markets become integrated, the value of foreign listing and, consequently, the number of foreign listings should be expected to decline. The dramatic surge in foreign listings on US stock exchanges in recent years suggests that motivations and value of listing may also be changing as markets become increasingly globalized. We explore this issue by comparing both short- and long-run valuation effects of Canadian listings in the US in pre- and post-1990 periods. We document that the positive price and liquidity effects for Canadian stocks surrounding US listing have declined over time. The analysis of long-run performance, however, shows that Canadian firms list in the US after a strong market performance but underperform Canadian market indexes by 13-30% over the three years after the listing in both pre- and post-1990 periods. Further, the determinants of long-run performance appear to be significantly different from that in the short-run. Our evidence suggests that valuation effects of US listing

may be driven by several factors, including liquidity and industry factors, that vary cross-sectionally and over time.

TI: Regulation and Bonding: The Sarbanes-Oxley Act and the Flow of International Listings

AU: Piotroski, Joseph D.; Srinivasan, Suraj

SO: *Journal of Accounting Research*, 46(2), May 2008, pp. 383-425

AB: In this paper, we examine the economic impact of the Sarbanes-Oxley Act (SOX) by analyzing foreign listing behavior onto U.S. and U.K. stock exchanges before and after the enactment of SOX in 2002. Using a sample of all listing events onto U.S. and U.K. exchanges from 1995-2006, we develop an exchange choice model that captures firm-level, industry-level, exchange-level, and country-level listing incentives, and test whether these listing preferences changed following the enactment of SOX. After controlling for firm characteristics and other economic determinants of these firms' exchange choice, we find that the listing preferences of large foreign firms choosing between U.S. exchanges and the London Stock Exchange's (LSE) Main Market did not change following the enactment of SOX. In contrast, we find that the likelihood of a U.S. listing among small foreign firms choosing between the NASDAQ and LSE's Alternative Investment Market decreased following the enactment of SOX. The negative effect among small firms is consistent with these marginal companies being less able to absorb the incremental costs associated with SOX compliance. The screening of smaller firms with weaker governance attributes from U.S. exchanges is consistent with the heightened governance costs imposed by SOX increasing the bonding-related benefits of a U.S. listing.

TI: First and Second Order Instability of the Shanghai and Shenzhen Share Price Indices

AU: Yan, Yong Hong; Felmingham, Bruce

SO: *Applied Economics Letters*, 13(9), July 2006, pp. 605-08

AB: First and second order instability tests are applied to China's two major share market price indices (SPIs), Shanghai share market price index (SES) and Shenzhen share market price index (SZS) using daily data from 2 January 1992 to 16 July 2004. First order instability is synonymous with non stationarity and second order instability with structural breaks. Applying procedures developed by Perron (1997) and Zivot and Andrews (1992), it is found that both share price indices are unstable in the first and second order. The Shanghai series breaks in December 1999 and Shenzhen in May 1999. Existence of the share A (domestic listing) and share B (foreign listing) seem to buffer both markets against the worst effects of the Asian Crisis and September 11 attack. These shocks were apparently absorbed by the foreign listings of shares.

TI: Empirical Evidence on Cross-Listed Stocks of Central and Eastern European Companies

AU: Korczak, Piotr; Bohl, Martin T.

SO: *Emerging Markets Review*, 6(2), June 2005, pp. 121-37

AB: This paper empirically investigates cross-listing's implications for companies in the newly-established capital markets in Central and Eastern Europe. Central and Eastern European companies face small capitalisation of local markets, limited liquidity and poor effectiveness of legal systems, all of which can have detrimental effects on stock pricing. We find that companies which issue Depositary Receipts and enter foreign markets experience a permanent value enhancement of about 26% around the event. We also observe that foreign listing

significantly improves home market liquidity, which suggests that cross-listing helps to draw the interest of new investors and encourages them to start trading in both foreign and local markets. Moreover, we find that the pricing efficiency increases after foreign listing, which is reflected in reduced stock return autocorrelation.

TI: The Geography of Equity Listing: Why Do Companies List Abroad?

AU: Pagano, Marco; Roell, Ailsa A.; Zechner, Josef

SO: Journal of Finance, 57(6), December 2002, pp. 2651-94

AB: This paper documents aggregate trends in the foreign listings of companies, and analyzes their distinctive prelisting characteristics and post-listing performance. In 1986-1997, many European companies listed abroad, mainly on U.S. exchanges, while the number of U.S. companies listed in Europe decreased. European companies that cross-list tend to be large and recently privatized firms, and expand their foreign sales after listing abroad. They differ sharply depending on where they cross-list: The U.S. exchanges attract high-tech and export-oriented companies that expand rapidly without significant leveraging. Companies cross-listing within Europe do not grow unusually fast, and increase their leverage after cross-listing.

TI: An Empirical Study of Multiple Direct International Listings

AU: You, Leyuan; Lucey, Brian M.; Shu, Yan

SO: Global Finance Journal, 24(1), 2013, pp. 69-84

AB: In this study, we examine the multiple direct foreign-listing by analyzing characteristics of listing firms as well as hosting and home countries. Our results show that listing premium increases over time, but this premium diminishes as the firm lists in additional foreign markets. Multiple listing is closely related to the firm's ability to list, but does not translate into better future or higher returns. Additionally, we find no evidence to support the bonding hypothesis. We conclude that firms list in additional foreign countries to take advantage of higher valuation to raise capital more cheaply, rather than to benefit from a better legal environment.

TI: The Value of Information in Cross-Listing

AU: Bris, Arturo; Cantale, Salvatore; Hrnjic, Emir; Nishiotis, George P.

SO: Journal of Corporate Finance, 18(2), April 2012, pp. 207-20

AB: Until 2004, the London Stock Exchange allowed firms to be traded in the specialized SEAQ-I platform without the firm's involvement. Trading only required an application by one LSE trading member firm. Such an institutional arrangement, which made cross-listings possible without a firms' approval, allows for a direct test of different theories of foreign listing. In particular, we can differentiate between market segmentation and liquidity hypotheses, which rely on a firm trading in a foreign exchange and informational hypotheses, which assume that a firm makes the decision to trade in a foreign exchange. We identify a sample of international firms that are admitted to trading on London's SEAQ-I platform without their involvement. We estimate the valuation effects of this multi-market trading event and compare them to those enjoyed by firms that pursue a standard London Stock Exchange cross-listing. A cross-sectional abnormal returns analysis documents significant evidence in support of information-related hypotheses of cross-listing. An analysis of the firms' home market price volatility corroborates the results.

TI: Valuation Effects of International Stock Exchange Listings

AU: Lau, Sie Ting; Diltz, J. David; Apilado, Vincent P.

SO: Journal of Banking and Finance, 18(4), September 1994, pp. 743-55

AB: A comprehensive data set consisting of 346 U.S. firm stock listings on 10 different stock exchanges is examined in order to determine the valuation consequences of listing on a foreign stock exchange. For the sample of U.S. firms listing abroad, abnormal returns in U.S. trading were: (1) positive around the date of acceptance on the foreign exchange; (2) negative on the first trading day; and (3) negative in the post-listing period for firms listing on the Tokyo and Basel exchanges. Tests for the equality of stock return variances between event periods and market model estimation periods failed to reveal a definitive impact.

TI: Foreign VCs and Venture Success: Evidence from China

AU: Humphery-Jenner, Mark; Suchard, Jo-Ann

SO: Journal of Corporate Finance, 21(0), June 2013, pp. 16-35

AB: This paper analyzes the role of foreign VCs in driving venture success in emerging markets. We analyze a comprehensive data set of 4753 portfolio companies from China. We test whether the presence of a foreign VC increases the likelihood that a portfolio company is successfully exited. We find that the presence of a foreign VC does not per se significantly increase the likelihood of a successful exit. However, the likelihood of a successful exit increases if the foreign VC collaborates with a joint venture (JV) partner. Further, the impact of foreign VC backing depends on the nature of the VC, with foreign VCs tending to perform better when investing in late-stage companies and when they are diversified across industries. If a foreign VC successfully exits an investment, then, compared with a domestic-VC, it prefers to exit via a M&A or secondary-buyout than via an IPO, reflecting the significant lock-up periods associated with VC-backed IPOs in China, the difficulty of achieving a foreign listing, and the difficulty listing a start-up on Chinese markets.

TI: An Empirical Study of Pricing and Trading Volume of Russian Depositary Receipts

AU: Jithendranathan, Thadavillil

SO: Investment Management and Financial Innovations, 3(3), 2006, pp. 60-79

AB: Most of the large Russian corporations have their stocks cross-listed in foreign markets. This paper studies the price relationships between Russian Depositary Receipts (DRs) and their underlying Russian equities, as well as the changes in their trading volume in domestic and foreign markets. The significant contribution of this paper is the empirical analysis of the effects of foreign listing on domestic prices and trading volume of a large, but seldom studied emerging market. If there is a significant segmentation and market participants are unable to arbitrage price differences between the foreign and domestic prices, one may observe significant difference in prices in these markets. The results of this study indicate that unlike many other emerging markets, there is no statistically significant premium/discount between the Russian DRs and their underlying stocks. The theory that trading takes place in markets where the cross-listed stock returns are highly correlated with returns of local equity is tested and the results show very little evidence that Russian DR returns are indeed affected by the markets where these DRs are listed.

TI: An Empirical Study of the Financial Information Disseminated on the Internet and the Perceived Usefulness for Shareholders and Regulators

AU: Subramanian, Ramaiyer; Raja, John B.

SO: *International Journal of Accounting and Finance*, 2(1), 2010, pp. 49-66

AB: The importance of internet financial reporting (IFR) to users is discussed in various research studies. Size, profitability, foreign listing, and industry types are some of the determinants to disseminate more financial and nonfinancial information on the internet. However, the evidence of the usefulness of such information is inadequate. This study tries to identify the perceived usefulness of statutory, voluntary information and audit assurance disseminated on the internet to selected users of such information. The study result is consistent with previous studies, except that the regulators are concerned with statutory obligations rather than information overload by way of voluntary disclosure.

TI: How Does the Removal of the United States Short-Sale Rules Impact Three Latin American Markets?

AU: Tseng, Hsiou-Ying

SO: *International Review of Financial Analysis*, 19(2), March 2010, pp. 127-33

AB: This study examines the intermarket effects from the removal of the United States short-sale price test on three Latin American market stocks which are cross-listed in the US market: Argentina, Brazil, and Mexico. The empirical findings show that after the removal, price qualities of the Brazilian sample stocks deteriorate, implying order flow migrations from the Brazilian market to the US market, while the removal effects on the other two markets are not so significant. This paper pioneers the current work regarding the interactions of markets with respect to market integration, short-sale constraint removal, and foreign listings.

TI: Estimation of Global Systematic Risk for Securities Listed in Multiple Markets

AU: Ghai, Gauri L., et al.

SO: *European Journal of Finance*, 7(2), June 2001, pp. 117-30

AB: In this era of rapid globalization of financial markets there has been a substantial increase in cross-listings of stocks in foreign and regional capital markets. As many as a third to a half of the stocks in some major exchanges are foreign listed. The multiple listings of stocks has major implications for the concept of systematic risk. This paper demonstrates that the estimator for systematic risk and the methodology itself changes when stocks are listed in multiple markets. The paper suggests general procedures, using maximum information from the multiple markets, to obtain the estimator of beta under a variety of assumptions about the error terms of the market models in the different capital markets. The assumptions pertain both to the volatilities of the abnormal returns in each market, and to the relationship between the markets.

TI: Cross-Listing and Corporate Governance: Bonding or Avoiding?

AU: Licht, Amir N.

SO: *Chicago Journal of International Law*, 4(1), Spring 2003, pp. 141-63

AB: This Article examines the bonding theory of cross-listing, which suggests that foreign firms engage in cross-listing with a view towards improving their corporate governance. The Article

provides a comprehensive survey of the literature and argues that the empirical evidence supports an alternative theory, "the avoiding hypothesis." The Article essentially argues that to the extent that corporate governance issues play a role in the cross-listing decision, at all, it is a negative role. As such, the Article argues that improvements in issuers' corporate governance can be achieved primarily through sustained efforts by lawmakers and regulators in firms' home countries.

TI: The Long-Term Effect of the Sarbanes-Oxley Act on Cross-Listing Premia

AU: Litvak, Kate

SO: *European Financial Management*, 14(5), November 2008, pp. 875-920

AB: This paper uses a triple difference approach to assess whether the adoption of the Sarbanes-Oxley Act predicts long-term changes in cross-listing premia of affected foreign firms. I measure cross-listing premia as the difference between the Tobin's q of a cross-listed company and a non-cross-listed company from the same country matched on propensity to cross-list (first difference). I find that average premia for firms cross-listed on levels 2 or 3 (subject to SOX) declined in the year of SOX adoption (2002) and remained significantly below their pre-SOX level through year-end 2005 (second difference). Firms listed on levels 2 or 3, which are subject to SOX, experienced larger declines in premia than firms listed on levels 1 or 4, which are not subject to SOX (third difference). The estimated decline is 0.15-0.20 depending on specification. Riskier firms and firms from high-disclosing and high-GDP countries suffered larger post-SOX declines. Firm size predicts smaller declines in premia in well-governed countries. Faster-growing firms in poorly-governed countries experienced smaller declines in premia. The results are robust to the use of different before-and-after periods; the use of annual, quarterly, or monthly data; the use of individual companies' Tobin's q's instead of matched pairs, and different regression specifications. The overall evidence is consistent with the view that SOX negatively affected cross-listed premia, and particularly hurt riskier firms and firms from well-governed countries, while perhaps helping high-growth firms from poorly-governed countries. At the same time, after-SOX, level-23 firms continue to enjoy a substantial premium, estimated at about 0.32.

TI: A Breakdown of the Valuation Effects of International Cross-Listing

AU: Bris, Arturo; Cantale, Salvatore; Nishiotis, George P.

SO: *European Financial Management*, 13(3), June 2007, pp. 498-530

AB: It is well known that cross-listing domestic stocks in foreign exchanges has significant valuation effects on the listed company's shares. Using a sample of firms with dual shares, we explore the differential effects of cross-listing on prices and we are able to separate the different sources of the benefits of cross-listing. These sources include market segmentation, liquidity, and the bonding of controlling shareholders to lower expropriation of firm resources. Our results show that even though the market segmentation and bonding effects are both statistically significant, the economic significance of segmentation is more than double that of bonding. Furthermore, we document an economically and statistically significant increase in the liquidity of both share classes after the listing. Overall, our results explain why less and less firms are willing to list in the USA: Sarbanes Oxley has increased the cost of adopting better

governance while its benefits are not substantial; and market segmentation has decreased significantly in the last years.

TI: "You Can Enter but You Cannot Leave . . . ": U.S. Securities Markets and Foreign Firms

AU: Marosi, Andras; Massoud, Nadia

SO: *Journal of Finance*, 63(5), October 2008, pp. 2477-2506

AB: Although a number of prior papers have argued the benefits to foreign firms of cross-listing their shares in the U.S., the number of foreign firms exiting U.S. capital markets has been increasing. This has occurred despite the difficulties foreign firms face in deregistering from the Securities and Exchange Commission (SEC). This paper examines the reasons underlying this trend. One of our main findings is that the passage of the Sarbanes-Oxley Act has reduced the net benefits of a U.S. listing and registration, particularly for smaller foreign firms with lower trading volume and stronger insider control.

TI: International Cross-Listing and Stock Pricing Efficiency: An Empirical Study

AU: Liu, Shinhua

SO: *Emerging Markets Review*, 8(4), December 2007, pp. 251-63

AB: International cross-listing should subject stocks involved to ameliorated information environment in the host market, resulting in more information being revealed, fed back, and impounded into their prices at home and, thus, higher home-market pricing efficiency. Employing a simple non-parametric test, we present the first large-sample evidence for this hypothesis, and document that foreign cross-listings in the U.S. indeed enhance home-market stock pricing efficiency, net of marketwide efficiency shifts in the concurrent period. In addition, the efficiency benefit applies equally well regardless of home-market development status or cross-listing location. These findings should be of interest to both academics and practitioners.

TI: The Impact of Cross-Listings on the UK and the German Stock Markets

AU: Koulakiotis, Athanasios; Lyrودي, Katerina; Thomaidis, Nikos; Papasyriopoulos, Nicholas

SO: *Studies in Economics and Finance*, 27(1), 2010, pp. 4-18

AB: The purpose of this paper is to examine volatility transmissions between portfolios of cross-listed equities and exchange rate differences and also the volatility persistence for home, foreign equities, and exchange rate differences in the UK and German markets. A primary focus of this paper is to see if there is an impact first on the volatility persistence for foreign equities that are listed in the UK and German markets, second on the respective home portfolios of cross-listed equities, and third on the exchange rate differences. In addition, whether there are any bilateral spillovers between the following equity portfolios: foreign cross-listed equities, home cross-listed equities, and also local or global exchange rate differences are investigated. The paper finds that the volatility persistence is more prominent than error persistence from cross-listed equities, foreign or home, and the exchange rate differences. Furthermore, the transmission mechanism indicates a bilateral integration process in some of the cases that were examined. Based on these results, it is concluded that in the UK market the foreign cross-listings affect less the domestic equities compared to the German market.

TI: Financing Alternatives for Chinese Small and Medium Enterprises: The Case for a Small and Medium Enterprise Stock Market

AU: Fung, Hung-gay; Liu, Qingfeng; Yau, Jot

SO: *China and World Economy*, 15(1), January-February 2007, pp. 26-42

AB: Financing alternatives for small and medium enterprises in China are discussed in the present study. In particular, we analyze the significant changes and developments in China's "second board" stock market. China's extensive network of regional assets and equity exchanges, which were set up to facilitate private equity transfer, and non-performing loan transactions seem to partially fill the void for small and medium enterprises, which cannot easily obtain approval for listing on the stock exchanges. Foreign investors can identify investment opportunities in non-listed domestic state-owned and private businesses through these regional assets and equity exchanges. At the same time, foreign stock markets are now attracting the young Chinese enterprises to list their stocks on their exchanges.

TI: The Cost of Capital of Cross-Listed Firms

AU: Koedijk, Kees G.; van Dijk, Mathijs A.

SO: *European Financial Management*, 10(3), September 2004, pp. 465-86

AB: This paper analyses the cost of capital of firms with foreign equity listings. Our purpose is to shed light on the question whether international and domestic asset pricing models yield a different estimate of the cost of capital for cross-listed stocks. We distinguish between (i) the multifactor ICAPM of Solnik (1979) and including both the global market portfolio and exchange rate risk premia and (ii) the single factor domestic CAPM. We test for the significance of the cost of capital differential in a sample of 336 cross-listed stocks from nine countries in the period 1980-99. Our hypothesis is that the cost of capital differential is substantial for firms with international listings, as these are often large multinationals with a strong international orientation. We find that the asset pricing models yield a significantly different estimate of the cost of capital for only 12% of the cross-listed companies. The size of the cost of capital differential is around 50 basis points for the US, 80 basis points for the UK and 100 basis points for France.

TI: Impact of Futures on Comovements for UK Cross-Listed Equities

AU: Koulakiotis, Athanasios; Ktrakilidis, Constantinos; Chionis, Dionysios

SO: *Research in International Business and Finance*, 22(2), June 2008, pp. 145-61

AB: This paper uses La Porta et al.'s [La Porta, R., De Silanes, F. L., Shleifer, A., Vishny, R. W., 1998. Law and finance. *Journal of Political Economy* 106 (6), 1113-1155] capital markets regulatory classification to analyse the impact of information contained in various futures contracts on the magnitude and persistence of volatility spillovers between markets. The focus here is to examine the impact of futures contracts on comovement between markets. We examine the behavior of foreign cross-listed shares that have listed in different regulatory environments. In particular, the paper analyses spillover effects between foreign cross-listings in tougher, similar and more lax regulatory environments with respect to the relevant domestic indices (FTSE100) and also with the home portfolios of cross-listed equities in the UK. We find that futures variables have a significant impact on the magnitude and persistence of volatility spillovers between markets.

TI: The Liability of Foreignness in Capital Markets: Sources and Remedies

AU: Bell, R. Greg; Filatotchev, Igor; Rasheed, Abdul A.

SO: Journal of International Business Studies, 43(2), February-March 2012, pp. 107-22

AB: The accelerating pace of global capital market integration has provided new opportunities for firms to raise capital abroad through global debt issues, cross-listings, and initial public offerings in foreign stock exchanges. However, existing empirical evidence suggests that foreign firms tend to be at a disadvantage compared with domestic firms, and they often suffer from investors' "home bias". The objective of this paper is to understand why firms are facing problems when accessing capital in foreign markets, and possible mechanisms that can help to mitigate these problems. It expands the liability of foreignness (LOF) research beyond the product market domain to include liabilities faced by firms attempting to secure resources in foreign capital markets. We identify key differences between product and capital markets related to information environment, time structure of transactions, and linkages between buyers and sellers. We analyze institutional distance, information asymmetry, unfamiliarity, and cultural differences as the main sources of capital market LOF (CMLOF). We suggest possible mechanisms that managers can employ to mitigate CMLOF and overcome investors' "home bias": bonding, signaling, organizational isomorphism, and reputational endorsements. We also outline directions for further theoretical and empirical development of the CMLOF research.

TI: The Effect of U.S. GAAP Compliance on Non-U.S. Firms' Cross-Listing Decisions and Listing Choices

AU: Lin, Jing

SO: International Journal of Economics and Finance, 3(6), November 2011, pp. 42-56

AB: This paper examines whether complying with U.S. financial reporting requirements impacts non-U.S. firms' cross-listing decisions and listing choices. Using two constructs (reconciliation and disclosure) established at the firm level to proxy for foreign firms' U.S. GAAP compliance costs, I find that compliance is a significant cost factor when non-U.S. firms consider whether they should issue or list their shares in the U.S. However, the importance of compliance costs diminishes when foreign firms decide whether they should cross-list on an organized U.S. stock exchange. The reduced significance of compliance costs is likely attributed to the various benefits associated with exchange-listing, which potentially outweigh the compliance costs. The study extends prior research by measuring a major cross-listing cost directly at the firm level. It offers a new perspective on the cost and benefits analyses and contributes to the understanding of the role accounting plays in foreign firms' cross-listing activities.

TI: The Decision to List Abroad: The Case of ADRs and Foreign IPOs by Chinese Companies

AU: Zhang, Cinder Xinde; King, Tao-Hsien Dolly

SO: Journal of Multinational Financial Management, 20(1), February 2010, pp. 71-92

AB: This paper examines the decision to list abroad by Chinese companies in the form of ADRs and foreign IPOs from 1993 to 2005. Our sample consists of 33 ADRs, 218 foreign IPOs, and a sample of 1,418 domestic listings. We find evidence to support that issuers are motivated to cross-list due to the legal and accounting standards of the foreign markets, more stringent listing requirements and closer regulatory monitoring, significant demands for external capital due to rapid growth, an expanded shareholder base, and foreign expertise. The motives and

firm factors differ by the type of issue (ADR versus foreign IPO) and by the market in which the foreign exchange is located (Hong Kong versus Singapore). Subsequent to the listing events, issuers experience a significant drop in profitability, tangible assets ratio, and asset turnover. There is no significant change in capital expenditure. Stock returns after the listing events are generally negative for ADR and foreign IPO stocks. More significantly, these stocks underperform the market in the post-event window ranging from 3 days to 3 years.

TI: Cross-Listing and Regulatory Competition

AU: Ribstein, Larry E.

SO: *Review of Law and Economics*, 1(1), April 2005, pp. 97-148

AB: Firms can "rent" the securities laws in other countries by listing or selling securities there while remaining subject to local law. Firms thereby can reduce their cost of capital despite political and other impediments to strong securities laws in their home countries. The cross-listing market has implications for both cross-listing jurisdictions and the home jurisdictions of cross-listing firms. From the standpoint of home countries, firms' flight to other markets may result in political pressure to adopt laws similar to those in the cross-listing countries. However, this pressure is unlikely to cause convergence of international corporate laws. To the extent divergence persists, cross-listing firms' costs of complying with the internal governance law of cross-listing jurisdictions may exceed the benefits of cross-listing. In order to avoid reducing cross-listings, cross-listing jurisdictions have an incentive to exempt foreign firms from their internal governance law or to avoid regulating internal governance. This has important implications for expanding US federal regulation of internal governance: Just as the federal government is Delaware's competition, so the international market for cross-listings is Washington's competition.

TI: Direct Foreign Ownership, Institutional Investors, and Firm Characteristics

AU: Dahlquist, Magnus; Robertsson, Goran

SO: *Journal of Financial Economics*, 59(3), March 2001, pp. 413-40

AB: In this paper, we characterize foreign ownership using a dataset of ownership and attributes of Swedish firms. The analysis reveals that foreigners show a preference for large firms, firms paying low dividends, and firms with large cash positions on their balance sheets. When we further analyze the preference for large firms, we find that market liquidity and presence in international markets, measured through export sales or listings on other exchanges, seem to characterize foreign holdings better than firm size alone. Foreigners also tend to underweight firms with a dominant owner. Importantly, we demonstrate that most of the features associated with foreign ownership are driven by the fact that foreign investors typically are mutual funds or other institutional investors. Hence, we identify an institutional investor bias rather than a foreign investor bias. Finally, using ownership data on a country level, we conclude that the results are particularly strong among U.S. investors, who comprise the largest institutions among foreign investors.

TI: Mutual Fund Managers Stock Preferences in Latin America

AU: Piccioni, Joao Luiz, Jr.; Sheng, Hsia Hua; Lora, Mayra Ivanoff

SO: *International Review of Financial Analysis*, 24(1), September 2012, pp. 38-47

AB: In this paper, we observe the preferential characteristics of mutual fund managers when investing in Latin America. The main objective was checking the hypothesis that foreign managers prefer companies with characteristics that amplify its visibility, in other words, that reduce information asymmetry, a possible explanation for the existence of home bias. For this purpose, we observe mutual fund positions based on shareholders list of the companies listed at the stock exchanges of the countries of the sample in three different periods (June 2008, 2009 and 2010). Our findings go along with the hypothesis of home bias. Relevant variables of this literature that reinforces international exposure - i.e. international listing (ADRs), analyst coverage and exporting - were significant. Additionally, our findings suggest that international listing (ADRs) plays an important role in foreign mutual fund managers' decisions for Latin America, most due its characteristics (i.e. liquidity and market size). The study also revealed the preferences of domestic fund managers located in Latin America and found evidence that these managers behave differently from foreign mutual fund managers, as they expand their selection towards a market portfolio and do not focus on stocks with visibility characteristics.

TI: Takeovers, Market Monitoring, and International Corporate Governance

AU: Kumar, Praveen; Ramchand, Latha

SO: RAND Journal of Economics, 39(3), Autumn 2008, pp. 850-74

AB: We theoretically and empirically examine the role of international takeover markets in curtailing dominant shareholder moral hazard for firms with higher value-added from acquisitions. In equilibrium, such firms strategically list shares in the markets of their targets and voluntarily dilute dominant shareholder control through capital-raising events to lower their expected acquisition costs. Empirical tests, using a sample of foreign firms cross-listing on U. S. stock exchanges during 1990-2003, support the framework. We find a strong influence of post-listing dilution of dominant shareholder control through capital-raising events on the likelihood of acquisitions and their cost to the acquirers, in both U.S. and non-U.S. markets.

TI: Stock Market Liberalization and the Information Environment

AU: Bae, Kee-Hong; Bailey, Warren; Mao, Connie X.

SO: Journal of International Money and Finance, 25(3), April 2006, pp. 404-28

AB: We document beneficial associations between the information environment in emerging stock markets and changes in openness to foreign equity investors reflected in legal, regulatory, and cross-listing events, the fraction of stock available to foreign investors, and the size of U.S. portfolio flows. Increased openness is associated with increases in firm-specific information, analyst coverage, and analyst value-added, and decreases in earnings management. In particular, foreign analysts increase their presence, activity, and contribution to the information environment after openness increases. Across a detailed sample of Korean firms, however, such effects are dampened for firms that rate poorly on governance.

TI: Determinants of Bank Board Structure in Ghana

AU: Adusei, Michael

SO: International Journal of Business and Finance Research, 6(1), 2012, pp. 15-23

AB: The paper investigates the determinants of bank board structure in Ghana and finds that the Scope of Operations Hypothesis could explain the variation in board size but not board

independence. On the other hand, the Board Monitoring Hypothesis could only explain the variation in board independence but not board size. The study also finds that cost-income ratio, foreign majority ownership structure and Ghana Stock Exchange listing status are positively and significantly associated with large bank board size. The paper, therefore, argues that as a bank grows in Ghana the size of its board of directors is likely to increase. However, the increase is likely to result in inefficiency of the bank. Furthermore, the study has evidence to conclude that banks with foreign majority ownership structure are not likely to appoint more independent directors.

TI: How Representative Are Firms That Are Cross-Listed in the United States? An Analysis of Accounting Quality

AU: Lang, Mark; Raedy, Jana Smith; Yetman, Michelle Higgins

SO: Journal of Accounting Research, 41(2), May 2003, pp. 363-86

AB: We provide evidence on the characteristics of local generally accepted accounting principles (GAAP) earnings for firms cross-listing on U.S. exchanges relative to a matched sample of foreign firms currently not cross-listing in the United States to investigate whether U.S. listing is associated with differences in accounting data reported in local markets. We find that cross-listed firms differ in terms of the time-series properties of earnings and accruals, and the degree of association between accounting data and share prices. Cross-listed firms appear to be less aggressive in terms of earnings management and report accounting data that are more conservative, take account of bad news in a more timely manner, and are more strongly associated with share price. Furthermore, the differences appear to result partially from changes around cross-listing and partially from differences in accounting quality before listing. We do not observe a similar pattern for firms cross-listed on other non-U.S. exchanges or on the U.S. over-the-counter market, suggesting a unique quality to cross-listing on U.S. exchanges.

TI: Changes in Stock Returns and Trading Volume of American Depositary Receipts around Their U.S. Stock Exchange Listing Switches

AU: Chan, Kam C.; Wong, Annie

SO: Journal of Applied Business Research, 28(6), 2012, pp. 1445-50

AB: This study examines the change in stock returns and trading volume of American Depositary Receipts when foreign firms switched their listings from a major U.S. stock exchange to a more prestigious U.S. stock exchange; namely from the NASDAQ or American Stock Exchange to the New York Stock Exchange or from the American Stock Exchange to the NASDAQ since year 2000. We find that the stock returns of these American Depositary Receipts changed from better-than-market performance before the listing changes to just market performance after the listing changes. This evidence is consistent with a timing behavior of the management. We also find significant increase in their trading volume after the listing changes. This leads us to conclude that switching to a more prestigious stock exchange was able to create more investor interest.

TI: Bank Ownership Reform and Bank Performance in China

AU: Lin, Xiaochi; Zhang, Yi

SO: Journal of Banking and Finance, 33(1), January 2009, pp. 20-29

AB: Using a panel of Chinese banks over the 1997-2004 period, we assess the effect of bank ownership on performance. Specifically, we conduct a joint analysis of the static, selection, and dynamic effects of (domestic) private, foreign and state ownership. We find that the "Big Four" state-owned commercial banks are less profitable, are less efficient, and have worse asset quality than other types of banks except the "policy" banks (static effect). Further, the banks undergoing a foreign acquisition or public listing record better pre-event performance (selection effect); however, we find little performance change in either the short or the long term.

TI: World Financial Crisis and Efficiency of Chinese Commercial Banks

AU: Luo, Dan; Yao, Shujie; Chen, Jian; Wang, Jianling

SO: World Economy, 34(5), May 2011, pp. 805-25

AB: The US credit crunch generated substantial turmoil in the global financial markets and directly caused the collapse of several world banking giants. Nonetheless, Chinese commercial banks, decoupled from the rest of the world, achieved remarkable results because of their risk-averse nature and banking reform during the past 10 years. To improve corporate governance and efficiency, the latest reform was focused on ownership transformation via foreign participation and stock listing. Employing data of 14 listed Chinese banks during the period 1999-2008, this paper tests whether IPO was an effective way to enhance banks' efficiency using two frontier approaches, data envelopment analysis and SFA. The results confirm our hypothesis and suggest that restructuring banks into shareholding companies improves both technical efficiency and scale economies. This conclusion is further confirmed by the technical inefficiency effects model which found that efficiency rating of listed banks was about 5 per cent higher than their prior IPO level. Facing tougher economic condition and increased competition, banks not only need to broaden income sources, cut expenditures, but more importantly, to strengthen their risk management to become more resistant to a volatile business environment.

TI: What Explains Variation in Voluntary Disclosure? A Study of the Annual Reports of Corporations Listed on the Stockholm Stock Exchange

AU: Broberg, Pernilla; Tagesson, Torbjorn; Collin, Sven-Olof

SO: Journal of Management and Governance, 14(4), November 2010, pp. 351-77

AB: The demand for information and transparency from listed corporations has recently increased. In spite of an increased demand for mandatory disclosures from regulators, corporations choose to voluntarily disclose additional information in order to satisfy demands from the capital market. However, the extent and content of information in those voluntary disclosures vary across corporations. The aim of this study is to explain the variation in the content of information in voluntary disclosures by listed corporations. The analyses are based on data collected from 431 annual reports from corporations listed on the Stockholm Stock Exchange during the years 2002 and 2005. The findings support explanations from agency theory and positive accounting theory that size and the debt ratio are positively correlated with the content of information in voluntary disclosures. Corporations with a high share of management ownership disclosed less information than corporations with a low share of

management ownership. The study also shows that variations in voluntary disclosures can be explained by factors derived from institutional theory and 'international capital market pressures'. The results indicate that foreign ownership and international listing to some extent have a positive effect on the content of information in voluntary disclosures. Industry was another factor that had a significant influence on voluntary disclosures. One important finding is that regulation to some extent can stimulate voluntary disclosures; our results did not indicate an 'unintended chilling effect' due to too much regulation. In general, the corporations disclosed more voluntary information after the introduction of IFRS.

TI: Transmissions in International Cross-Listings

AU: Su, Yong-chen; Wu, Yuan-jay; Huang, Han-ching

SO: *International Research Journal of Applied Finance*, 3(4), April 2012, pp. 529-38

AB: We investigate the cross-listing impact on the volatility of Taiwan stock market and the effect of information transmission by using GARCH (1,1) - MA (1) model. The price volatility of the stock market increased under the cross-listing impact. The GARCH models using the stock return rate of foreign stock market as proxy show that this proxy was positive correlated with the price volatility of TSMC. The GARCH models using the variability of the stock return rate of foreign stock market as proxy show that the relationship between those two variables of MXIC and ASETEST was inconclusive. Using the stock return rate of American or Taiwan stock market as proxy shows the same results as previous models of TSMC. Using the stock return rate of foreign stock market as proxy shows that the cross-listing impact has little effect on the information transmission of MXIC and ASETEST.

TI: Does ADR Listing Affect the Dynamics of Volatility in Emerging Markets?

AU: Umutlu, Mehmet; Altay-Salih, Aslihan; Akdeniz, Levent

SO: *Finance a Uver/Czech Journal of Economics and Finance*, 60(2), 2010, pp. 122-37

AB: This paper analyzes the time-series variation in the return volatility of non-US stocks from emerging markets that are cross-listed on US exchanges. Unlike previous studies in the cross-listing literature, return volatility is modeled using conditional heteroscedasticity models. We find that firms' exposure to risks such as local and global market betas remain unchanged after cross-listing. Moreover, we do not identify notable changes in the dynamics of the volatility of cross-listed stocks after cross-listing except for leverage effects. We further show that the mean level of conditional variance is not affected after cross-listing. Thus, our results provide counter-evidence to the belief that foreign investor participation drives volatility upward.

TI: Crises, Contagion and Cross-Listings

AU: Chandar, Nandini; Patro, Dilip K.; Yezegel, Ari

SO: *Journal of Banking and Finance*, 33(9), September 2009, pp. 1709-29

AB: We investigate whether cross-listing shares in the form of depositary receipts in overseas markets benefits investors in emerging market countries during periods of local financial crisis from 1994 to 2002. We regress cumulative abnormal returns for three windows surrounding the crisis events on the cross-listing status while controlling for cross-sectional differences in firm age, trading volume, foreign exposure, disclosure quality and corporate governance. Further, we examine cross-listing effects in countries popularly thought to experience

contagious effects of these crises. We find that cross-listed firms react significantly less negatively than non-cross-listed firms, particularly in the aftermath of the crisis. The results on contagious cross-listing effects are however mixed. Our findings are consistent with predictions based on theories of market segmentation as well as differential disclosure/governance between developed and emerging markets. We do not find evidence that foreign investors "panic" during a currency crisis.

TI: U.S. International Equity Investment

AU: Ammer, John; Holland, Sara B.; Smith, David C.; Warnock, Francis E.

SO: *Journal of Accounting Research*, 50(5), December 2012, pp. 1109-39

AB: Using a comprehensive data set of all U.S. investment in foreign equities, we find that the single most important determinant of the amount of U.S. investment a foreign firm receives is whether the firm cross-lists on a U.S. exchange. Correcting for selection biases, cross-listing leads to a doubling (or more) in U.S. investment, an impact greater than all other factors combined. Much of this increased U.S. investment is purchased in the foreign market, implying that the cross-listing effect reflects something more fundamental about a firm than easier acquisition of its securities. We also demonstrate that cross-listing is an important determinant of U.S. international investment at the country level and describe easy-to-implement methods for including a cross-listing variable as an endogenous control.

TI: Does Cross-Listing Facilitate Changes in Corporate Ownership and Control?

AU: Ayyagari, Meghana; Doidge, Craig

SO: *Journal of Banking and Finance*, 34(1), January 2010, pp. 208-23

AB: This paper examines whether controlling shareholders of foreign firms use a US cross-listing to facilitate changes in ownership and control. Prior to listing, about three quarters of the firms in our sample have a controlling shareholder. After listing, about half of the controlling shareholders' voting rights decrease, with an average decrease of 24% points that differs significantly from that of the controlling shareholders of benchmark firms that do not cross-list. Large decreases in voting rights are associated with controlling shareholder characteristics, domestic market constraints, and better stock market performance and liquidity. In addition, there is control change in 22% of the firms. Controlling shareholders are more likely to sell control, and are more likely to do so to a foreign buyer, than controlling shareholders of benchmark firms. The results suggest that controlling shareholders who want to sell shares or their control stake can use a US cross-listing to decrease the cost of transferring ownership.

TI: Source Country Characteristics and the Inflow of Foreign Direct Investment into Saudi Arabia

AU: Roberts, Barbara M.; Almahmood, Abdulaziz

SO: *World Economy*, 32(12), December 2009, pp. 1730-46

AB: The paper examines the impact of source country characteristics on the inflow of FDI into Saudi Arabia using a gravity-type model including economic, distance, and socio-political variables. A unique database listing all new investments involving foreign ownership is used to construct a panel of 33 countries in the period 1980-2005. To account for many country-year observations with zero FDI, the negative binomial regression, the Tobit regression and the

Heckman selection procedure are used. The conclusions drawn from the analysis employing panel-based techniques differ from the results obtained from pooled regression models. Also, the determinants of FDI differ depending on whether foreign investment is measured in terms of investment expenditure or the number of individual foreign projects. The Heckman selection results reveal that there are a large number of factors affecting the decision to invest in Saudi Arabia, compared with relatively few determinants of the actual size of investment. Traditional size and distance characteristics hold to a great extent but the relationship between FDI and bilateral trade is unclear and there is some evidence that the countries that export to Saudi Arabia do not invest there. In terms of scope for possible spillovers, there is mixed evidence on whether the investment comes from more technologically advanced economies but volume-wise important investments originate from countries characterised by high income per capita.

TI: Firm Characteristics and the Impact of Emerging Market Liberalizations

AU: Patro, Dilip K.; Wald, John K.

SO: Journal of Banking and Finance, 29(7), July 2005, pp. 1671-95

AB: We provide a firm level analysis of the impact of capital market liberalization in 18 emerging markets. Consistent with models of international asset pricing, we find that firms' stock returns increase during liberalization and that a majority of firms have lower mean returns and lower dividend yields after liberalization. We also find that emerging market firms have increased exposure to the world market and decreased exposure to the home market following liberalization. These changes in returns and exposures support the predictions of theoretical international asset pricing models. We also test and find support for the importance of size, local risk, foreign exchange risk, and cross-listing status in explaining the cross-section of changes in returns.

TI: Market Segmentation and the Cost of Capital in International Equity Markets

AU: Errunza, Vihang R.; Miller, Darius P.

SO: Journal of Financial and Quantitative Analysis, 35(4), December 2000, pp. 577-600

AB: While theoretical models predict a decrease in the cost of capital from depositary receipt offerings, the economic benefits of this liberalization have been difficult to quantify. Using a sample of 126 firms from 32 countries, we document a significant decline of 42% in the cost of capital. In addition, we show the decline is driven by the ability of U.S. investors to span the foreign security prior to cross-listing. Our findings support the hypothesis that financial market liberalizations have significant economic benefits.

TI: Forms of Foreign Investment Liberalization and Risk in Emerging Stock Markets

AU: Hargis, Kent

SO: Journal of Financial Research, 25(1), Spring 2002, pp. 19-38

AB: I examine the effect of different forms of foreign investment liberalization on risk in emerging equity markets, including international cross-listings and closed-end country funds, and in the domestic equity market as foreign investment restrictions are eliminated. I find that in Latin American markets volatility declines significantly with different forms of foreign investment liberalization, and in Asian markets volatility does not increase significantly. Volatility is driven by domestic factors in South America, but the transmission of volatility from

the United States to Mexico increases after liberalization. The market risk exposure increases in Argentina after liberalization, in Chile with an index of American Depositary Receipts, and in Thailand with greater foreign ownership, reducing the diversification benefits of these markets.

TI: Cross-border Price Discovery and a New Motivation for Cross-listing

AU: Binh, Ki Beom; Chong, Byung-Uk; Eom, Kyong Shik

SO: *International Research Journal of Finance and Economics*, 0(42), August 2010, pp. 89-95

AB: We examine the location of price discovery, taking into account exchange rate dynamics, of POSCO stock on the KRX and the TSE, which have exactly identical trading hours. We analyze the information share which is defined as the relative contribution to the discovery of one price by the other price in a cointegrated time-series system of prices which share common stochastic trends. We estimate the information share using a vector error correction model (VECM) and the long-run impact matrix obtained in a vector moving average (VMA) representation of the VECM, as developed by Grammig, Melvin, and Schlag (2005). We find that price discovery of POSCO stock occurs mostly in the home market, the KRX, and the Korean won/Japanese yen exchange rate is exogenous with respect to POSCO stock prices on the KRX and the TSE. We also find that this result is robust regardless of the ordering of the prices in the Cholesky factorization. Given the reasons for POSCO's cross-listing on the TSE, our results shed new light concerning the motivation for cross-listing beyond the market segmentation hypothesis and bonding hypothesis.

TI: Information Costs and Home Bias: An Analysis of US Holdings of Foreign Equities

AU: Ahearne, Alan G.; Grier, William L.; Warnock, Francis E.

SO: *Journal of International Economics*, 62(2), March 2004, pp. 313-36

AB: We test extant hypotheses of the home bias in equity holdings using high quality cross-border holdings data and quantitative measures of barriers to international investment. The effects of direct barriers to international investment, when statistically significant, are not economically meaningful. More important are information asymmetries that owe to the poor quality and low credibility of financial information in many countries. While a direct measure of information costs is not available, some foreign firms have reduced these costs by publicly listing their securities in the United States, where investor protection regulations elicit standardized, credible financial information. A proxy for the reduction in information asymmetries--the portion of a country's market that has a public US listing--is a major determinant of a country's weight in US investors' portfolios. Foreign countries whose firms do not alleviate information costs by opting into the US regulatory environment are more severely underweighted in US equity portfolios.

TI: Speed of Convergence to Market Efficiency for NYSE-Listed Foreign Stocks

AU: Visaltanachoti, Nuttawat; Yang, Ting

SO: *Journal of Banking and Finance*, 34(3), March 2010, pp. 594-605

AB: This paper contributes to the cross-listing literature by documenting the speed of convergence to market efficiency for foreign stocks listed on the NYSE. We find that, on average, it takes 30-60 minutes for a foreign stock to achieve market efficiency. For a comparable US stock, it takes only 10-15 minutes. The significant difference between foreign

and US stocks remains robust when the speed is measured by the number of transactions rather than in calendar time. After relevant firm characteristics are controlled for, the time that it takes for foreign stocks to reach efficiency is significantly negatively related to the quality of their home country institutions. We find that one possible channel through which institutions affect the speed is through their impact on information asymmetry.

TI: U.S. Investors' Emerging Market Equity Portfolios: A Security-Level Analysis

AU: Edison, Hali J.; Warnock, Francis E.

SO: Review of Economics and Statistics, 86(3), August 2004, pp. 691-704

AB: We analyze a unique data set and uncover a remarkable result that casts a new light on the home bias phenomenon. The data are comprehensive, security-level holdings of emerging market equities by U.S. investors. We document that at a point in time U.S. portfolios are tilted towards firms that are large, have fewer restrictions on foreign ownership, or are cross-listed on a U.S. exchange. The size of the cross-listing effect is striking. In contrast to the well-documented under-weighting of foreign stocks, emerging market equities that are cross-listed on a U.S. exchange are incorporated into U.S. portfolios at full international CAPM weights. Our results suggest that information asymmetries play an important role in equity home bias and that the benefits of international risk sharing are limited to select firms.

TI: Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?

AU: Siegel, Jordan

SO: Journal of Financial Economics, 75(2), February 2005, pp. 319-59

AB: The study tests the functional convergence hypothesis, which states that foreign firms can leapfrog their countries' weak legal institutions by listing equities in New York and agreeing to follow U.S. securities law. Evidence shows that the SEC and minority shareholders have not effectively enforced the law against cross-listed foreign firms. Detailed evidence from Mexico further shows that while some insiders exploited this weak legal enforcement with impunity, others that issued a cross-listing and passed through an economic downturn with a clean reputation went on to receive privileged long-term access to outside finance. As compared with legal bonding, reputational bonding better explains the success of cross-listings.

TI: Pricing of American Depositary Receipts under Market Segmentation

AU: Fang, Hsing; Loo, Jean C. H.

SO: Global Finance Journal, 13(2), 2002, pp. 237-52

AB: This article examines the pricing of American Depositary Receipts (ADRs) in a three-factor pricing model. A seemingly unrelated regression model is utilized to test the nonlinear parameter restriction implied by the model. It is found that, although ADRs are traded in the U.S. securities market, their returns are significantly affected by their respective home market factors rather than by U.S. market movements. While U.S. investors are exposed to incremental risk from foreign equity market, they do not command a risk premium. The findings suggest that (1) markets are segmented and ADR listing does not integrate world capital market and (2) ADRs behave more like a foreign security and ADR is an effective tool of global risk diversification for U.S. investors.

TI: Valuation Effects of Seasoned Global Equity Offerings

AU: Errunza, Vihang R.; Miller, Darius P.

SO: Journal of Banking and Finance, 27(9), September 2003, pp. 1611-23

AB: This paper examines the shareholder wealth effects associated with global equity offerings made by foreign firms after their initial cross-listing in the United States. We document that the market reaction to seasoned global equity offerings is economically and statistically insignificant. However, it is 1.5% larger than the market reaction to offerings made on local exchanges only. In addition, we find that the adverse market reaction to local equity offerings is mitigated as more capital is raised globally. Our findings support the hypothesis that global capital raising is associated with significant benefits.

TI: Rationale and Strategy for Expansion of Singapore Stock Market

AU: Wang, Kangmao

SO: Review of Pacific Basin Financial Markets and Policies, 3(1), March 2000, pp. 45-58

AB: This study provides an overview of the growth of the securities industry in Singapore. It discovers that the shrinking turnover attributes to the downfall IPO size, which in turn causes decreasing funds raised through the equity issuance. The analysis reveals a negative correlation between the stock market turnover and CPF (central provident fund) withdrawal. The study then discloses that domestic funds continue to be the main source to be invested in Singapore's stock market. It is concluded that the most effective measure to accelerate Singapore's effort in becoming a regional financial center is to attract more foreign funds and regional companies for listing on the Stock Exchange of Singapore.

TI: Stock Exchange Demutualization, Self-Listing and Performance: The Case of the Australian Stock Exchange

AU: Otchere, Isaac; Abou-Zied, Khaled

SO: Journal of Banking and Finance, 32(4), April 2008, pp. 512-25

AB: This paper examines the effects of the recent spate of financial exchange mutual-to-stock conversion phenomenon on the performance of listed exchanges and the quality of the stock market using the Australian Stock Exchange (ASX) as a case study. We find that the ASX stock significantly outperformed the stock index and the control group on a market-adjusted return basis. The stock market performance is driven by strong operating performance. The profitability ratios of the ASX have significantly improved in the five years following the demutualization and self-listing. The performance improvements remain significant even after controlling for growth in the Australian economy. From a market quality perspective, we document evidence of increased trading activity by foreign investors after ASX's demutualization and self-listing. Interestingly, we also find that bid-ask spreads of the stock market have narrowed in the post-conversion period. In particular, small-cap firms have become more liquid. The results show that stock exchange conversion from mutual to publicly traded exchange is not only value enhancing for the exchange and its shareholders, but it is also beneficial for the stock market as a whole.

TI: Delnice Nove KBM v prvi kotaciji Ljubljanske borze. (LjSE Prime Market Listing for NKBM Shares.)

AU: Lah, Emil

SO: *Bancni Vestnik*, 58(7-8), July-August 2009, pp. 62-63

TI: Divergence of US and Local Returns in the After-Market for Equity Issuing ADRs

AU: Kadiyala, Padma; Subrahmanyam, Avaniidhar

SO: *European Financial Management*, 10(3), September 2004, pp. 389-411

AB: We study one-year post-listing prices and returns to equity issuing ADRs that listed in the US between January 1991 and October 2000. ADRs from countries that impose restrictions on capital flows are priced at a premium to their home market ordinaries. While the mean premium for the full sample is statistically indistinguishable from zero, after an adjustment for asynchronous trading, the magnitude of the premium to ADRs from restricted markets is 11.33% at the 300-day post listing interval, which is statistically significant. In the short run (30 days) following listing, the magnitude of the premium is larger for ADRs with larger excess demand from US investors. At the longer 300-day horizon, Nasdaq listed ADRs earn a larger premium than their NYSE/AMEX listed counterparts. Time-series regressions and two-stage cross-sectional regressions establish that the premium to foreign equity issuers is greater if the US listing attracts liquidity and if US returns have a lower correlation with the local country index.

TI: International Transfer of Pricing Information between Dually Listed Stocks

AU: Hauser, Shmuel; Tanchuma, Yael; Yaari, Uzi

SO: *Journal of Financial Research*, 21(2), Summer 1998, pp. 139-57

AB: International multiple listing offers a unique opportunity to study the efficiency of information transmission across national markets. The knowledge gained from observing a stock of the same company priced in multiple markets differs from what may be gained from observing relations across markets of aggregate price indices. We investigate five companies based in Israel whose stocks are listed on both the Tel Aviv Stock Exchange and NASDAQ. Our empirical tests of causality in price changes use the side-by-side Box-Jenkins ARIMA models and the Sims VAR model. Overall, the results show that price causality in dually listed stocks is unidirectional from the domestic market to the foreign market.

TI: The Effect of Cross-Listing on Trading Volume: Reducing Segmentation versus Signaling Investor Protection

AU: Abdallah, Abed Al-Nasser; Abdallah, Wissam; Saad, Mohsen

SO: *Journal of Financial Research*, 34(4), Winter 2011, pp. 589-616

AB: We examine the relation between cross-listing on the U.S. and UK regulated and unregulated exchanges and trading volume for a sample of 500 foreign firms from 34 countries. We find that the increase in trading volume is a function of both reducing segmentation and signaling investor protection. In addition, we find that home market trading volume, firm size, firm returns, and analyst forecast accuracy are the major determinants of a firm's trading volume. We also show that U.S. and UK investors trade foreign securities that originate from low-investor-protection countries more than they trade those from high-investor-protection countries, which is consistent with the bonding hypothesis.

TI: Asset Pricing in Segmented Capital Markets: Preliminary Evidence from China-Domiciled Companies

AU: Poon, Winnie P. H.; Firth, Michael; Fung, Hung-Gay

SO: Pacific-Basin Finance Journal, 6(3-4), August 1998, pp. 307-19

AB: A number of Chinese companies have issued shares to investors within China (A shares) and issued shares to foreign investors (B, H, and N shares). All these shares have equal rights although A shares can only be sold to, and traded among, PRC citizens and B, H, and N shares can only be issued to, and traded among, foreign investors. The paper examines the impact of the initial listing of B-share issues on the prices of already listed A shares. Our analyses test the joint characteristics of market segmentation and seasoned equity offerings. We find that the abnormal returns on A-share companies that also offer B shares are significantly negative, a result consistent with the hypothesis that the demand curve for equity shares is downward sloping. Interestingly, these negative abnormal returns can be explained by our proxies for the investor recognition theory of Merton (1987) and the liquidity theory of Amihud and Mendelson (1986).

TI: La cotation des titres des entreprises europeennes aux Etats-Unis: Une approche critique. (The Listing of European Companies in the US: A Critical Approach. With English summary.)

AU: Bancel, Franck

SO: Revue d'Economie Financiere, 0(89), July 2007, pp. 143-62

AB: The financial literature identifies several reasons that can explain why companies list on a foreign stock exchange: access to new financial resources, better visibility and notoriety, etc. This article presents the motivations and characteristics of European companies that have chosen to list in the USA. It draws the conclusion that the massive wave of US listings during the nineties is probably finished. The institutional context of a US listing has largely changed (adoption of the Sarbanes-Oxley law, etc.) and has significantly increased listing costs.

TI: What Drives Delistings of Foreign Firms from U.S. Exchanges?

AU: Chaplinsky, Susan; Ramchand, Latha

SO: Journal of International Financial Markets, Institutions and Money, 22(5), December 2012, pp. 1126-48

AB: We examine time dependency in the factors motivating delistings of foreign firms from major U.S. Exchanges over the period 1962-2006. For firms listing before Sarbanes-Oxley (SOX), we find that governance has no significant effect on delisting but after SOX, it becomes one of the main forces driving delisting. For firms whose delisting decision is most likely attributable to SOX, we find they realize low benefits from listing--they originate from countries with strong home market governance, and from listing onward realize low trading volume, analyst coverage, and make little use of capital raising. Our results suggest that SOX has had a large influence on the benefits seek from a U.S. listing, leading firms from well governed countries and low capital raising needs to delist.

TI: The Long-Run Performance of Initial Public Offerings and Its Determinants: The Case of China

AU: Cai, Xiaoqiong; Liu, Guy S.; Mase, Bryan

SO: Review of Quantitative Finance and Accounting, 30(4), May 2008, pp. 419-32

AB: Existing research finds poor long-run performance of Initial Public Offerings (IPOs), particularly in the US. Using company IPO data from China's Shanghai Stock Exchange, we find comparable levels of underperformance. In line with US results, initial overoptimism and the size of the offer are important explanatory factors for this underperformance. Additional variables include the earnings per share prior to listing, the decision to switch investment banks at the time of issue and whether the firm issues shares that can be purchased by foreign investors. These factors suggest that firms in China are able to manipulate the issue process. In the context of Chinese economic reforms, of particular note is the positive performance impact of the government shareholding after issue, which supports a signal argument in relation to continuing government support. As a result, we provide an interesting insight into the influence of the regulatory environment and economic transition on the long-run performance of IPOs in China.

TI: Cross-Listing Audit Fee Premiums: Theory and Evidence

AU: Choi, Jong-Hag; Kim, Jeong-Bon; Liu, Xiaohong; Simunic, Dan A.

SO: Accounting Review, 84(5), September 2009, pp. 1429-63

AB: We study the effects of cross-listings on audit fees. We first develop a model in which legal environments play a crucial role in determining the auditor's legal liability. Our model and analysis predict that auditors charge higher fees for firms that are cross-listed in countries with stronger legal regimes than they do for non-cross-listed firms and that the cross-listing audit fee premium increases with the difference in the strength of legal regimes between the cross-listed foreign country and the home country. We then empirically test these predictions. The results of our cross-country regressions strongly support our predictions. In addition, we find no significant cross-listing fee premium for firms that are cross-listed in countries whose legal regimes are no stronger than those of their home countries. This suggests that cross-listing audit fee premiums are associated with increased legal liability and not with increased audit complexity per se. Our findings help explain why cross-listing premiums occur and what determines their magnitude.

TI: Cross-Listing and Legal Bonding: Evidence from Mergers and Acquisitions

AU: Burns, Natasha; Francis, Bill B.; Hasan, Iftexhar

SO: Journal of Banking and Finance, 31(4), April 2007, pp. 1003-31

AB: Using a sample of foreign acquisitions of US targets, this study examines the extent to which cross-listing in the US leads to legal and regulatory bonding, and/or whether reputational bonding proxied by financial intermediaries monitoring, an often ignored component of the bonding mechanism, is an important factor in US investors decision to hold shares in cross-listed firms. We find that compared to US firms, cross-listed firms are less likely to use equity in takeovers of US targets. Further, cross-listed firms from countries with poorer legal protections are less likely to finance with equity and pay higher premiums than cross-listed firms from countries with better legal protections. Using analysts' coverage and institutional following as proxies for financial intermediary monitoring, we find some support for the importance of reputational bonding. The evidence suggests that while cross-listing reduces barriers to investment, there are limits to its ability to completely subsume both the legal environment

and the importance of the monitoring of financial intermediaries. This further suggests that the extent of actual legal and regulatory bonding by cross-listed firms may be more limited than often assumed.

TI: A Theory of Optimal Expropriation, Mergers and Industry Competition

AU: Brisley, Neil; Bris, Arturo; Cabolis, Christos

SO: Journal of Banking and Finance, 35(4), April 2011, pp. 955-65

AB: We model a competitive industry where managers choose quantities and costs to maximize a combination of firm profits and benefits from expropriation. Expropriation is possible because of corporate governance 'slack' permitted by the government. We show that corporate governance slack induces managers to choose levels of output and costs that are higher than would otherwise be optimal. This, in turn, benefits consumers - the equilibrium price is lower - and other stakeholders such as suppliers and employees. Depending on the government's social welfare objective, less-than-perfect investor protection can be optimal. We show why some mechanisms suggested by the literature as improving investor protection - legal change, cross-listing, domestic mergers - may not be effective. We provide a theoretical argument showing the efficacy of cross-border mergers. The stronger corporate governance of a foreign acquirer, imposed on the domestic target firm, benefits merging shareholders and those of competing unmerged domestic firms.

TI: Post-earnings Announcement Abnormal Return in the Chinese Equity Market

AU: Truong, Cameron

SO: Journal of International Financial Markets, Institutions and Money, 21(5), December 2011, pp. 637-61

AB: This study examines the profitability of trading on earnings surprises in the post-earnings-announcement period in the Chinese stock market from 1994 to 2009. We find that a post-earnings-announcement drift (PEAD) anomaly exists in China. When earnings surprise is defined relative to analyst forecasts, a hedge strategy of going long the top quintile of earnings surprise stocks and short the bottom quintile of earnings surprise stocks can generate around 9.5% excess return in 1 year following the earnings announcements. When earnings surprise is defined relative to time-series model forecasts, a hedge strategy of going long the top quintile of earnings surprise stocks and short the bottom quintile of earnings surprise stocks can generate around 9% excess return in 1 year following the earnings announcements. The return from trading on earnings surprise is robust to the inclusion of beta, firm size, book-to-market ratio, momentum, liquidity, and transaction cost measures, state ownership, cross-listing, and accounting standards. There is evidence that the magnitude of PEAD increases in the level of arbitrage risk and decreases in the level of foreign ownership. We also find that PEAD is strongly related to firms' future financial performance.

TI: The Choice of Trading Venue and Relative Price Impact of Institutional Trading: ADRs versus the Underlying Securities in Their Local Markets

AU: Chakravarty, Sugato; Chiyachantana, Chiraphol N.; Jiang, Christine

SO: Journal of Financial Research, 34(4), Winter 2011, pp. 537-67

AB: We address two important themes associated with institutions' trading in foreign markets:

(1) the choice of trading venues (between a company's listing in its home market and that in the United States as an American Depositary Receipt [ADR]) and (2) the comparison of trading costs across the two venues. We identify institutional trading in both venues using proprietary institutional trading data. Overall, our research underscores the intuition that the choice of institutional trading in a stock's local market or as an ADR is a complex process that embodies variables that measure the relative adverse selection and liquidity at order, stock, and country levels. Institutions route a higher percentage of trades to more liquid markets, and these trades are associated with higher cumulative abnormal returns. We also find that institutional trading costs are generally lower for trading cross-listed stocks on home exchanges even after controlling for selection bias.

TI: The Post-issue Market Performance of Initial Public Offerings in China's New Stock Markets
AU: Chen, Gongmeng; Firth, Michael; Kim, Jeong-Bon

SO: *Review of Quantitative Finance and Accounting*, 14(4), June 2000, pp. 319-39

AB: In this paper, we investigate the post-issue market performance of initial public offerings (IPOs) in China's new stock markets. Our analysis focuses on whether and how institutional features unique to China differentially affect IPO performance. These features include the existence of dual-class shares for the same underlying firms (A-shares issued to domestic investors and B-shares issued to foreign investors) and the unusually long time lag between the offering and listing dates. Our sample consists of 277 A-share and 65 B-share IPOs that were listed on China's new stock markets during the 1992-95 period. Our study has a number of interesting results. First, Ashare IPOs are much more severely underpriced during the initial return period than B-share IPOs. Second, B-share IPOs underperform Ashare IPOs (and the market) during the post-issue periods for up to three years. Third, the results of multivariate regression analyses strongly suggest that economic factors determining the post-issue performance of IPOs differ across the A-share and B-share samples.

TI: Foreign Cultures, Sarbanes-Oxley Act and Cross-Delisting

AU: Daugherty, Mary; Georgieva, Dobrina

SO: *Journal of Multinational Financial Management*, 21(4), October 2011, pp. 208-23

AB: Using a sample of foreign firms listed in U.S. and delisting shares over the period 2000 and 2010, this paper studies the impact of Sarbanes-Oxley Act (SOX) on the cross-delisting behavior of foreign firms based on the firm characteristics, legal tradition, overall culture, and degree of individualism of the country of domicile. Pre-SOX, the propensity to delist is lower for firms from countries with cultural similarities to the U.S. and higher for firms from individualistic societies. Post-SOX these trends are reversed. Consistent with the existing research we find that the delisting decision of foreign firms cross-listed in the U.S. is based on the potential gains from listing based on the growth opportunities, length of presence in the U.S. and legal regulations of the country of domicile. Our findings provide evidence of the cultural factors that impact the competitiveness of U.S. capital markets.

TI: IPO Underpricing in China's New Stock Markets

AU: Chen, Gongmeng; Firth, Michael; Kim, Jeong-Bon

SO: *Journal of Multinational Financial Management*, 14(3), July 2004, pp. 283-302

AB: China's recent economic reforms have included the privatization and listing of many state-owned enterprises (SOEs). This study investigates the pricing of initial public offerings of A-shares sold to domestic investors and B-shares sold to foreign investors. Our data consist of 701 A-share IPOs and 117 B-share IPOs that listed in the period 1992-1997. The median initial return on A-share IPOs is 145% while the median underpricing of B-shares is just 10%. We find that risk is strongly and positively associated with the underpricing of A-shares. High government and legal entity shareholdings are also associated with underpricing. B-share underpricing is positively related to seasoned equity offerings (SEOs) and government ownership. We find that underpricing is a positive function of the relative price-to-book ratio and the relative price-earnings multiple. Our study gives some insights into the pricing of new issues on China's stock exchanges.

TI: Offshore versus Local Listings of Taiwanese Firms: Evidence from London, New York and Taipei

AU: Burdekin, Richard C. K.; Whited, Hsin-hui I. H.

SO: Applied Financial Economics, 21(7-9), April-May 2011, pp. 637-49

AB: This article examines the differential between the share prices of Taiwanese securities traded on their home market of Taipei versus their trading values offshore in London and New York over the 1998 to 2009 period. In line with prior research on mainland Chinese securities, we examine how the premiums attached to Taiwanese securities abroad are related to exchange rate expectations and investor sentiment. Our cross sectional panel regression analysis identifies significant roles for both market wide and company specific sentiment effects. Additional sentiment effects may be linked with fluctuations in the bid-ask spreads as investor interest waxes and wanes.

TI: The Value of Excess Cash and Corporate Governance: Evidence from US Cross-Listings

AU: Fresard, Laurent; Salva, Carolina

SO: Journal of Financial Economics, 98(2), November 2010, pp. 359-84

AB: We examine whether and how a US cross-listing mitigates the risk that insiders will turn their firm's cash holdings into private benefits. We find strong evidence that the value investors attach to excess cash reserves is substantially larger for foreign firms listed on US exchanges and over-the-counter than for their domestic peers. Further, we show that this excess-cash premium stems not only from the strength of US legal rules and disclosure requirements, but also from the greater informal monitoring pressure that accompanies a US listing. Overall, because investors' valuation of excess cash mirrors how they expect the cash to be used, our analysis shows that a US listing constrains insiders' inefficient allocation of corporate cash reserves significantly.

TI: Using Threshold Cointegration to Examine Asymmetric Price Adjustments between ADR's and Their Underlying Securities--The Case of Taiwan

AU: Wang, Chun-Hsuan; Lin, Chun-Hung A.

SO: South African Journal of Economics, 73(3), September 2005, pp. 449-61

AB: Many recent studies have focused on the relationship between American Depository Receipts (ADRs) and their foreign underlying stocks, because of the price interaction and

arbitrage opportunities provided by the dual listings. The cointegration and its corresponding error correction model employed in some recent studies assume that the tendency to move towards a long-run equilibrium is present all the time. However, the presence of costs of adjustments may prevent economic agents from adjusting continuously. As an extension of previous studies, this paper applies the threshold cointegration model that allows for asymmetric adjustment towards a long-run equilibrium to inspect the linkage between Taiwanese ADRs and their underlying shares. By employing the threshold error correction model, the short-term adjustments also are examined. We find some evidence of asymmetric adjustments in our data. The tests for asymmetries are also implemented with the maximum likelihood estimation for the complete multivariate threshold cointegration model instead of the univariate model.

TI: Why Do Skilled Immigrants Struggle in the Labor Market? A Field Experiment with Thirteen Thousand Resumes

AU: Oreopoulos, Philip

SO: American Economic Journal: Economic Policy, 3(4), November 2011, pp. 148-71

AB: Thousands of randomly manipulated resumes were sent in response to online job postings in Toronto to investigate why immigrants, allowed in based on skill, struggle in the labor market. The study finds substantial discrimination across a variety of occupations towards applicants with foreign experience or those with Indian, Pakistani, Chinese, and Greek names compared with English names. Listing language fluency, multinational firm experience, education from highly selective schools, or active extracurricular activities had no diminishing effect. Recruiters justify this behavior based on language skill concerns but fail to fully account for offsetting features when listed.

TI: The Effects of Banking Relationship, Legal Origin, Private Equity and Lead Managers on the Performance of West African IPO Firms

AU: Hearn, Bruce

SO: South African Journal of Economics, 79(4), December 2011, pp. 430-51

AB: This paper examines the performance effects arising from initial primary offering (IPO) firms retaining their existing bank as a lead manager together with the effects of foreign and domestic lead managers, corporate insiders, and private equity investors across West Africa. Using a unique and comprehensive sample of 37 locally listed IPO firm's from across West Africa, I find evidence of a considerable reduction in underpricing and costs of equity in firms listing on the civil code as opposed to common law markets. Furthermore, I find evidence that firms employing their existing bank as lead manager have higher costs of equity while the employment of a foreign as opposed to domestic lead manager imparts a reduction in underpricing and cost of equity.

TI: Relationship between Volatility and Multilisting: Evidence from the Finnish Stock Market

AU: Pursiainen, Aarni

SO: Finnish Economic Papers, 11(2), Autumn 1998, pp. 65-85

AB: The purpose of this paper is to provide an additional insight into the stock price volatility of all Finnish companies that are listed on foreign stock exchanges through studying permanent

changes to the stock price volatility brought by trading on many markets. We find that the variances of both restricted and unrestricted stocks are slightly lower during the post-listing period.

TI: Is There a Better Commitment Mechanism Than Cross-Listings for Emerging-Economy Firms? Evidence from Mexico

AU: Siegel, Jordan

SO: *Journal of International Business Studies*, 40(7), September 2009, pp. 1171-91

AB: The last decade of work in corporate governance has shown that weak legal institutions at the country level hinder firms in emerging economies from accessing finance and technology affordably. To attract outside resources, these firms must often use external commitments for repayment. Research suggests that a common commitment mechanism is to borrow US securities laws, which involves listing the emerging economy firm's shares on a US exchange. This paper uses a quasi-natural experiment from Mexico to examine the conditions under which forming a strategic alliance with a foreign multinational firm is actually a superior mechanism for ensuring good corporate governance.

TI: Clusters in Ireland

AU: Szalavetz, Andrea

SO: *Development and Finance/Fejlesztés és Finanszírozás: Quarterly Hungarian Economic Review*, 0(4), 2007, pp. 13-21

AB: The European Trendchart on Innovation prepares annual studies on the innovation systems of EU Member States, institutional and incentive systems, listing strengths and weaknesses as well as analysing potential effects of the latest innovation programs. The SWOT analysis of the 2006 country report on Ireland includes a potential strengthening of cluster development under opportunities through further foreign investment, the strengthening of existing clusters and the promotion of intensive clustering. This article focuses on the above areas to examine the factors of Irish economic policy facilitating clusters.

TI: Venture-Backed IPOs and the Exiting of Venture Capital in China

AU: Xu, Xiaoqing Eleanor

SO: *Journal of Entrepreneurial Finance and Business Ventures*, 11(3), December 2006, pp. 39-55

AB: This paper documents the dramatic improvement in institutional, legal and regulatory environment for the exiting of foreign venture capital in China. It also discusses the recent developments, advantages and disadvantages of various China venture-backed IPO listing channels, including overseas listing through the main board and high-tech trading board in the United States (via New York Stock Exchange and NASDAQ), Hong Kong (via Hong Kong Stock Exchange and Hong Kong Growth Enterprise Market) and Singapore (via Singapore Exchange and SESDAQ), and domestic listing (via Shenzhen Small and Medium Enterprise Board). Finally, this paper examines the venture capital funding and IPO offering details, and the short-run and long-run performance of the U.S.-listed China Venture-backed IPOs between 2000 and 2005.

TI: The Dynamics of Indian Financial System

AU: Babu, G. Ramesh

SO: International Journal of Research in Finance and Marketing, 2(3), March 2012, pp. 13-26

AB: Privatization, liberalization and globalization are familiar words throughout the world. Liberalization means dismantling all hurdles regarding regulations of various acts. There is a misbelief that privatization will do harm to the public. In the process of privatization, an economy creates a high degree of competition among the role players. Globalization is a magic word that resonates throughout the world in the digital economy. With only 2.3 percent of the world's land area (the seventh-largest country), India is the second most populous country in the world with a population of 1.209 billion, which is among the youngest in the world. The proportion of population in the working age group of 15-64 years is currently around 62.9 per cent and is expected to increase to close to 70 per cent by 2026. The recent developments in the global economy are indicative of uncertainties in the outlook for the medium term and the volatilities in global commodity and financial markets. The present situation is based on "inflation risk, allocation of global financial capital, policies for better agricultural performance, infrastructure development requirement, and financial stability." The Indian economy has evolved from a virtually closed economy until the early 1980s to one that is opening up and rapidly integrating into the global economy since the commencement of major reforms in the early 1990s. In terms of a traditional measure of openness, the ratio of exports per cent in 1991-92 has risen to over 50 per cent in 2005-06 and is expected to have gone up further in 2006-07. Both exports and imports have been rising in recent years above the long-term trend. The merchandise trade deficit is currently close to 7 per cent of GDP; however, the current account deficit is under 1.5 per cent of GDP, mainly due to the knowledge and competitive advantage we have in services and the steady support from remittances from Indians working abroad. These factors provide an in-built cushion to the balance of payments and help to keep the current account gap within sustainable limits. In this sense, the Indian economy has not contributed to the current global imbalances. The Indian financial system has been built up with a strong foundation. It has not been damaged by any scams. It showed stability even when the dollar weakened. It has been built up by with a strong four pillars which are: 1) financial markets; 2) financial institutions; 3) financial services; 4) financial instruments. The banking sector reforms in India, initiated since 1992 have brought about structural changes in the financial sector by easing external constraints in the working of the banks. Major policy measures include phased reductions in statutory pre-emption like cash reserve and statutory liquidity requirements, and deregulation of interest rates on deposits and lending, except for a select segment. The diversification of ownership of banking institutions is yet another feature, which has enabled private shareholding in the public sector banks, through listing on the stock exchanges, arising from dilution of the government ownership. Because of healthy market value of the banks' shares, the capital infusion into the banks by the government has turned out profitable for the government. Foreign direct investment in the private sector banks is now allowed up to 74 per cent, subject to the prescribed guidelines.

TI: Stock Exchange Merger and Liquidity: The Case of Euronext

AU: Nielsson, Ulf

SO: Journal of Financial Markets, 12(2), May 2009, pp. 229-67

AB: The paper empirically investigates the effects of the Euronext stock exchange merger on listed firms, i.e. the merger of stock exchanges in Amsterdam, Brussels, Lisbon and Paris. Specifically, it examines how exchange consolidation has affected stock liquidity and how the effect varies with firm type, i.e. what types of firms benefit the most in terms of stock liquidity and other financial outcomes. The results show asymmetric liquidity gains from the stock exchange merger, where the positive effects are concentrated among big firms and firms with foreign sales. There is not a significant increase in stock liquidity of small or medium sized firms, nor of firms that only operate domestically. Beyond the significant size and foreign exposure effects (i.e. big firms and firms with foreign sales gain), the analysis finds no systematic pattern in the distribution of merger benefits across industries or listing locations. The merger is associated with an increase in Euronext's market share, where the increase is drawn from the London Stock Exchange. There is however no evidence of Euronext enhancing its competitive stand in terms of attracting new firm listings.

TI: The Institutional Determinants of IPO Firm Prospectus Length in a Developing Context: A Research Note

AU: Hearn, Bruce

SO: *Research in International Business and Finance*, 27(1), January 2013, pp. 52-65

AB: This study focuses on the impact of institutional quality on the amount of disclosure in IPO firms listing prospectuses using the six well established World Bank Governance indices, namely corruption control, government effectiveness in promotion of private sector development, political stability and absence from terrorism, regulatory quality, rule of law, and lastly, democratic voice and accountability. Using a unique hand-collected sample of 165 IPO firms from across Africa from 2000 to 2011, I find evidence that enhanced rule of law and regulatory quality impact on the amount of disclosure by firms, reflected in length of IPO listings prospectuses. In addition, I find evidence that founder-led entrepreneurial firms are more likely to disclose more alongside firms in extractive and technology industries that rely on local stock exchanges as a source of external finance. In contrast IPO firms that have significant long term foreign partners or are subsidiaries of foreign multinational enterprises are likely to disclose less than other types of firm underscoring their apathy to domestic investors and relative lack of dependence on indigenous stock markets as a viable source of external finance.

TI: Hong Kong Stock Listing and the Sensitivity of Managerial Compensation to Firm Performance in State-Controlled Chinese Firms

AU: Ke, Bin; Rui, Oliver; Yu, Wei

SO: *Review of Accounting Studies*, 17(1), March 2012, pp. 166-88

AB: We compare the sensitivity of managerial cash compensation to firm performance, the level of long term managerial incentives, and the sensitivity of CEO turnover to firm performance for three types of state-controlled Chinese firms: A shares (firms incorporated and listed in mainland China), H shares (firms incorporated in mainland China but listed in Hong Kong), and Red Chip shares (firms incorporated outside mainland China and listed in Hong Kong). We find no difference in the three pay-for-performance sensitivity measures between H shares and A shares. The cash pay-for-performance sensitivity and the level of long-term managerial incentives are higher for Red Chip shares than for the other two firm types.

However, the sensitivity of CEO turnover to firm performance is insignificant for all three firm types. Our study illustrates the complexity in the influence of mainland China's versus Hong Kong's institutional forces on state-controlled Chinese firms listed in Hong Kong.

TI: Going Public Abroad: The Dynamics of Return Spillovers in an Atypical International Cross Listing Case

AU: Alhaj-Yaseen, Yaseen S.; Lam, Eddery; Barkoulas, John T.

SO: Applied Financial Economics, 22(22-24), December 2012, pp. 2035-46

AB: In this study, we investigate the dynamics of the return transmission mechanism across markets (spillover effects) in the atypical international cross listing case where the stock has gone public abroad and then cross listed in the home market. Previous studies have examined such dynamic return interactions in the typical case, where a company goes public in the domestic capital market and subsequently cross lists its stock in a foreign stock exchange. Our sample consists of Israeli stocks that went public in the US and then cross-listed in the home market. The empirical evidence suggests that return spillovers are significantly positive in both directions but home-to-US return spillovers are stronger than those of US-to-home. The magnitude of the return dependencies across the home and the US markets is weaker among firms facing greater risk of information asymmetry. There is a tendency for reversal of the US market returns associated with high-volume shocks in the home market but a tendency for continuation in the opposite direction. The greater the information asymmetry facing firms the greater the tendency for continuation and the weaker the tendency for reversal.

TI: Does Lending Behaviour of Banks in Emerging Economies Vary by Ownership? Evidence from the Indian Banking Sector

AU: Bhaumik, Sumon Kumar; Piesse, Jenifer

SO: Economic Systems, 32(2), June 2008, pp. 177-96

AB: While much has been discussed about the relationship between ownership and financial performance of banks in emerging markets, literature about cross-ownership differences in credit market behaviour of banks in emerging economies is sparse. Using a portfolio choice model and bank-level data from India for 9 years (1995-96 to 2003-04), we examine banks' behaviour in the context of credit markets of an emerging market economy. Our results indicate that, in India, the data for the domestic banks fit well the aforementioned portfolio-choice model, especially for private banks, but the model cannot explain the behaviour of foreign banks. In general, allocation of assets between risk-free government securities and risky credit is affected by past allocation patterns, stock exchange listing (for private banks), risk averseness of banks, regulations regarding treatment of NPA, and ability of banks to recover doubtful credit. It is also evident that banks deal with changing levels of systematic risk by altering the ratio of securitized to non-securitized credit.

TI: U.S. Cross-Listing and China's B-Share Discount

AU: Yang, Ting; Lau, Sie Ting

SO: Journal of Multinational Financial Management, 15(4-5), October 2005, pp. 334-53

AB: In contrast with price premium for foreign shares in other countries, China's foreign shares (B-shares) are unique in that they are traded at a large discount from their domestic shares (A-

shares). We examine how the presence of Chinese stocks in the U.S. affects this discount. We extend the substitution effect of Sun and Tong [Sun, Q., Tong, W. H. S., 2000. The effect of market segmentation on stock prices: the China syndrome. *Journal of Banking and Finance* 24, 1875-1902] and find that the number and trading volume of Chinese firms traded in the U.S. are also significantly negatively related to the B-share premium. The substitution effect from these stocks is stronger than that from Chinese stocks listed in Hong Kong. For a smaller sample of Chinese firms with B-shares cross-listed in both the U.S. and China, we find the presence of a counteracting effect as a result of such listing. We utilize the methodology of Domowitz et al. [Domowitz, I., Glen, J., Madhavan, A., 1998. International cross-listing and order flow migration: evidence from an emerging market. *Journal of Finance* 53, 2001-2027] and find that the home market price volatility of these stocks is significantly reduced as a result of the cross-listing, but that the cross-listing has no impact on the home market liquidity.

TI: Privatization through an Overseas Listing: Evidence from China's H-Share Firms

AU: Jia, Jin; Sun, Qian; Tong, Wilson H. S.

SO: *Financial Management*, 34(3), Autumn 2005, pp. 5-30

AB: We study the partial privatization of 53 Chinese state-owned enterprises (by their listings on the Hong Kong Exchange over the period July 1993 to December 2002). We find that listing has led to a median increase of 70% in real net profits, 80% in real sales, 50% in capital spending, and a mild but nonsignificant improvement in coverage ratios, but no improvement in return on sales and a significant underperformance of returns against several market index benchmarks. Further investigation shows that firm performance is negatively related to state ownership, but positively related to legal-personal ownership and foreign ownership.

TI: Means of Financing and Company Financial Attributes

AU: Iatridis, George; Perissios, Panagiotis

SO: *International Research Journal of Applied Finance*, 3(8), August 2012, pp. 1207-17

AB: This study investigates the impact of different means of financing on UK firm accounts. The paper examines how each means of financing influences firms' accounting numbers and financial performance. It focuses on major means of financing, such as debt capital, equity financing, financial leasing, retained earnings, convertible loans, cross-listings and off-balance sheet financing. The study provides evidence that different sources of financing have different effects on firms' accounts. Firms using different financing tools appear to exhibit different financial attributes. For example, firms that issue equity or debt capital tend to be smaller or have higher growth potential. Firms that have their shares cross-listed on foreign stock markets appear to exhibit higher growth, profitability and dividend payout.

TI: Testing for Micro-Structure Effects of International Dual Listings Using Intraday Data

AU: Noronha, Gregory M.; Sarin, Atulya; Saudagaran, Shahrokh M.

SO: *Journal of Banking and Finance*, 20(6), July 1996, pp. 965-83

AB: This paper examines the impact on the liquidity of NYSE/AMEX listed stocks when they were subsequently listed on the London or the Tokyo Stock Exchanges. It can be argued that the increased competition from foreign market makers will reduce the monopoly rents that specialists can earn, thereby improving their quotes. We find, however, that spreads do not

decrease following a dual listing, though the depth of the quotes increases as predicted. The apparent increase in depth disappears once we account for changes in price, volume and return variance. We also find that the level of informed trading increases, which increases the cost to the specialist of providing liquidity, and explains why spreads do not decline in spite of increased competition. Consistent with an increase in informed trading, we also document an increase in trading activity.

TI: Private Benefits of Control, Ownership, and the Cross-Listing Decision

AU: Doidge, Craig; Karolyi, G. Andrew; Lins, Karl V.; Miller, Darius P.; Stulz, Rene M.

SO: *Journal of Finance*, 64(1), February 2009, pp. 425-66

AB: This paper investigates how a foreign firm's decision to cross-list on a U.S. stock exchange is related to the consumption of private benefits of control by its controlling shareholders. Theory has proposed that when private benefits are high, controlling shareholders are less likely to choose to cross-list in the United States because of constraints on the consumption of private benefits resulting from such listings. Using several proxies for private benefits related to the control and cash flow ownership rights of controlling shareholders, we find support for this hypothesis with a sample of more than 4,000 firms from 31 countries.

TI: Do Countries Matter for Voluntary Disclosure? Evidence from Cross-Listed Firms in the US

AU: Shi, Yaqi; Magnan, Michel; Kim, Jeong-Bon

SO: *Journal of International Business Studies*, 43(2), February-March 2012, pp. 143-65

AB: This paper explores the likelihood and consequences of voluntary disclosure (proxied by management earnings forecasts) for a sample of 1,005 cross-listed firms in the US from 40 countries over the period 1996-2005. Our study is grounded in a three-tiered conceptual framework that relies on insights from and implications of institutional theory, agency theory and bonding theory to explain the costs and benefits associated with voluntary disclosure. Consistent with institutional theory and agency theory, our results indicate that disclosure likelihood increases with the strength of cross-listed firms' home-country legal institutions, and is also influenced by US listing type, product market internationalization, and ownership structure. Further, our results show that voluntarily committing to US disclosure practice is associated with lower information asymmetry, which supports reputational bonding theory. Overall, our study provides a costs-and-benefits framework to understand voluntary disclosure practices in an international context. Our work also presents evidence that home-country institutions still matter when foreign firms migrate into the US financial market, which highlights the importance of country-level institution development.

TI: The Sarbanes-Oxley Act and the Choice of Bond Market by Foreign Firms

AU: Gao, Yu

SO: *Journal of Accounting Research*, 49(4), September 2011, pp. 933-68

AB: This paper examines the economic impact of the Sarbanes-Oxley Act (SOX) by studying foreign firms' choice of whether to issue bonds in the U.S. public bond market or elsewhere before and after the law's enactment in 2002. After controlling for firm characteristics, bond features, home-country attributes, and market conditions, I find that foreign firms rely less on the U.S. public bond market after SOX. Additionally, some determinants of choosing the U.S.

public bond market have changed since the passage of SOX: firms listing equities on U.S. stock exchanges, adopting International Financial Reporting Standards (IFRS), and doing large bond issuances are more likely to choose this market in the post-SOX period than in the pre-SOX period. Overall, these results are consistent with a shift in the expected costs and benefits of choosing the U.S. public bond market following SOX. This paper provides the first evidence about how SOX influences debt financing decisions and alters capital flows across international bond markets.

TI: Strategic Disclosure and Stock Returns: Theory and Evidence from US Cross-Listing

AU: Goto, Shingo; Watanabe, Masahiro; Xu, Yan

SO: Review of Financial Studies, 22(4), April 2009, pp. 1585-1620

AB: When a firm exercises discretion to disclose or withhold information (strategic disclosure), risk-averse investors command higher expected returns when expected cash flows decrease, producing a negative correlation between these expectations. Moreover, stock returns exhibit stronger reversal than they do when full disclosure is enforced. We propose a model that makes these predictions and provide consistent evidence using a panel of foreign firms that list American Depositary Receipts (ADRs). We find significant shifts in the time-series properties of stock returns for firms that undergo large changes in disclosure environments, such as those cross-listing on the NYSE/AMEX/NASDAQ and those from less-developed/emerging markets and code-law countries.

TI: Corporate Entrepreneurship and Acquisitions: Creating Firm Wealth

AU: Farinos, Jose E.; Herrero, Begona; Latorre, Miguel A.

SO: International Entrepreneurship and Management Journal, 7(3), September 2011, pp. 325-39

AB: Acquisition is one way entrepreneurial firms have to capture the assets needed to achieve their strategic objectives. We investigate shareholder value creation of Spanish listed firms in response to announcements of acquisitions over the period 1991-2006. Similar to foreign markets, bidders earn insignificant average abnormal returns regardless of the pricing model used in the estimation procedure. When we relate these results to company and transaction characteristics our evidence suggests that the listing status of the target firm is a critical key in the strategic decision to acquire a company. This listing status effect is mainly associated with the fact that unlisted firms tend to be smaller and lesser-known firms, and thus suffer from a lack of competition in the market for corporate control. Consequently, the payment of lower premiums and the possibility of diversifying shareholders' portfolios lead to unlisted firm acquisitions being viewed as value-orientated transactions which have major implications for managers.

TI: Applicant and Examiner Citations in U.S. Patents: An Overview and Analysis

AU: Alcacer, Juan; Gittelman, Michelle; Sampat, Bhaven

SO: Research Policy, 38(2), March 2009, pp. 415-27

AB: Prior art patent citations have become a popular measure of patent quality and knowledge flow between firms. Interpreting these measurements is complicated, in some cases, because prior art citations are added by patent examiners as well as by patent applicants. The U.S.

Patent and Trademark Office (USPTO) adopted new reporting procedures in 2001, making it possible to measure examiner and applicant citations separately for the first time. We analyzed prior art citations listed in all U.S. patents granted in 2001-2003, and found that examiners played a significant role in identifying prior art, adding 63% of citations on the average patent, and all citations on 40% of patents granted. An analysis of variance found that firm-specific variables explain most of the variation in examiner-citation shares. Using multivariate regression, we found that foreign applicants to the USPTO had the highest proportion of citations added by examiners. High-volume patent applicants had a greater proportion of examiner citations, and a substantial number of firms won patents without listing a single applicant citation. In terms of technology, we found higher examiner shares among patents in electronics, communications, and computer-related fields. Taken together, our findings suggest that firm-level patenting practices, particularly among high-volume applicants, have a strong influence on citation data and merit additional research.

TI: Sarbanes-Oxley and the Cross-Listing Premium

AU: Litvak, Kate

SO: Michigan Law Review, 105(8), June 2007, pp. 1857-98

AB: This article tests whether the Sarbanes-Oxley Act ("SOX") affected the premium that investors are willing to pay for shares of foreign companies cross-listed in the United States. I find that from year-end 2001 (pre-SOX) to year-end 2002 (after SOX adoption), the Tobin's q and market/book ratios of foreign companies subject to SOX (cross-listed on levels 2 or 3) declined significantly, relative to Tobin's q and market/book ratios of both (i) matching non-cross-listed foreign companies from the same country, the same industry, and of similar size, and (ii) cross-listed companies from the same country that are not subject to SOX (listed on levels 1 or 4), whose Tobin's q and market/book ratios declined only slightly and increased in some specifications, compared to matching non-cross-listed companies. Thus, the premium associated with trading in the United States was roughly constant, while the premium associated with being subject to U.S. regulation declined. The biggest losers were companies that were more profitable, riskier, and smaller, companies with a higher level of pre-SOX disclosure, and companies from well-governed countries. These results are consistent with the view that investors expected SOX to have greater costs than benefits for cross-listed firms on average, especially for smaller firms and already well-governed firms.

TI: Cross-Listed Stocks as an Information Vehicle of Speculation: Evidence from European Cross-Listings in the Early 1870s

AU: Baltzer, Markus

SO: European Review of Economic History, 10(3), December 2006, pp. 301-27

AB: This study deals with the price building process of cross-listed stocks on the most important European stock exchanges in the 1870s. By applying a vector error correction approach we look for cointegration relationships. Obviously, there was already a high degree of cross-border integration. Furthermore, we observe the uncommon phenomenon that it was not the home market Vienna but the foreign market Berlin which was the dominant one in the price-building process. An explanation could be the intense speculation during the 1870s in Berlin. Therefore,

cross-listed stocks worked as a vehicle for spreading the ongoing speculation from Berlin to other places.

TI: Why Are Foreign Firms Listed in the U.S. Worth More?

AU: Doidge, Craig; Karolyi, G. Andrew; Stulz, Rene M.

SO: Journal of Financial Economics, 71(2), February 2004, pp. 205-38

AB: At the end of 1997, foreign companies with shares cross-listed in the U.S. had Tobin's q ratios that were 16.5% higher than the q ratios of non-cross-listed firms from the same country. The valuation difference is statistically significant and reaches 37% for those companies that list on major U.S. exchanges, even after controlling for a number of firm and country characteristics. We suggest that a U.S. listing reduces the extent to which controlling shareholders can engage in expropriation and thereby increases the firm's ability to take advantage of growth opportunities. We show that growth opportunities are more highly valued for firms that choose to cross-list in the U.S., particularly those from countries with poorer investor rights.

TI: Vagabond Shoes Longing to Stray: Why Foreign Firms List in the United States

AU: Blass, Asher; Yafeh, Yishay

SO: Journal of Banking and Finance, 25(3), March 2001, pp. 555-72

AB: How do firms that go public decide whether to list on a major stock exchange or locally? Using a unique data set on Israeli IPOs in the US and Tel Aviv, we show that companies that list in the US are young and overwhelmingly high-tech oriented. We argue that high-quality innovative firms are willing to incur additional costs associated with listing in the US in order to reveal their value and distinguish themselves from firms that issue stock back home. Costs of listing in the US include first day underpricing and relinquishing corporate control.

TI: Dobrovoljno financijsko izvješćivanje na Internetu: Analiza prakse hrvatskih i slovenskih dioničkih društava koja kotiraju na burzama. (Voluntary Financial Reporting on the Internet: Analysis of the Practice of Stock-Market Listed Croatian and Slovene Joint Stock Companies. With English summary.)

AU: Pervan, Ivica

SO: Financijska Teorija i Praksa/Financial Theory and Practice, 30(1), 2006, pp. 1-27

AB: An investigation into Internet financial reporting carried out in June 2005 that focused on stock-market listed Croatian and Slovene joint-stock companies has two basic aspects, comparative and explanatory. The comparative aspect of the research showed that Slovene corporations have a statistically significant higher level of financial reporting (as measured with IFR score). The average IFR score for 55 corporate entities from Croatia came to just 6.85, while the average IFR score for 30 Slovene firms was 17.63. The second aspect of the investigation was explanatory, and at the level of each state and sample the intention was to find the variables that affect IFR scores significantly. With respect to the Croatian sample it was shown that the IFR score was statistically significantly and positively correlated with size, profitability, number of shareholders, and amount of traffic on the stock markets. Then regression analysis showed that majority foreign ownership had a positive effect on the IFR score. A statistically significant but negative correlation was established for two sectors, tourism and marine

transport. For the Slovene sample, comprising 30 firms, the size, profitability and number of stockholders were not significant variables. However, official listing, proportion of market capitalisation and ratio of market to book values of shares were statistically significantly and positively correlated with the IFR score. Only one sector, transport, was significantly and negatively correlated with the IFR score.

TI: International Financial Integration Through Equity Markets: Which Firms from Which Countries Go Global?

AU: Claessens, Stijn; Schmukler, Sergio L.

SO: *Journal of International Money and Finance*, 26(5), September 2007, pp. 788-813

AB: This paper studies international financial integration analyzing firms from various countries raising capital, trading equity, and/or cross-listing in major financial markets. Using a large sample of 39,517 firms from 111 countries covering the period 1989-2000, we find that, although integration increases substantially over this period, only relatively few countries and firms actively participate. Firms more likely to internationalize are from larger and more open economies, with higher income, and better macroeconomic environments. These firms tend to be larger, grow faster, and have higher returns and more foreign sales. International financial integration will likely remain constrained by country and firm characteristics.

TI: U.S. Investors' Perceptions of Corporate Control in Mexico: Evidence from Sibling ADRs

AU: Pinegar, J. Michael; Ravichandran, R.

SO: *Journal of Financial and Quantitative Analysis*, 38(1), March 2003, pp. 213-30

AB: We examine the relative prices of sibling American Depositary Receipts (ADRs). These ADRs are issued against classes of shares with different voting rights that are issued by the same foreign firm. Though superior and inferior voting siblings begin trading in the U.S. at nearly equal values, prices quickly separate. For non-Mexican issues, superior voting ADRs command a premium. For Mexican issues, superior voting shares trade at a discount. The Mexican discount is inconsistent with the benefits of U.S. listing discussed in other recent studies and cannot be explained by differences in cash flow rights, systematic risk, liquidity, voting control of major blockholders, or ownership restrictions. Our analysis suggests, however, that control for our Mexican firms has shifted to creditors and competitors, thus, eroding equity voting premiums.

TI: Managerial Entrenchment of Anti-takeover Devices: Quasi-experimental Evidence from Korea

AU: Hwang, Sunwoo; Kim, Woochan

SO: *Pacific-Basin Finance Journal*, 20(4), September 2012, pp. 614-38

AB: With the removal of statute-based anti-takeover provisions during the aftermath of Asian crisis, a significant number of Korean firms started to introduce charter-based measures. In this paper, we make use of this unique situation where firm-level anti-takeover provisions (ATP) vary over time (making firm fixed effects regression feasible) and its amendment requires a shareholder approval (making event study feasible), when investigating the link between ATP and firm performance. Using a sample during 1999-2009, we find that firms with charter-based anti-takeover provisions are smaller in size, have lower inside and foreign ownerships, and upon adoption, experience lower share prices, the extent of which drops with inside ownership.

Consistent with the overinvestment hypothesis in Jensen (1986), we also find that these firms increase capital expenditure. Our finding also shows that ATP adoptions are followed by lower profitability and lower dividend payouts. Firms with ATPs also experience greater de-listings after the global financial crisis.

TI: Disclosure Practices of Foreign Companies Interacting with U.S. Markets

AU: Khanna, Tarun; Palepu, Krishna G.; Srinivasan, Suraj

SO: Journal of Accounting Research, 42(2), May 2004, pp. 475-508

AB: We analyze the disclosure practices of companies as a function of their interaction with U.S. markets for a group of 794 firms from 24 countries in the Asia-Pacific and Europe. Our analysis uses the Transparency and Disclosure scores developed recently by Standard & Poor's. These scores rate the disclosure of companies from around the world using U.S. disclosure practices as an implicit benchmark. Results show a positive association between these disclosure scores and a variety of market interaction measures, including U.S. listing, U.S. investment flows, exports to, and operations in the United States. Trade with the United States at the country level, however, has an insignificant relationship with the disclosure scores. Our empirical analysis controls for the previously documented association between disclosure and firm size, performance, and country legal origin. Our results are broadly consistent with the hypothesis that cross-border economic interactions are associated with similarities in disclosure and governance practices.

TI: Reforms, Productivity, and Efficiency in Banking: The Indian Experience

AU: Mohan, Rakesh

SO: Pakistan Development Review, 44(4), Winter 2005, pp. 505-32

AB: India embarked on a strategy of economic reforms in the wake of a serious balance-of-payments crisis in 1991. A central plank of the reforms was reform in the financial sector and, with banks being the mainstay of financial intermediation, the banking sector. The objective of the banking sector reforms was to promote a diversified, efficient and competitive financial system with the ultimate objective of improving the allocative efficiency of resources through operational flexibility, improved financial viability and institutional strengthening. Beginning from 1992, Indian banks were gradually exposed to greater domestic and international competition. India's approach to banking reforms has been somewhat different from many other countries. Whereas there has not been privatisation of public sector banks, through a process of partial disinvestment a number of public sector banks have been listed in Stock Exchanges and have become subject to market discipline and greater transparency in this manner. Besides, newly opened banks from the private sector and entry and expansion of several foreign banks resulted in greater competition. Consequent to these developments, there has been a consistent decline in the share of public sector banks in total assets of commercial banks and a declining trend of Herfindahl's concentration index. Improvements in efficiency of the banking system were reflected in a number of indicators, such as, a gradual reduction in cost of intermediation (defined as the ratio of operating expense to total assets) in the post reform period across various bank groups (barring foreign banks), and decline in the non-performing loans. As a result of these changes, there has been an all-around productivity improvement in the Indian banking sector. While the cost income-ratio (i.e., the ratio of

operating expenses to total income less interest expense) as well as net interest margin (i.e., the excess of interest income over interest expense, scaled by total bank assets) of Indian banks showed a declining trend during the post-reform period, the business per employee of Indian banks increased over three-fold in real terms exhibiting an annual compound growth rate of nearly 9 percent. At the same time, the profit per employee increased more than five-fold, implying a compound growth of around 17 percent. Branch productivity also recorded concomitant improvements. Such productivity improvements in the banking sector could be driven by two factors: technological improvements, which expands the range of production possibilities and a catching up effect, as peer pressure amongst banks compels them to raise productivity levels. As far as the future of Indian banking is concerned, a number of issues, such as the credit to small and medium enterprises, customers' interests and financial inclusion, reducing procedural formalities, listing of the public sector banks in the stock exchange and related market discipline are of paramount importance.

TI: Survey of Recent Developments

AU: Kuncoro, Mudrajad; Widodo, Tri; McLeod, Ross H.

SO: Bulletin of Indonesian Economic Studies, 45(2), August 2009, pp. 151-76

AB: In the recent legislative elections the Democrat Party of President Susilo Bambang Yudhoyono (SBY) was by far the most successful. Support for other major secular-nationalist parties fell significantly, as did that for the Islamic parties as a group. Two new parties led by former generals also performed relatively poorly. At the time of writing SBY seemed the likely winner of the forthcoming presidential election, supported by running mate Boediono, the former governor of Bank Indonesia. Indonesia's performance during the global financial crisis has been vastly better than during the Asian financial crisis, and superior to that of most other countries in the region. Output growth remained positive through Q1 2009, although there were signs of heightened caution within the business community. Deft monetary policy saw inflation decline significantly, with little negative impact on output growth or the banking sector. Much of the earlier declines in the financial markets had been reversed by mid-June. Successful management of exchange rate policy in late 2008 and early 2009 raises the question whether Indonesia would fare better with a more genuinely floating exchange rate and a much lower level of international reserves. Economic outcomes during the SBY administration fell well short of the president's 2004 election campaign promises, but were comparable with those under former president Megawati, reflecting the great policy similarities of the two regimes. A key feature of the presidential election campaign has been the use of the term 'neo-liberal' to attack one's opponents. It has been implied that those following 'neo-liberal' policies favour the business sector and foreigners over the people, whereas the real issue is what types of policies are more likely to benefit the Indonesian people as a whole. The debate provides the opportunity potentially to resolve long-standing disagreements as to the relative efficacy of free market- and interventionist-type policies. Public sector accounting reform is an important aspect of efforts to improve governance. Newly introduced accounting standards require a shift to double-entry accounting, and away from the single-entry system inherited long ago from the Dutch. This requires the listing of government entities' assets and liabilities in a balance sheet, and should lead to far greater accuracy in government financial reporting. In turn, this has the potential to be a powerful anti-corruption instrument. But progress is significantly limited by a

severe shortage of accountants in the public sector, and by dysfunctional personnel management practices.

TI: El hundimiento del Nikkei. (The Collapse of the Nikkei Index. With English summary.)

AU: Benito Valero, Fernando; Carrascosa Morales, Antonio

SO: *Informacion Comercial Espanola Revista de Economia*, 0(807), May-June 2003, pp. 145-55

AB: The present article attempts to explain the reasons for the persistent and progressive collapse of the Nikkei index and its impact on the Japanese and world economies. It identifies the key factors to be the malfunction of closely interconnected international stock exchanges, the substantial change in the composition of the index due to the incorporation of technological securities, trends in the yen-dollar exchange rate and the measures to rehabilitate the banking system. The low price of listings, unknown prior to the beginning of the speculative bubble of the late eighties, has had an adverse impact on banking and the effectiveness of monetary policy measures, giving rise to an excess of liquidity in the system, which has in turn prompted anomalous behaviour on the part of the weakened domestic economy. It is consequently concluded that the deflationary cycle must be broken if the index, sluggish for the last 12 years, is to recover.

TI: Market Linkage for Dual-Listed Chinese Stocks

AU: Mak, Billy S. C.; Ngai, Asta M. S.

SO: *Chinese Economy*, 38(2), March-April 2005, pp. 88-107

AB: Only Chinese firms with the best financial integrity and corporate governance can be dually listed on the Hong Kong Exchange as H-shares or red chips and listed in the United States in the form of American Depository Receipts (ADRs). Dual listing for People's Republic of China (PRC) firms indicates their ability to attract international investors and to become international securities market participants. Using a bivariate generalized autoregressive conditional heteroscedasticity model, we examine patterns of information flows related to both pricing and volatility spillover across markets. Results indicate a significant mutual feedback of information between Hong Kong-listed stocks and ADRs. The Hong Kong market appears to play a more important role in influencing the pricing of corresponding companies in the U.S. market, whereas both markets are similarly influential to the volatility spillover. This finding is useful for foreign investment banking and financial services firms operating in China that need to understand the dual market performance of top PRC stocks.

TI: Enterprise Finance and Investment in Listed Hungarian Firms

AU: Perotti, Enrico C.; Vesnaver, Luka

SO: *Journal of Comparative Economics*, 32(1), March 2004, pp. 73-87

AB: This paper studies the financing of enterprise investment in listed Hungarian firms during the first years of transition. These firms were selected for listing on the exchange and presumably had better access to external capital. In particular, we look for evidence of financial constraints that limit real investment and attempt to identify the effect of different ownership and governance structures. The empirical results indicate significant financial constraints even among the better-known firms in the period from 1992 to 1998. Consistent with studies from other countries, we find evidence that foreign-owned firms do not suffer from limited external

finance. Previous leverage can strain investment, suggesting that hard budget constraints are binding. State ownership does not alleviate capital constraints and larger firms do not appear to be less constrained than the smaller firms, which contrasts with the evidence in Western countries.

TI: Relative Analysis of Price Discovery Tools Operative in Indian Capital Market

AU: Aggarwal, Monika

SO: Indian Journal of Finance, 2(1), April-May 2008, pp. 7-17, 25

AB: The recent Indian capital market is known as a strong and vibrant component of the Indian financial system. Many governmental and non-governmental efforts are being put to bring it at par with the international financial market. Establishment of SEBI as an apex regulatory body has proved to be a revolutionary step towards bringing the structural changes in order to regain the confidence of Indian investors and to attract the foreign investment. In this direction, the primary market has witnessed a number of reforms over the time. Major changes involved abolition of control over pricing, designing, and tenure of instruments, etc. SEBI has introduced various stringent disclosure norms. One important reform, which needs consideration, is "pricing of issue." It is the most critical element of any public issue. Under CCI regime, all companies coming with a public issue had to price their issue based on the CCI formula. It was felt to be an anti-market practice because all companies, whether fundamentally sound or not, had to price their issue very conservatively. As a result, all the issues coming into market were easily oversubscribed leaving few scopes for further rise in price on its listing. In 1992, CCI was abolished and companies were allowed to price their issue freely subject to some disclosure requirements. Following this, the guidelines have been provided that allow the issuer to decide the price in consultation with a merchant banker. There is no price formula stipulated by SEBI. However, company and merchant banker are required to give full disclosures of the parameters which they had considered while deciding the issue price. Basically there are two modes of pricing the offer: (a) fixed price method and (b) book building method. In case of fixed price offer, an issuer company is allowed to freely price the issue. The basic of issue price is disclosed in an offer document. The company can mention a price band of 20% (the cap in price band should not be more than 20% of floor price) in the draft offer document filed with SEBI and actual price can be determined at a later date before filing of final offer document with SEBI/ROC. Whereas book building is a process by which a demand for securities proposed to be issued by a body corporate is elicited and built up and a price for securities is assessed on the basis of bids obtained for quantum of securities offered. So, under the free pricing era, companies can freely price their issues either through fixed price or book-building. Book building is assumed to be the optimum price discovery mechanism over the last four or five years. In this context, this paper is an attempt to analyse the preference of book building process and fixed price method for pricing the issue and also an attempt has been made to study the impact of price method on the performance of the issue.

TI: On Syndicate Composition, Corporate Structure and the Certification Effect of Credit Ratings

AU: Bosch, Oliver; Steffen, Sascha

SO: Journal of Banking and Finance, 35(2), February 2011, pp. 290-99

AB: We assess the relative importance of ratings versus stock exchange listings in reducing

information asymmetry using a dataset of syndicated loans to public and private firms in the UK. We find that the certification effect of ratings is largest for private firms and that syndicates are smallest if firms are privately held or unrated. Moreover, we find that the marginal effect of being stock exchange listed is insignificant once these firms are rated. Exploiting the heterogeneity among lenders, we find that especially foreign bank and non-bank investors do not provide capital if firms are unrated. Our paper highlights the information produced by rating agencies as an important mechanism by which ratings improve access to capital. Our results also emphasize the importance of syndicate moral hazard on the supply of uninformed capital: bank-borrower relationships significantly increase the loan share syndicated to investors particularly if firms are not listed and unrated.

TI: The Influence of Policy on the Roles of Agriculture in South Africa

AU: Vink, Nick

SO: Development Southern Africa, 21(1), Special Issue March 2004, pp. 155-77

AB: This article provides a framework for the analysis of the relationship between different macroeconomic, sector and commodity policies and the multiplier effects of agriculture. It starts with a listing of the macroeconomic, sector and commodity policies that have been included in the analysis. These should be considered in conjunction with the likely roles of agriculture along each of the dimensions of the social, poverty and cultural roles of agriculture. These policies and roles should be conceptualised as the vertical and horizontal axes respectively of a "policy role" matrix. The "cells" of this matrix--the policy role interactions--are discussed with respect to the immediate macroeconomic, agricultural, economic, institutional and social impact of the policy change on the agricultural sector at farm, regional, national and multinational levels, and thereafter on the role of agriculture in terms of each of the dimensions identified above.

B. Results of "overseas listing" search

TI: The Overseas Listing Decision: New Evidence of Proximity Preference

AU: Sarkissian, Sergei; Schill, Michael J.

SO: Review of Financial Studies, 17(3), Fall 2004, pp. 769-809

AB: Using a cross section of effectively the entire universe of overseas listings across world markets, we examine the market preferences of firms listing their stock abroad. We find that geographic, economic, cultural, and industrial proximity play the dominant role in the choice of overseas listing venue. Contrary to the notion that firms maximize international portfolio diversification gains in listing abroad, cross-listing activity is more common across markets for which diversification gains are relatively low. Our findings imply that the same proximity constraints that are believed to lead to "home bias" in investment portfolio decisions also exert a profound influence on financing decisions.

TI: Are There Permanent Valuation Gains to Overseas Listing?

AU: Sarkissian, Sergei; Schill, Michael J.

SO: Review of Financial Studies, 22(1), January 2009, pp. 371-412

AB: This paper tests whether foreign equity listings are associated with permanent valuation gains and examines how market and firm characteristics influence any valuation effects. Using a global sample of 1,676 listings placed in 25 countries, we find that much of the valuation gains to overseas listings are not permanent. The transitory nature of valuation gains holds for both average US listings and average first-time firm listings. We find little evidence of a permanent effect on returns for firms that list abroad, even for firms' listings in markets that are more liquid, provide better legal protection, or have a larger shareholder base.

TI: Overseas Listing, Voluntary Corporate Governance and Performance--A Case Study of Sinopec

AU: Ma, Lianfu; Chen, Deqiu; Gao, Li

SO: Frontiers of Business Research in China, 2(3), September 2008, pp. 440-57

AB: This paper analyzes the evolution of Sinopec's corporate governance system and performance in the domestic capital market after its overseas listing. Results show that Sinopec's governance system successfully evolves from a mandatory type to a voluntary type as a result of conformation to legal regulatory systems in the overseas market as exogenous forces and company voluntary decision-makings as endogenous forces. Sinopec takes the initiative to carry out corporate governance innovation, which has significantly improved its performance in the domestic capital market.

TI: The Determinants of Overseas Listing Decisions: Evidence from Chinese H-Share Companies

AU: Kung, Fan-Hua; Cheng, Chia-Ling

SO: Asian Business and Management, 11(5), December 2012, pp. 591-613

AB: This article examines determinants in the decision of Chinese companies to seek overseas listings. Because most H-share companies listed in Hong Kong are state-owned, factors related to both politics and corporate governance have a profound influence on the decision to list overseas. The sample in this study comprised all listed Chinese companies that issued A-shares

and mainboard-listed H-shares between 2003 and 2008. We hypothesize that companies are motivated to list overseas in accordance with political and corporate governance arguments. Our results support this assertion. Companies with strong political ties (generally large-scale ventures, managed by politically connected CEOs, and considered to be in strategic industries) demonstrate a pronounced inclination to list overseas. We also found that in H-share companies listed in Hong Kong, ownership tends to be more balanced, with a larger number of independent directors, and few instances of controlling shareholders or CEO duality, compared with the situation in pure A-share companies.

TI: Overseas Listing as a Policy Tool: Evidence from China's H-Shares

AU: Sun, Qian; Tong, Wilson H. S.; Wu, Yujun

SO: *Journal of Banking and Finance*, 37(5), May 2013, pp. 1460-74

AB: We investigate why the Chinese government chooses to perform share issue privatization (SIP) of its state-owned enterprises (SOEs) in Hong Kong, despite the benefit of facilitating the domestic stock market development if performing SIP in China (Subrahmanyam and Titman, 1999) and the higher cost to list in Hong Kong. We address this issue by arguing that the positive effect of SIPs on the development of the domestic market may have limitations, especially when the domestic market is not well developed and cannot absorb rapid and large-scale SIP activities. To maintain domestic market order, it may be optimal to carry out SIP in overseas markets. Furthermore, by listing shares in developed overseas markets, SOEs from the less developed countries could leverage on the overseas markets' better accounting, governance, and legal standards. By examining a sample of 92 Chinese firms listed in Hong Kong and the relevant control samples of purely domestically listed Chinese firms during the period of 1993-2006, we find supporting evidence for both arguments.

TI: Overseas Listing of Chinese Companies: An Overview

AU: Wu, Congsheng

SO: *China and World Economy*, 13(4), July-August 2005, pp. 44-57

AB: This paper provides a broad-based overview of Chinese companies listed in the United States, Hong Kong SAR, and Singapore. As more and more Chinese companies are seeking listing on international stock exchanges, they must fully understand the costs and benefits associated with overseas capital-raising activities. Above all, they must be committed to addressing investors' concerns over accountability, transparency and corporate governance in general. Examinations of the pricing and post-offer performance of those listed in the U.S. market indicate that American depositary receipts (ADRs) from China have a moderate positive return on the first day of trading but underperform the U.S. stock market in the first three years after offer. These results are generally consistent with the stylized facts about newly listed companies recognized in the prior literature.

TI: Privatization through an Overseas Listing: Evidence from China's H-Share Firms

AU: Jia, Jin; Sun, Qian; Tong, Wilson H. S.

SO: *Financial Management*, 34(3), Autumn 2005, pp. 5-30

AB: We study the partial privatization of 53 Chinese state-owned enterprises (by their listings on the Hong Kong Exchange over the period July 1993 to December 2002). We find that listing

has led to a median increase of 70% in real net profits, 80% in real sales, 50% in capital spending, and a mild but nonsignificant improvement in coverage ratios, but no improvement in return on sales and a significant underperformance of returns against several market index benchmarks. Further investigation shows that firm performance is negatively related to state ownership, but positively related to legal-personal ownership and foreign ownership.

TI: The Overseas Listing Puzzle: Post-IPO Performance of Chinese Stocks and ADRs in the U.S. Market

AU: Luo, Yongli; Fang, Fang; Esqueda, Omar A.

SO: Journal of Multinational Financial Management, 22(5), December 2012, pp. 193-211

AB: The "China concepts stock" in the U.S. has attracted a great deal of attention among international investors due to the fast growth in Chinese economy. This paper examines the aftermarket performance and the motivations to list in the U.S. for Chinese firms over 1993-2010 by considering the great impact of split-share structure reform in China. We find that the Chinese firms in the U.S. generally underperform the benchmark and industry peers in the post-IPO period of 3 years. The Chinese cross-listing ADRs show superior performance relative to the single-listings in the long run. It seems that more stringent listing requirements and accounting standards help to improve the corporate governance and operating performance of the Chinese firms. The evidence also supports that the Chinese issuers are motivated to cross-list in the U.S. due to over-investment incentives, leverage effects or free-cash-flow signaling, which is consistent with agency theory and signaling hypothesis.

TI: Political Considerations in the Decision of Chinese SOEs to List in Hong Kong

AU: Hung, Mingyi; Wong, T. J.; Zhang, Tianyu

SO: Journal of Accounting and Economics, 53(1-2), February-April 2012, pp. 435-49

AB: This paper investigates why Chinese state-owned enterprises (SOEs) with strong political connections (i.e., politically connected firms) are more likely to list overseas than non-politically connected firms. We find that connected firms' post-overseas listing performance is worse than that of non-connected firms. This evidence suggests that connected firms' managers list their firms overseas for private (political) benefits. Consistent with this private benefits explanation, we further find that connected firms' managers are more likely to receive political media coverage or a promotion to a senior government position subsequent to overseas listing than domestic listing.

TI: The World of Cross-Listings and Cross-Listings of the World: Challenging Conventional Wisdom

AU: Karolyi, G. Andrew

SO: Review of Finance, 10(1), 2006, pp. 99-152

AB: There has long prevailed a conventional wisdom rationalizing why firms pursue overseas listings. It argues that firms seek such opportunities to benefit from a lower cost of capital that arises because their shares become more accessible to global investors. Much recent evidence challenges this conventional wisdom. In fact, several new research initiatives have been proposed that factor into the overseas listing decision many more complex risks that globalization can create at the firm level, such as agency conflicts, transparency and disclosure

concerns, and other corporate governance problems. The goal of this article is to survey, synthesize and critically review this new literature and to identify yet unresolved questions to answer.

TI: Venture-Backed IPOs and the Exiting of Venture Capital in China

AU: Xu, Xiaoqing Eleanor

SO: Journal of Entrepreneurial Finance and Business Ventures, 11(3), December 2006, pp. 39-55

AB: This paper documents the dramatic improvement in institutional, legal and regulatory environment for the exiting of foreign venture capital in China. It also discusses the recent developments, advantages and disadvantages of various China venture-backed IPO listing channels, including overseas listing through the main board and high-tech trading board in the United States (via New York Stock Exchange and NASDAQ), Hong Kong (via Hong Kong Stock Exchange and Hong Kong Growth Enterprise Market) and Singapore (via Singapore Exchange and SESDAQ), and domestic listing (via Shenzhen Small and Medium Enterprise Board). Finally, this paper examines the venture capital funding and IPO offering details, and the short-run and long-run performance of the U.S.-listed China Venture-backed IPOs between 2000 and 2005.

TI: The Impact of International Listings on Risk: Implications for Capital Market Integration

AU: Howe, John S.; Madura, Jeff

SO: Journal of Banking and Finance, 14(6), December 1990, pp. 1133-42

AB: In this paper, the authors examine the impact of international listing on common-stock risk. While previous research has used event study methodology, their research focuses on permanent shifts in risk. Different measures of risk are estimated to test for intertemporal shifts in risk attributable to an overseas listing. No significant shifts in risk from international listing are documented. The results are robust with respect to the location and year of listing. These findings suggest that markets are already reasonably well integrated, or listing is an ineffective mechanism for reducing segmentation.

TI: The Role of American Depositary Receipts in the Development of Emerging Equity Markets

AU: Karolyi, G. Andrew

SO: Review of Economics and Statistics, 86(3), August 2004, pp. 670-90

AB: This paper finds that the growth and expansion of U.S. cross listings by firms from emerging markets around the world facilitated an expansion of cross-border equity flows and overall development of their stock markets during the 1990s. However, these benefits have negative spillover effects; the capitalization and turn-over ratios of local-market firms that do not pursue overseas listings decline as U.S. cross-listings in the form of American depositary receipts (ADRs) increase in size and scope. We investigate various possible sources of these negative spillovers and offer new evidence that the growth of ADRs neither facilitates nor hinders local-market development, but represent an outcome of poorly functioning local markets. Policy implications are discussed.

TI: Overcoming Financing Constraints to Corporate Expansion: Evidence from a Company in an Emerging Islamic Market

AU: Hearn, Bruce; Piesse, Jenifer; Strange, Roger

SO: *Transnational Corporations*, 18(3), December 2009, pp. 1-26

AB: The sourcing of low-cost finance to facilitate corporate expansion on competitive terms is a major challenge to firms from emerging markets. There are additional constraints in Islamic markets as financial instruments must adhere to sharia law. This paper examines the approach taken by the Sudan Telecommunications Company (Sudatel) to obtain cost effective equity financing using secondary listings on multiple Middle East and North Africa (MENA) stock exchanges. We compare the costs of equity for Sudatel stock on the Sudan and Abu Dhabi Exchanges, and compare these figures with those for Sudatel's two main regional competitors. Furthermore, we highlight the risk-return trade-off faced by investors in Sudatel stock on both Exchanges, and provide evidence of the potential benefits to investors from the overseas listing.

TI: International Listings and Risk

AU: Howe, John S.; Madura, Jeff; Tucker, Alan L.

SO: *Journal of International Money and Finance*, 12(1), February 1993, pp. 99-110

AB: This paper examines changes in volatility associated with the listing of U.S. firms' stocks on overseas exchanges. Implied volatilities are calculated for forty firms that had exchange-listed options at the time of their international listing. The analysis documents significant increases in anticipated volatility following the overseas exchange listing, while an industry-matched control sample shows no meaningful changes in volatility. The authors interpret the findings as supportive of the noise trading hypothesis.

TI: The Changing Face and Strategies of Big Business in South Africa: More than a Decade of Political Democracy

AU: Chabane, Neo; Goldstein, Andrea; Roberts, Simon

SO: *Industrial and Corporate Change*, 15(3), June 2006, pp. 549-77

AB: Under the apartheid regime, South African business was marked by a high degree of concentration, both in terms of ownership and activities; indeed, it could be argued that this concentration was both created by and reinforced the exclusions linked to apartheid. In this paper, we identify the main changes that have characterized South Africa's big business since democracy in 1994--unbundling of traditional conglomerates, transfer of primary listing to overseas stock exchanges, and slow emergence of black-owned economic groups. These changes are related to key policy actions taken by government, including liberalization, black economic empowerment (BEE) policies, and competition policies. We demonstrate that South Africa still maintains its own distinctive features, including the very large, although reduced, weight of a few conglomerates, while evolving toward structures more similar to Organization for Economic Cooperation and Development (OECD) norms. Finally, we argue that the policy emphasis on ownership transfers, combined with limits in the enforcement of competition policies, has restricted the capacity to generate additional jobs and meet the ultimate objectives of BEE.

TI: Corporate Governance, Agency Problems and International Cross-Listings: A Defense of the Bonding Hypothesis

AU: Karolyi, G. Andrew

SO: *Emerging Markets Review*, 13(4), December 2012, pp. 516-47

AB: Why firms from around the world seek to cross-list their shares on overseas exchanges has intrigued scholars during the past two decades. A general dissatisfaction with the conventional wisdom about investment barriers segmenting global investors and how cross-listings overcome those barriers cleared the way for newer wisdom about informational problems and agency conflicts, and how firms could overcome weaknesses in corporate governance by listing on, and thus "bonding" to, overseas markets with stronger regulatory oversight, stringent reporting and disclosure requirements, and investor protections. Critics have challenged the viability of the bonding hypothesis, which I answer in this review.

TI: Crises, Contagion and Cross-Listings

AU: Chandar, Nandini; Patro, Dilip K.; Yezegel, Ari

SO: *Journal of Banking and Finance*, 33(9), September 2009, pp. 1709-29

AB: We investigate whether cross-listing shares in the form of depositary receipts in overseas markets benefits investors in emerging market countries during periods of local financial crisis from 1994 to 2002. We regress cumulative abnormal returns for three windows surrounding the crisis events on the cross-listing status while controlling for cross-sectional differences in firm age, trading volume, foreign exposure, disclosure quality and corporate governance. Further, we examine cross-listing effects in countries popularly thought to experience contagious effects of these crises. We find that cross-listed firms react significantly less negatively than non-cross-listed firms, particularly in the aftermath of the crisis. The results on contagious cross-listing effects are however mixed. Our findings are consistent with predictions based on theories of market segmentation as well as differential disclosure/governance between developed and emerging markets. We do not find evidence that foreign investors "panic" during a currency crisis.

TI: Accessing the International Capital Markets with Depositary Receipts

AU: Gupta, M. L.; Khurana, Simmi

SO: *International Journal of Research in Commerce and Management*, 3(5), May 2012, pp. 61-62

AB: In today's era there is lot of competition between companies. A business needs capital for expansions, growth, and existence. Due to liberalization, globalization, and privatization, companies need hefty funds to remain in the market and the companies can raise funds from international markets. Companies that previously had to raise capital only domestically can now tap financial markets in the foreign countries. In order to do so, companies may list their stocks on foreign stock exchanges while investors may trade overseas. An examination of trends in global financial markets over past few years reveals that many companies are looking beyond their domestic financial markets to develop an investor base and to raise international capital. For foreign listing of their stocks, firms can choose between the direct listing of their equity stocks and listing of their depositary receipt (DR) on the foreign exchange. Indian capital market is one of the fastest growing markets in the world and the momentum has gained a lot of potential in the recent years. There are many MNC operating in India but they have not raised capital from Indian market yet. Standard Chartered Bank PLC is the only company that has

recently raised capital form Indian capital market through Indian Depository Receipt (IDR). In this research report an attempt is made to study the Standard Chartered Bank PLC IDR issue and the future prospect IDR.

TI: The Hong Kong Securities Markets: Review and Prospects

AU: Ho, Richard Yan-Ki

SO: Asia-Pacific Financial Markets, 5(1), 1998, pp. 29-44

AB: The Hong Kong securities markets have achieved the status of regional prominence in that they were ranked number two in Asia after Japan in early 1997. There is also a growing presence of overseas institutional trade from the United State and the U.K. showing that the Hong Kong market is getting more internationalized. However, the ownership of Hong Kong's corporations is still closely held by a single shareholder or a group of close family members. Apart from the listing of mainland Chinese enterprises equities, Hong Kong should also look at the opportunities of the trading of Renminbi based derivative instruments and the listing of bonds and equities for corporations in other Asia economies.

TI: Chinese Overseas M

AU: Gu, Lulu; Reed, W. R.

SO: Economics of Transition, 21(1), January 2013, pp. 157-92

AB: It is well known that government plays an important role in the business activities of Chinese firms. Less certain is the effect this influence has on the wealth of those firms' shareholders. We contribute to the literature by analysing stock market reactions to announcements by Chinese firms of overseas mergers and acquisitions (OMAs). OMAs are of particular interest because there can exist a conflict between the interests of the public sector in acquiring overseas assets, and the interests of the private sector in maximizing shareholder wealth. Our main dataset consists of 213 observations of 157 OMA events that occurred between 1994 and 2009, using share market returns from the Shanghai, Shenzhen, Hong Kong and US markets. The aggregation of share price data across multiple markets, and the listing of firms in multiple exchanges, raise econometric issues for the standard event-study methodology. To address these, we use a new, feasible generalized least squares (GLS) procedure developed by Gu and Reed (2012). On the basis of an analysis using both aggregated and disaggregated samples, and of daily and cumulative abnormal returns, we find consistent evidence that (i) Chinese OMAs have not lowered the wealth of shareholders of Chinese acquiring firms, and (ii) shareholders of Chinese acquiring firms have not fared worse under under China's 'Go Global' policy of encouraging outward investment by Chinese firms.

TI: Do Chinese Acquirers Fail in Overseas M

AU: Gu, Lulu; Reed, Robert

SO: Jingji Yanjiu/Economic Research Journal, 46(7), July 2011, pp. 116-29

AB: Our paper provides a thorough analysis of Chinese outbound merger and acquisitions from 1994 through 2009. We find that on average, Chinese outbound merger and acquisitions produced positive abnormal returns as measured on the announcement date, and a non-negative abnormal return in a 3-year-long term performance, which indicates a successful "Go Global" strategy of Chinese Government. However, privately-owned firms experienced greater

wealth effects than government-owned firms. Further, mainland-listings underperform HK and US listings, glamour firms outperform value firms significantly.

TI: The Listing of Chinese State-Owned Banks and Their Path to Banking and Ownership Reform

AU: McGuinness, Paul B.; Keasey, Kevin

SO: China Quarterly, 0(201), March 2010, pp. 125-55

AB: China's leading state-owned banks have undergone radical transformation in recent years, with six of the country's top seven players listed in both Hong Kong and Shanghai. We first consider how the banks were reorganized for initial public offering, in terms of the removal of non-performing loans and the massive recapitalization of their balance sheets. Second, and more importantly, we consider whether they have been able to retain market share, further commercialize and enhance overall financial positions post-listing. Through in-depth case analysis of the six state-owned banks, we show that post-initial public offering they have significantly improved profitability, loan book size, loan book quality, and capital reserve protection. However, we caution that the debilitating effects of the global credit crunch may slow or even arrest further progress across these dimensions in the near term. We conclude that China's leading banks have benefited materially from their transition, and have accordingly developed a range of competitive and co-operative strategies not only to sustain domestic market advantage but also to penetrate overseas markets.

Appendix 5

Journal Name	Journal Citation Report (2012)	Journal Citation Report (2011)	WP Carey School of Business*	Arnold et al. (2003)
Journal of Finance	1	2	X	1
Journal of Accounting & Economics	2	4		10
Journal of Financial Economics	3	3	X	2
Review of Financial Studies	4	1	X	3
IMF Economic Review	5	9		
Accounting Review	6	7		
IMF Staff Papers	7			
Journal of Financial Intermediation	8			
Journal of Accounting Research	9	8		15
Accounting Organizations and Society	10	5		
Journal of Banking and Finance		6		20
Review of Accounting Studies		10		
Journal of Finance and Quantitative Analysis			X	5
Financial Management			X	9
Journal of Business				4
Econometrica				6
Journal of Political Economy				7
American Economic Review				8
RAND/Bell Journal of Economics				11
Quarterly Journal of Economics				12
Journal of Economic Theory				13
Journal of Monetary Economics				14
Journal of Law and Economics				16
Financial Analysts Journal				17
Review of Economic Studies				18
Journal of Econometrics				19

*Journals are not ranked.

Appendix 6

Ashbaugh-Skaife, Hollis; Collins, Daniel W.; Kinney, William R., Jr., "The Discovery and Reporting of Internal Control Deficiencies Prior to SOX-Mandated Audits," *Journal of Accounting and Economics*, 44(1-2), September 2007, pp. 166-92.

ABSTRACT: "We use internal control deficiency (ICD) disclosures prior to mandated internal control audits to investigate economic factors that expose firms to control failures and managements' incentives to discover and report control problems. We find that, relative to non-disclosers, firms disclosing ICDs have more complex operations, recent organizational changes, greater accounting risk, more auditor resignations and have fewer resources available for internal control. Regarding incentives to discover and report internal control problems, ICD firms have more prior SEC enforcement actions and financial restatements, are more likely to use a dominant audit firm, and have more concentrated institutional ownership."

Benmelech, Efraim; Moskowitz, Tobias J., "The Political Economy of Financial Regulation: Evidence from U.S. State Usury Laws in the 19th Century," *Journal of Finance*, 65(3), June 2010, pp. 1029-73.

ABSTRACT: "Financial regulation was as hotly debated a political issue in the 19th century as it is today. We study the political economy of state usury laws in 19th century America. Exploiting the wide variation in regulation, enforcement, and economic conditions across states and time, we find that usury laws when binding reduce credit and economic activity, especially for smaller firms. We examine the motives of regulation and find that usury laws coincide with other economic and political policies favoring wealthy political incumbents, particularly when they have more voting power. The evidence suggests financial regulation is driven by private interests capturing rents from others rather than public interests protecting the underserved."

DeMarzo, Peter M.; Fishman, Michael J.; Hagerty, Kathleen M., "Self-Regulation and Government Oversight," *Review of Economic Studies*, 72(3), July 2005, pp. 687-706.

ABSTRACT: "Self-regulation is a feature of a number of professions. For example, in the U.S. the government delegates aspects of financial market regulation to self-regulatory organizations (SROs) like the New York Stock Exchange and the National Association of Securities Dealers. We analyse one regulatory task of an SRO, enforcing antifraud rules so agents will not cheat customers. Specifically, we model contracting/enforcement as a two-tier problem. An SRO chooses its enforcement policy: the likelihood that an agent is investigated for fraud and a penalty schedule. Given an enforcement policy, agents compete by offering contracts that maximize customers' expected utility. We assume that the SRO's objective is to maximize the welfare of its members, the agents. We show that the SRO chooses a more lax enforcement policy--meaning less frequent investigations--than what customers would choose. A general conclusion is that control of the enforcement policy governing contracts confers substantial market power to a group of otherwise competitive agents. We also investigate government oversight of the self-regulatory process. The threat of government enforcement leads to more enforcement by the SRO, just enough to pre-empt any government enforcement."

Djankov, Simeon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, "The Law and Economics of Self-Dealing," *Journal of Financial Economics*, 88(3), June 2008, pp. 430-65.

ABSTRACT: "We present a new measure of legal protection of minority shareholders against expropriation by corporate insiders: the anti-self-dealing index. Assembled with the help of Lex Mundi law firms, the index is calculated for 72 countries based on legal rules prevailing in 2003, and focuses on private enforcement mechanisms, such as disclosure, approval, and litigation, that govern a specific self-dealing transaction. This theoretically grounded index predicts a variety of stock market outcomes, and generally works better than the previously introduced index of anti-director rights."

Fernandes, Nuno; Ferreira, Miguel A., "Insider Trading Laws and Stock Price Informativeness," *Review of Financial Studies*, 22(5), May 2009, pp. 1845-87.

ABSTRACT: "We investigate the relation between a country's first-time enforcement of insider trading laws and stock price informativeness using data from 48 countries over 1980-2003. Enforcement of insider trading laws improves price informativeness, as measured by firm-specific stock return variation, but this increase is concentrated in developed markets. In emerging market countries, price informativeness changes insignificantly after the enforcement, as the important contribution of insiders in impounding information into stock prices largely disappears. The enforcement does not achieve the goal of improving price informativeness in countries with poor legal institutions. It does turn some private information into public information, thereby reducing the cost of equity in emerging markets."

Fernandes, Nuno; Lel, Ugur; Miller, Darius P., "Escape from New York: The Market Impact of Loosening Disclosure Requirements," *Journal of Financial Economics*, 95(2), February 2010, pp. 129-47.

ABSTRACT: "We examine the first significant deregulation of U.S. disclosure requirements since the passage of the 1933/1934 Exchange and Securities Acts: the 2007 Securities and Exchange Commission (SEC) Rule 12h-6. Rule 12h-6 has made it easier for foreign firms to deregister with the SEC and thereby terminate their U.S. disclosure obligations. We show that the market reacted negatively to the announcement by the SEC that firms from countries with weak disclosure and governance regimes could more easily opt out of the stringent U.S. reporting and legal environment. We also find that since the rule's passage, an unprecedented number of firms have deregistered, and these firms often had been previous targets of U.S. class action securities lawsuits or SEC enforcement actions. Our findings suggest that shareholders of non-U.S. firms place significant value on U.S. securities regulations, especially when the home country investor protections are weak."

Files, Rebecca, "SEC Enforcement: Does Forthright Disclosure and Cooperation Really Matter?" *Journal of Accounting and Economics*, 53(1-2), February-April 2012, pp. 353-74.

ABSTRACT: "This study examines the conditions under which the Securities and Exchange Commission (SEC) exercises enforcement leniency following a restatement. I explore whether cooperation with SEC staff and forthright disclosure of a restatement (e.g., disclosures reported in a timely and visible manner) reduce the likelihood of an SEC sanction or SEC monetary penalties. After controlling for restatement severity, I find that cooperation increases the

likelihood of being sanctioned, perhaps because it improves the SEC's ability to build a successful case against the firm. However, cooperation and forthright disclosures are rewarded by the SEC through lower monetary penalties.”

Glaeser, Edward L.; Johnson, Simon; Shleifer, Andrei, “Coase versus the Coasians,” *Quarterly Journal of Economics*, 116(3), August 2001, pp. 853-99.

ABSTRACT: “Who should enforce laws or contracts: judges or regulators? Many Coasians, though not Coase himself, advocate judicial enforcement. We show that the incentives facing judges and regulators crucially shape this choice. We then compare the regulation of financial markets in Poland and the Czech Republic in the 1990s. In Poland, strict enforcement of the securities law by a highly motivated regulator was associated with a rapidly developing stock market. In the Czech Republic, hands-off regulation was associated with a moribund stock market.”

Hail, Luzi; Leuz, Christian, “International Differences in the Cost of Equity Capital: Do Legal Institutions and Securities Regulation Matter?” *Journal of Accounting Research*, 44(3), June 2006, pp. 485-531.

ABSTRACT: “This paper examines international differences in firms' cost of equity capital across 40 countries. We analyze whether the effectiveness of a country's legal institutions and securities regulation is systematically related to cross-country differences in the cost of equity capital. We employ several models to estimate firms' implied or ex ante cost of capital. Our results support the conclusion that firms from countries with more extensive disclosure requirements, stronger securities regulation, and stricter enforcement mechanisms have a significantly lower cost of capital. We perform extensive sensitivity analyses to assess the potentially confounding influence of countries' long-run growth differences on our results. We also show that, consistent with theory, the cost of capital effects of strong legal institutions become substantially smaller and, in many cases, statistically insignificant as capital markets become globally more integrated.”

Helland, Eric, “Reputational Penalties and the Merits of Class-Action Securities Litigation,” *Journal of Law and Economics*, 49(2), October 2006, pp. 365-95.

ABSTRACT: “If private securities class actions alleging fraudulent behavior by officers or directors of a company are meritorious, directors and officers should pay a reputational penalty when they sit on a board of a company whose officers and directors are accused of fraud. I find little evidence of a negative effect associated with allegations of fraud. Using various definitions of board positions as a proxy for the reputation of directors who are accused of fraud, I find that the net number of board positions is consistently increased. Only in shareholder class actions in the top quartile of settlements or in which the Securities and Exchange Commission has initiated a case do directors appear to suffer a reputational penalty when a board they serve on is accused of fraud. The results call into question the merits of private securities class actions.”

Holthausen, Robert W., "Accounting Standards, Financial Reporting Outcomes, and Enforcement," *Journal of Accounting Research*, 47(2), May 2009, pp. 447-58.
ABSTRACT: No abstract available.

Humphery-Jenner, Mark L., "Internal and External Discipline Following Securities Class Actions," *Journal of Financial Intermediation*, 21(1), January 2012, pp. 151-79.
ABSTRACT: "Companies are sometimes accused of misleading the market. The SEC can punish this with enforcement actions. Alternatively, shareholders can seek redress through a shareholder class action (SCA). Thus, using a sample of 416 securities class actions, this paper shows that SCAs are a catalyst to promote disciplinary takeovers, CEO turnover and pay-cuts, and harm CEOs' future job-prospects."

Jackson, Howell E.; Roe, Mark J., "Public and Private Enforcement of Securities Laws: Resource-Based Evidence," *Journal of Financial Economics*, 93(2), August 2009, pp. 207-38.
ABSTRACT: "Ascertaining which enforcement mechanisms work to protect investors has been both a focus of recent work in academic finance and an issue for policy-making at international development agencies. According to recent academic work, private enforcement of investor protection via both disclosure and private liability rules goes hand in hand with financial market development, but public enforcement fails to correlate with financial development and, hence, is unlikely to facilitate it. Our results confirm the disclosure result but reverse the results on both liability standards and public enforcement. We use securities regulators' resources to proxy for regulatory intensity of the securities regulator. When we do, financial depth regularly, significantly, and robustly correlates with stronger public enforcement. In horse races between these resource-based measures of public enforcement intensity and the most common measures of private enforcement, public enforcement is overall as important as disclosure in explaining financial market outcomes around the world and more important than private liability rules. Hence, policymakers who reject public enforcement as useful for financial market development are ignoring the best currently available evidence."

Jamal, Karim; Maier, Michael; Sunder, Shyam, "Enforced Standards versus Evolution by General Acceptance: A Comparative Study of E-Commerce Privacy Disclosure and Practice in the United States and the United Kingdom," *Journal of Accounting Research*, 43(1), March 2005, pp. 73-96.
ABSTRACT: "We present data on privacy practices in e-commerce under the European Union's formal regulatory regime prevailing in the United Kingdom and compare it with the data from a previous study of U.S. practices that evolved in the absence of government laws or enforcement. The codification by the E.U. law, and the enforcement by the U.K. government, improves neither the disclosure nor the practice of e-commerce privacy relative to the United States. Regulation in the United Kingdom also appears to stifle development of a market for Web assurance services. Both U.S. and U.K. consumers continue to be vulnerable to a small number of e-commerce Web sites that spam their customers, ignoring the latter's expressed or implied preferences. These results raise important questions about finding a balance between enforced standards and conventions in financial reporting. In the second half of the 20th century, financial reporting has been characterized by both a preference for legislated

standards and a lack of faith in its evolution as a body of social conventions. Evidence on whether this faith in standards over conventions is justified remains to be marshaled.”

Jayaraman, Sudarshan, “The Effect of Enforcement on Timely Loss Recognition: Evidence from Insider Trading Laws,” *Journal of Accounting and Economics*, 53(1-2), February-April 2012, pp. 77-97.

ABSTRACT: “I use the first-time enforcement of insider trading laws in sixteen countries as a shock to enforcement and examine its influence on timely loss recognition (TLR). Consistent with greater enforcement increasing the usefulness of accounting information in contracts and thereby the demand for higher quality reporting, insider trading enforcement is associated with a significant increase in TLR. No such increase is detected in neighboring non-enforcing countries. In addition to documenting how shocks to enforcement influence financial reporting outcomes, this is also the first study to extend the Khan and Watts (2009) measure of accounting conservatism to a cross-country setting.”

Karpoff, Jonathan M.; Lee, D. Scott; Martin, Gerald S., “The Cost to Firms of Cooking the Books,” *Journal of Financial and Quantitative Analysis*, 43(3), September 2008, pp. 581-611.

ABSTRACT: “We examine the penalties imposed on the 585 firms targeted by SEC enforcement actions for financial misrepresentation from 1978-2002, which we track through November 15, 2005. The penalties imposed on firms through the legal system average only \$23.5 million per firm. The penalties imposed by the market, in contrast, are huge. Our point estimate of the reputational penalty--which we define as the expected loss in the present value of future cash flows due to lower sales and higher contracting and financing costs--is over 7.5 times the sum of all penalties imposed through the legal and regulatory system. For each dollar that a firm misleadingly inflates its market value, on average, it loses this dollar when its misconduct is revealed, plus an additional \$3.08. Of this additional loss, \$0.36 is due to expected legal penalties and \$2.71 is due to lost reputation. In firms that survive the enforcement process, lost reputation is even greater at \$3.83. In the cross section, the reputation loss is positively related to measures of the firm's reliance on implicit contracts. This evidence belies a widespread belief that financial misrepresentation is disciplined lightly. To the contrary, reputation losses impose substantial penalties for cooking the books.”

Kedia, Simi; Rajgopal, Shiva, “Do the SEC's Enforcement Preferences Affect Corporate Misconduct?” *Journal of Accounting and Economics*, 51(3), April 2011, pp. 259-78.

ABSTRACT: “Recent frauds have questioned the efficacy of the SEC's enforcement program. We hypothesize that differences in firms' information sets about SEC enforcement and constraints facing the SEC affect firms' proclivity to adopt aggressive accounting practices. We find that firms located closer to the SEC and in areas with greater past SEC enforcement activity, both proxies for firms' information about SEC enforcement, are less likely to restate their financial statements. Consistent with the resource-constrained SEC view, the SEC is more likely to investigate firms located closer to its offices. Our results suggest that regulation is most effective when it is local.”

La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei, “What Works in Securities Laws?” *Journal of Finance*, 61(1), February 2006, pp. 1-32.

ABSTRACT: "We examine the effect of securities laws on stock market development in 49 countries. We find little evidence that public enforcement benefits stock markets, but strong evidence that laws mandating disclosure and facilitating private enforcement through liability rules benefit stock markets."

Macey, Jonathan R.; O'Hara, Maureen, "The Law and Economics of Best Execution," *Journal of Financial Intermediation*, 6(3), July 1997, pp. 188-223.

ABSTRACT: "This paper reviews and analyzes the legal and economic aspects of the duty of best execution. Although a well-established principle of securities trading, we show that the dual problems of definition and enforcement make best execution both unwieldy and unworkable as a mandated legal duty. We examine the impact of several market practices on best execution, in particular payment for order flow, preferencing and internalization practices, and price improvement and order execution protocols. We suggest three possible directions for the future rule and interpretation of duty of best execution."

Siegel, Jordan, "Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?" *Journal of Financial Economics*, 75(2), February 2005, pp. 319-59.

ABSTRACT: "The study tests the functional convergence hypothesis, which states that foreign firms can leapfrog their countries' weak legal institutions by listing equities in New York and agreeing to follow U.S. securities law. Evidence shows that the SEC and minority shareholders have not effectively enforced the law against cross-listed foreign firms. Detailed evidence from Mexico further shows that while some insiders exploited this weak legal enforcement with impunity, others that issued a cross-listing and passed through an economic downturn with a clean reputation went on to receive privileged long-term access to outside finance. As compared with legal bonding, reputational bonding better explains the success of cross-listings."

Toffel, Michael W.; Short, Jodi L., "Coming Clean and Cleaning Up: Does Voluntary Self-Reporting Indicate Effective Self-Policing?" *Journal of Law and Economics*, 54(3), August 2011, pp. 609-49.

ABSTRACT: "Regulatory agencies are increasingly establishing voluntary self-reporting programs both as an investigative tool and to encourage regulated firms to commit to policing themselves. We investigate whether voluntary self-reporting can reliably indicate effective self-policing efforts that might provide opportunities for enforcement efficiencies. We find that regulators used self-reports of legal violations as a heuristic for identifying firms that are effectively policing their own operations, shifting enforcement resources away from those that voluntarily disclose. We also find that these firms that voluntarily disclosed regulatory violations and committed to self-policing improved their regulatory compliance and environmental performance, which suggests that the enforcement relief they received was warranted. Collectively, our results suggest that self-reporting can be a useful tool for reliably identifying and leveraging the voluntary self-policing efforts of regulated companies."

Appendix 7

Agyei-Ampomah, Sam; Mazouz, Khelifa, "The Comovement of Option Listed Stocks," *Journal of Banking and Finance*, 35(8), August 2011, pp. 2056-69.

ABSTRACT: This study examines the changes in return comovement around the listing and delisting of stock option contracts. We show that newly option listed stocks experience an increase in comovement with a portfolio of option listed stocks and a decrease in comovement with the portfolio of non-optioned stocks. Similarly, stocks that undergo option delisting exhibit a decrease in comovement with option listed stocks and an increase in comovement with non-optioned stocks. We verify the reliability of our findings in several ways. A matched sample analysis suggests that our results are not driven by factors other than option listing and we find similar results using a calendar-time approach. Further analysis reveals that commonalities in option trading may induce the comovement in the option listed stocks. Overall, our evidence is consistent with the predictions of the category or habitat view of comovement.

Allen, Jeffrey W., "Private Information and Spin-Off Performance," *Journal of Business*, 74(2), April 2001, pp. 281-306.

ABSTRACT: Following pro rata spin-offs, shareholders, including insiders, trade their stock holdings in public subsidiaries independently of trades in parent firms. This article examines the predictive ability of informed trading with respect to post-spin-off stock performance and corporate control transactions. I find that subsequent to spin-offs, insiders are substantial purchasers of stock in public subsidiaries and sellers in parent firms. The trades of insiders are significantly related to post-spin-off stock returns, takeovers, and delistings of spun-off firms. The results are highly significant for senior managers of public subsidiaries, but they do not generally hold for outside directors or large blockholders.

Beatty, Anne; Weber, Joseph, "Accounting Discretion in Fair Value Estimates: An Examination of SFAS 142 Goodwill Impairments," *Journal of Accounting Research*, 44(2), May 2006, pp. 257-88.

ABSTRACT: This study examines Statement of Financial Accounting Standards 142 adoption decisions, focusing on the trade-off between recording certain current goodwill impairment charges below the line and uncertain future impairment charges included in income from continuing operations. We examine several potentially important economic incentives that firms face when making this accounting choice. We find evidence suggesting that firms' equity market concerns affect their preference for above-the-line vs. below-the-line accounting treatment, and firms' debt contracting, bonus, turnover, and exchange delisting incentives affect their decisions to accelerate or delay expense recognition. Our study contributes to the accounting choice literature by examining managers' use of discretion when adopting a mandatory accounting change and by developing and testing explicit cross-sectional hypotheses of the determinants of firms' preferences for immediate below-the-line versus delayed above-the-line expense recognition.

Beatty, Randolph; Kadiyala, Padma, "Impact of the Penny Stock Reform Act of 1990 on the Initial Public Offering Market," *Journal of Law and Economics*, 46(2), October 2003, pp. 517-41.

ABSTRACT: The Penny Stock Reform Act of 1990 (PSRA) was an attempt to curb fraudulent security issues by placing severe restrictions on initial public offerings that were priced below \$5. The regulation had the cosmetic effect of reducing the number of initial public offerings priced below \$5 but had no substantive impact on issuer quality. Delisting risk, which is a measure of issuer quality, did not decline significantly in the post-PSRA period. Instead, abnormal returns earned by a portfolio of nonpenny stocks declined significantly in the post-PSRA period. We present evidence that attributes the decline in abnormal returns to the migration of speculative issuers into the nonpenny range.

Beaver, William; McNichols, Maureen; Price, Richard, "Delisting Returns and Their Effect on Accounting-Based Market Anomalies," *Journal of Accounting and Economics*, 43(2-3), July 2007, pp. 341-68.

ABSTRACT: We show that tests of market efficiency are sensitive to the inclusion of delisting firm-years. When included, trading strategy returns based on anomaly variables can increase (for strategies based on earnings, cash flows and the book-to-market ratio) or decrease (for a strategy based on accruals). This is due to the disproportionate number of delisting firm-years in the lowest decile of these variables. Delisting firm-years are most often excluded because the researcher does not correctly incorporate delisting returns, because delisting return data are missing or because other research design choices implicitly exclude them.

Boynton, Wentworth; Oppenheimer, Henry R., "Anomalies in Stock Market Pricing: Problems in Return Measurements," *Journal of Business*, 79(5), September 2006, pp. 2617-31.

ABSTRACT: We study four asset pricing anomalies: market size, contrarian, momentum, and book-to-market premia. We first control for two biases. We control for delisting effects, which create a survivorship bias. We then control for microstructure distortions from the bid-ask spread bounce, which upwardly biases returns when the bid-ask spreads are large. We find that these two biases account for a substantial portion of the market size, contrarian, and book-to-market anomalies. While these bias effects are substantial, they do not invalidate the anomalies. Controlling for bias, the momentum premium strengthens.

Bushee, Brian; Leuz, Christian, "Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board," *Journal of Accounting and Economics*, 39(2), 2005, pp. 233-64.

ABSTRACT: This paper examines the economic consequences of a regulatory change mandating OTCBB firms to comply with reporting requirements under the 1934 Securities Exchange Act. This change substantially increases mandated disclosures for firms previously not filing with the SEC. We document that the imposition of disclosure requirements results in significant costs for smaller firms, forcing them off the OTCBB. SEC regulation also has significant benefits. Firms previously filing with the SEC experience positive stock returns and permanent increases in liquidity, suggesting positive externalities from disclosure regulation. Newly Compliant firms exhibit significant increases in liquidity consistent with improved disclosure reducing information asymmetry.

Chan, Kalok; Hameed, Allaudeen; Lau, Sie Ting, "What If Trading Location Is Different from Business Location? Evidence from the Jardine Group," *Journal of Finance*, 58(3), June 2003, pp.

1221-46.

ABSTRACT: We examine the price behavior and market activity of the Jardine Group companies after they were delisted from Hong Kong in 1994. Although the trading activity of the Jardine Group moved to Singapore, the core businesses remained in Hong Kong and Mainland China. Evidence indicates the Jardine stocks are correlated less (more) with the Hong Kong (Singapore) market after the delisting. This result cannot be explained by various hypotheses, such as relocation of core business, time-varying betas, migration of trading activity, and currency and tax distortions. We conclude that price fluctuations are affected by country-specific investor sentiment.

Chen, Huafeng (Jason), "Firm Life Expectancy and the Heterogeneity of the Book-to-Market Effect," *Journal of Financial Economics*, 100(2), May 2011, pp. 402-23.

ABSTRACT: I argue that the reason the book-to-market effect is stronger in small stocks is because smaller stocks generally have shorter life expectancy and therefore shorter equity duration. I build a model in which the book-to-market effect is stronger in stocks with shorter life expectancy. Empirically, I use delisting probability as my proxy for life expectancy. The data support my model's central prediction and its additional implications for stock return and variance. My results provide a rational explanation for the heterogeneity of the book-to-market effect, evidence previously taken as support for behavioral explanations.

Clyde, Paul; Schultz, Paul; Zaman, Mir, "Trading Costs and Exchange Delisting: The Case of Firms That Voluntarily Move from the American Stock Exchange to the Nasdaq," *Journal of Finance*, 52(5), December 1997, pp. 2103-12.

ABSTRACT: The authors examine forty-seven stocks that voluntarily left the American Stock Exchange from 1992 through 1995 and listed on the NASDAQ. They find that both effective and quoted spreads increase by about 100 percent after listing on the NASDAQ. These spread changes are consistent across stocks. In contrast, excess returns are positive when firms announce a switch from the American Stock Exchange to the NASDAQ. The authors are unable to explain this apparent contradiction.

Corwin, Shane A.; Harris, Jeffrey H., "The Initial Listing Decisions of Firms That Go Public," *Financial Management*, 30(1), Spring 2001, pp. 35-55.

ABSTRACT: We analyze the initial listing decisions of IPOs that qualify for New York Stock Exchange listing. We find that IPOs are more likely to list on the exchange where their industry peers are listed. Further, reverse LBOs and carveouts are more likely to choose the NYSE if the firm or their parent was previously NYSE-listed. Consistent with avoidance of delisting costs, we find that smaller, riskier firms tend to list on Nasdaq. Although direct issue costs are higher on the NYSE than on Nasdaq, total issue costs do not differ across exchanges and are unlikely to affect the listing decision.

De, Soumendra; Jindra, Jan, "Why Newly Listed Firms Become Acquisition Targets," *Journal of Banking and Finance*, 36(9), September 2012, pp. 2616-31.

ABSTRACT: We study the operating, financial, and ownership structure characteristics of newly listed firms which become acquisition targets shortly after their initial public offerings. We

examine whether such firms get acquired because of their successful performance or as an alternative to delisting. We find that firms, which do relatively well in terms of operating as well as stock performance and attract institutional investor interest, draw the attention of acquirers. Furthermore, we observe that investments made by newly listed target firms do not destroy shareholder value and have comparable profitability to investments made by newly listed firms which grow by acquisitions. Overall, firms acquired shortly after listing are on a growth trajectory similar to that of surviving firms.

Desai, Hemang; Krishnamurthy, Srinivasan; Venkataraman, Kumar, "Do Short Sellers Target Firms with Poor Earnings Quality? Evidence from Earnings Restatements," *Review of Accounting Studies*, 11(1), March 2006, pp. 71-90.

ABSTRACT: We study the behavior of short sellers around earnings restatements. We find that short sellers accumulate positions in restating firms several months in advance of the restatement and subsequently unwind these positions after the drop in share price induced by the restatement. The increase in short interest is larger for firms with high levels of accruals prior to restatement. We document that heavily shorted firms experience poor subsequent performance and a higher rate of delisting. Overall, these results suggest that the motive for short selling is, at least in part, related to suspect financial reporting and that short sellers pay attention to information being conveyed by accruals.

Hansen, Bowe; Pownall, Grace; Wang, Xue, "The Robustness of the Sarbanes Oxley Effect on the U.S. Capital Market," *Review of Accounting Studies*, 14(2-3), September 2009, pp. 401-39.

ABSTRACT: We examine the incidence of new listings and delistings on U.S. stock exchanges and firms' propensity to delist, as a function of general market conditions, firm fundamentals, and the costs of compliance with the Sarbanes Oxley Act (SOX). We find that both general market conditions and firm fundamentals explain the delisting incidence and firms' delisting decisions; while SOX variables are positively associated with firms' delisting likelihood only when general market conditions are not included in the analyses. Further analyses on the population partitioned into size quintiles suggest that the passage of SOX was not associated with an increase in the likelihood of delisting for any size quintile of firms and that the implementation of SOX section 404 is positively associated with the delisting likelihood for midsized and larger firms. Our empirical evidence is useful to regulators as they consider changes in the imposition and implementation of SOX section 404.

Harris, Jeffrey; Panachapagesan, Venkatesh Venky; Werner, Ingrid, "Off but not gone: A study of Nasdaq delistings," Fischer College of Business Working Paper, (2008).

ABSTRACT: We examine 1,098 Nasdaq firms delisted in 1999-2002 that subsequently traded in the OTC Bulletin Board and/or the Pink Sheets. Market quality deteriorates significantly after delisting: share volume declines by two-thirds; quoted spreads almost triple from 12.1 to 33.9 percent; and effective spreads triple from 3.3 to 9.9 percent. Volatility triples from 4.4 to 14.3 percent, but quickly reverts to slightly elevated levels. Deterioration is significantly larger for more severe violations (e.g. bankruptcy) than for lesser infractions (e.g. minimum bid price). We find the OTC Bulletin Board provides a "soft landing" for delisted firms relative to the Pink Sheets. Although the delisting process takes at least 90 days, the drop in market quality is

concentrated on the delisting date, highlighting the benefits of Nasdaq listing and the economic rationale for tiered listing fees. We argue that the increased costs resulting from enforcing Nasdaq's minor (non-core) listing criteria outweigh the benefits.

Harris, Trevor S., "Discussion of 'The Robustness of the Sarbanes Oxley Effect on the U.S. Capital Market'," *Review of Accounting Studies*, 14(2-3), September 2009, pp. 440-52.

ABSTRACT: In this paper, I use anecdotal evidence and logical reasoning to suggest that, despite the use of an extensive database, it is not possible to conclude that passage of the Sarbanes Oxley Act did not have an impact on companies' delisting decisions. Moreover, the instrumental variables used to proxy for SOX effects are too weak and suffer from a significant endogeneity problem given that passage of SOX was driven by many of the economic and control problems that are used to control for market and company factors. I also discuss some broader issues about the trade-off between large sample statistical inference and anecdotal analysis for addressing practical questions.

Jarrell, Gregg A.; Poulsen, Annette B., "Dual-Class Recapitalizations as Antitakeover Mechanisms: The Recent Evidence," *Journal of Financial Economics*, 20(1/2), January-March 1988, pp. 129-52.

ABSTRACT: The authors report evidence on shareholder wealth effects of ninety-four firms recapitalizing with dual classes of common stock with disparate voting rights. They find significant, negative abnormal stock price returns at the announcement of the dual-class recapitalization. When they consider recapitalizations separately announced since the NYSE imposed a moratorium in June 1984 on the delisting of companies with dual classes of equity, the authors find significant, negative abnormal returns as compared with insignificant returns in the earlier period. Those firms recapitalizing from June 1986 through May 1987 experienced the most significant negative returns observed.

Leuz, Christian; Triantis, Alexander; Wang, Tracy Yue, "Why do firms go dark? Causes and economic consequences of voluntary SEC deregistrations," *Journal of Accounting and Economics*, 45(2), 2008, pp.181-208.

ABSTRACT: We examine a comprehensive sample of going-dark deregistrations where companies cease SEC reporting, but continue to trade publicly. We document a spike in going dark that is largely attributable to the Sarbanes-Oxley Act. Firms experience large negative abnormal returns when going dark. We find that many firms go dark due to poor future prospects, distress and increased compliance costs after SOX. But we also find evidence suggesting that controlling insiders take their firms dark to protect private control benefits and decrease outside scrutiny, particularly when governance and investor protection are weak. Finally, we show that going dark and going private are distinct economic events.

Li, Edward Xuejun; Ramesh, K.; Shen, Min, "The Role of Newswires in Screening and Disseminating Value-Relevant Information in Periodic SEC Reports," *Accounting Review*, 86(2), March 2011, pp. 669-701.

ABSTRACT: We examine the role of newswires in identifying and conveying market-moving information in periodic SEC reports to capital market participants. Using data on Dow Jones

Newswires, we find that newswires are more likely to send alerts on firms that do not release preliminary earnings, have credit ratings, are included in major market indices, have litigation exposure, or report losses. Reflective of the market's focus on certain key events, firms with a nonstandard audit opinion, in the process of delisting, reporting unusual accounting items, or raising equity capital also receive alerts. Moreover, not only do we find significant price and volume reactions to the alerts at the daily level, but also we document immediate intra-day market activity triggered by the alerts, whereas we detect no similar reaction for SEC filings that trigger the alerts. Additional analysis suggests that the intra-day reaction is not driven by noise trading.

Macey, Jonathan; O'Hara, Maureen; Pompilio, David, "Down and Out in the Stock Market: The Law and Economics of the Delisting Process," *Journal of Law and Economics*, 51(4), November 2008, pp. 683-713.

ABSTRACT: Since 1995, more than 9,000 firms have delisted from U.S. stock markets, with almost half of these being involuntary. This paper examines the law and economics of the delisting process. We examine economic rationales for delisting, the legal rules that define it, and the causes of delisting. Using a sample of New York Stock Exchange firms delisted in 2002, we examine the effects of their delisting and subsequent trading on the Pink Sheets. We find huge costs to delisting, with percentage spreads tripling and volatility doubling but with volume being remarkably high. We also show that actual delisting times vary considerably, with some firms trading for months after failing the listing requirements. With exchanges transitioning to profit-seeking status, we argue that the current delisting process also needs to change, and we suggest properties of an optimal delisting rule and approaches to achieve it.

Nielsson, Ulf, "Do Less Regulated Markets Attract Lower Quality Firms? Evidence from the London AIM Market," *Journal of Financial Intermediation*, 22(3), July 2013, pp. 335-52.

ABSTRACT: The paper examines whether the moderately regulated London AIM market is at a disadvantage in attracting high quality firms. The results show that firms listed on AIM are of the same quality level as firms listed in the US and in Continental Europe, albeit smaller in size. Furthermore, the delisting and valuation pattern is the same across markets, whereas AIM listed firms raise relatively more capital. Thus, rather than catering to low quality firms seeking to conceal their type, the AIM market attracts small firms that--due to size--face disproportional regulatory costs, but are otherwise equivalent to firms listing in more regulated markets.

Sanger, Gary C.; Peterson, James D., "An Empirical Analysis of Common Stock Delistings," *Journal of Financial and Quantitative Analysis*, 25(2), June 1990, pp. 261-72.

ABSTRACT: This paper presents an empirical analysis of firms that are delisted from a major stock exchange. The delisting process is described and stock price movements surrounding delisting are analyzed. For firms with prior announcements, equity values decline by approximately 8.5 percent on announcement day. For firms without prior announcements, a similar adjustment takes place between the last day of trading in the initial market and the close of the first day of trading in the new market. Four hypotheses concerning the decline in firm value are examined. These are the liquidity hypothesis, the management signalling hypothesis, the exchange certification hypothesis, and the downward sloping demand curve hypothesis. Evidence consistent with the liquidity hypothesis is presented in the paper. Unlike

evidence on stock exchange listings, returns in the post-delisting period do not appear to be anomalous.

Shumway, Tyler, "The Delisting Bias in CRSP Data," *Journal of Finance*, 52(1), March 1997, pp. 327-40.

ABSTRACT: The author documents a delisting bias in the stock return data base maintained by the Center for Research in Security Prices. He finds that delists for bankruptcy and other negative reasons are generally surprises and that correct delisting returns are not available for most of the stocks that have been delisted for negative reasons since 1962. Using over-the-counter price data, the author shows that the omitted delisting returns are large. Implications of the bias are discussed.

Shumway, Tyler; Warther, Vincent A., "The Delisting Bias in CRSP's Nasdaq Data and Its Implications for the Size Effect," *Journal of Finance*, 54(6), December 1999, pp. 2361-79.

ABSTRACT: We investigate the bias in CRSP's Nasdaq data due to missing returns for delisted stocks. We find that the missing returns are large and negative on average, and that delisted stocks experience a substantial decrease in liquidity. We estimate that using a corrected return of -55 percent for missing performance-related delisting returns corrects the bias. We revisit previous work which finds a size effect among Nasdaq stocks. After correcting for the delisting bias, there is no evidence that there ever was a size effect on Nasdaq. Our results are inconsistent with most risk-based explanations of the size effect.

Weber, Joseph; Willenborg, Michael, "Do Expert Informational Intermediaries Add Value? Evidence from Auditors in Microcap IPOs," *Journal of Accounting Research*, 41(4), September 2003, pp. 681-720.

ABSTRACT: Do expert informational intermediaries add value? We address this question by examining the informativeness of the audit report contained in the prospectus associated with a firm's initial public offering (IPO). At the time of the IPO, there is a relative lack of information to facilitate the establishment of equity values, suggesting that the information provided by outside "experts" (e.g., auditors, underwriters) is particularly important. In this article we study small, non-venture-backed IPOs, a segment of the market with the poorest long-run performance and where the prestigious audit firm is often the sole (if any) expert present. We find that the pre-IPO opinions of larger auditors are more predictive of post-IPO negative stock delistings. Of particular note, the opinions of the national-tiered firms are comparably predictive to those of the Big 6, though this finding emerges only after we consider the selectivity-based differences in the clients that hire these national firms. Our findings also indicate that, for larger auditors the presence of a pre-IPO going-concern opinion is more strongly associated with first-year stock returns and that larger auditors are more likely to give such opinions to their distressed clients. Overall, we address a deficiency in the literature relating to "the paucity of evidence on the value of auditor opinions to investors" (Healy and Palepu [2001 p. 415]).

Yung, Chris; Colak, Gonul; Wang, Wei, "Cycles in the IPO Market," *Journal of Financial Economics*, 89(1), July 2008, pp. 192-208.

ABSTRACT: We develop a model in which time-varying real investment opportunities lead to time-varying adverse selection in the market for IPOs. The model is consistent with several stylized facts known about the IPO market: economic expansions are associated with a dramatic increase in the number of firms going public, which is in turn positively correlated with underpricing. Adverse selection is procyclical in the sense that dispersion in unobservable quality across firms should be more pronounced during booms. Taking the premise that uncertainty is resolved (and thus private information revealed) over time, we test this hypothesis by looking at long-run abnormal returns and delisting rates. Consistent with the model, we find (a) greater cross-sectional return variance, and (b) higher incidence of delisting for hot-market IPOs.

Appendix 8

A. Results of "foreign listing" search

TI: "You Can Enter but You Cannot Leave . . . ": U.S. Securities Markets and Foreign Firms

AU: Marosi, Andras; Massoud, Nadia

SO: Journal of Finance, 63(5), October 2008, pp. 2477-2506

AB: Although a number of prior papers have argued the benefits to foreign firms of cross-listing their shares in the U.S., the number of foreign firms exiting U.S. capital markets has been increasing. This has occurred despite the difficulties foreign firms face in deregistering from the Securities and Exchange Commission (SEC). This paper examines the reasons underlying this trend. One of our main findings is that the passage of the Sarbanes-Oxley Act has reduced the net benefits of a U.S. listing and registration, particularly for smaller foreign firms with lower trading volume and stronger insider control.

TI: A Theory of Optimal Expropriation, Mergers and Industry Competition

AU: Brisley, Neil; Bris, Arturo; Cabolis, Christos

SO: Journal of Banking and Finance, 35(4), April 2011, pp. 955-65

AB: We model a competitive industry where managers choose quantities and costs to maximize a combination of firm profits and benefits from expropriation. Expropriation is possible because of corporate governance 'slack' permitted by the government. We show that corporate governance slack induces managers to choose levels of output and costs that are higher than would otherwise be optimal. This, in turn, benefits consumers - the equilibrium price is lower - and other stakeholders such as suppliers and employees. Depending on the government's social welfare objective, less-than-perfect investor protection can be optimal. We show why some mechanisms suggested by the literature as improving investor protection - legal change, cross-listing, domestic mergers - may not be effective. We provide a theoretical argument showing the efficacy of cross-border mergers. The stronger corporate governance of a foreign acquirer, imposed on the domestic target firm, benefits merging shareholders and those of competing unmerged domestic firms.

TI: Are There Permanent Valuation Gains to Overseas Listing?

AU: Sarkissian, Sergei; Schill, Michael J.

SO: Review of Financial Studies, 22(1), January 2009, pp. 371-412

AB: This paper tests whether foreign equity listings are associated with permanent valuation gains and examines how market and firm characteristics influence any valuation effects. Using a global sample of 1,676 listings placed in 25 countries, we find that much of the valuation gains to overseas listings are not permanent. The transitory nature of valuation gains holds for both average US listings and average first-time firm listings. We find little evidence of a permanent effect on returns for firms that list abroad, even for firms' listings in markets that are more liquid, provide better legal protection, or have a larger shareholder base.

TI: Asset Pricing and Dual Listing on Foreign Capital Markets: A Note
AU: Alexander, Gordon J.; Eun, Cheol S.; Janakiramanan, S.
SO: Journal of Finance, 42(1), March 1987, pp. 151-58

TI: Bank Ownership Reform and Bank Performance in China
AU: Lin, Xiaochi; Zhang, Yi
SO: Journal of Banking and Finance, 33(1), January 2009, pp. 20-29
AB: Using a panel of Chinese banks over the 1997-2004 period, we assess the effect of bank ownership on performance. Specifically, we conduct a joint analysis of the static, selection, and dynamic effects of (domestic) private, foreign and state ownership. We find that the "Big Four" state-owned commercial banks are less profitable, are less efficient, and have worse asset quality than other types of banks except the "policy" banks (static effect). Further, the banks undergoing a foreign acquisition or public listing record better pre-event performance (selection effect); however, we find little performance change in either the short or the long term.

TI: Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?
AU: Siegel, Jordan
SO: Journal of Financial Economics, 75(2), February 2005, pp. 319-59
AB: The study tests the functional convergence hypothesis, which states that foreign firms can leapfrog their countries' weak legal institutions by listing equities in New York and agreeing to follow U.S. securities law. Evidence shows that the SEC and minority shareholders have not effectively enforced the law against cross-listed foreign firms. Detailed evidence from Mexico further shows that while some insiders exploited this weak legal enforcement with impunity, others that issued a cross-listing and passed through an economic downturn with a clean reputation went on to receive privileged long-term access to outside finance. As compared with legal bonding, reputational bonding better explains the success of cross-listings.

TI: Crises, Contagion and Cross-Listings
AU: Chandar, Nandini; Patro, Dilip K.; Yezegel, Ari
SO: Journal of Banking and Finance, 33(9), September 2009, pp. 1709-29
AB: We investigate whether cross-listing shares in the form of depositary receipts in overseas markets benefits investors in emerging market countries during periods of local financial crisis from 1994 to 2002. We regress cumulative abnormal returns for three windows surrounding the crisis events on the cross-listing status while controlling for cross-sectional differences in firm age, trading volume, foreign exposure, disclosure quality and corporate governance. Further, we examine cross-listing effects in countries popularly thought to experience contagious effects of these crises. We find that cross-listed firms react significantly less negatively than non-cross-listed firms, particularly in the aftermath of the crisis. The results on contagious cross-listing effects are however mixed. Our findings are consistent with predictions based on theories of market segmentation as well as differential disclosure/governance between developed and emerging markets. We do not find evidence that foreign investors "panic" during a currency crisis.

TI: Cross-Listing and Legal Bonding: Evidence from Mergers and Acquisitions

AU: Burns, Natasha; Francis, Bill B.; Hasan, Iftekhhar

SO: Journal of Banking and Finance, 31(4), April 2007, pp. 1003-31

AB: Using a sample of foreign acquisitions of US targets, this study examines the extent to which cross-listing in the US leads to legal and regulatory bonding, and/or whether reputational bonding proxied by financial intermediaries monitoring, an often ignored component of the bonding mechanism, is an important factor in US investors decision to hold shares in cross-listed firms. We find that compared to US firms, cross-listed firms are less likely to use equity in takeovers of US targets. Further, cross-listed firms from countries with poorer legal protections are less likely to finance with equity and pay higher premiums than cross-listed firms from countries with better legal protections. Using analysts' coverage and institutional following as proxies for financial intermediary monitoring, we find some support for the importance of reputational bonding. The evidence suggests that while cross-listing reduces barriers to investment, there are limits to its ability to completely subsume both the legal environment and the importance of the monitoring of financial intermediaries. This further suggests that the extent of actual legal and regulatory bonding by cross-listed firms may be more limited than often assumed.

TI: Cross-Listing Audit Fee Premiums: Theory and Evidence

AU: Choi, Jong-Hag; Kim, Jeong-Bon; Liu, Xiaohong; Simunic, Dan A.

SO: Accounting Review, 84(5), September 2009, pp. 1429-63

AB: We study the effects of cross-listings on audit fees. We first develop a model in which legal environments play a crucial role in determining the auditor's legal liability. Our model and analysis predict that auditors charge higher fees for firms that are cross-listed in countries with stronger legal regimes than they do for non-cross-listed firms and that the cross-listing audit fee premium increases with the difference in the strength of legal regimes between the cross-listed foreign country and the home country. We then empirically test these predictions. The results of our cross-country regressions strongly support our predictions. In addition, we find no significant cross-listing fee premium for firms that are cross-listed in countries whose legal regimes are no stronger than those of their home countries. This suggests that cross-listing audit fee premiums are associated with increased legal liability and not with increased audit complexity per se. Our findings help explain why cross-listing premiums occur and what determines their magnitude.

TI: Direct Foreign Ownership, Institutional Investors, and Firm Characteristics

AU: Dahlquist, Magnus; Robertsson, Goran

SO: Journal of Financial Economics, 59(3), March 2001, pp. 413-40

AB: In this paper, we characterize foreign ownership using a dataset of ownership and attributes of Swedish firms. The analysis reveals that foreigners show a preference for large firms, firms paying low dividends, and firms with large cash positions on their balance sheets. When we further analyze the preference for large firms, we find that market liquidity and presence in international markets, measured through export sales or listings on other exchanges, seem to characterize foreign holdings better than firm size alone. Foreigners also tend to underweight firms with a dominant owner. Importantly, we demonstrate that most of

the features associated with foreign ownership are driven by the fact that foreign investors typically are mutual funds or other institutional investors. Hence, we identify an institutional investor bias rather than a foreign investor bias. Finally, using ownership data on a country level, we conclude that the results are particularly strong among U.S. investors, who comprise the largest institutions among foreign investors.

TI: Disclosure Environment and Listing on Foreign Stock Exchanges

AU: Cheung, C. Sherman; Lee, Jason

SO: *Journal of Banking and Finance*, 19(2), May 1995, pp. 347-62

AB: The benefits of listing a company's stock on a foreign exchange to achieve better global market integration have been quite extensively examined. What has been overlooked in the finance literature is an attempt to explain why the New York Stock Exchange (NYSE) tends to be bypassed in favor of the London market and other exchanges when firms select foreign exchanges for listing. This paper explains the behavior of firms in their selection of foreign stock markets for listing by using a signaling model. Another purpose of this study is to address the current dispute between the NYSE and the Securities and Exchange Commission (SEC) regarding the desire of the NYSE to relax its registration requirements in order to gain more listings by foreign companies.

TI: Disclosure Practices of Foreign Companies Interacting with U.S. Markets

AU: Khanna, Tarun; Palepu, Krishna G.; Srinivasan, Suraj

SO: *Journal of Accounting Research*, 42(2), May 2004, pp. 475-508

AB: We analyze the disclosure practices of companies as a function of their interaction with U.S. markets for a group of 794 firms from 24 countries in the Asia-Pacific and Europe. Our analysis uses the Transparency and Disclosure scores developed recently by Standard & Poor's. These scores rate the disclosure of companies from around the world using U.S. disclosure practices as an implicit benchmark. Results show a positive association between these disclosure scores and a variety of market interaction measures, including U.S. listing, U.S. investment flows, exports to, and operations in the United States. Trade with the United States at the country level, however, has an insignificant relationship with the disclosure scores. Our empirical analysis controls for the previously documented association between disclosure and firm size, performance, and country legal origin. Our results are broadly consistent with the hypothesis that cross-border economic interactions are associated with similarities in disclosure and governance practices.

TI: Does Cross-Listing Facilitate Changes in Corporate Ownership and Control?

AU: Ayyagari, Meghana; Doidge, Craig

SO: *Journal of Banking and Finance*, 34(1), January 2010, pp. 208-23

AB: This paper examines whether controlling shareholders of foreign firms use a US cross-listing to facilitate changes in ownership and control. Prior to listing, about three quarters of the firms in our sample have a controlling shareholder. After listing, about half of the controlling shareholders' voting rights decrease, with an average decrease of 24% points that differs significantly from that of the controlling shareholders of benchmark firms that do not cross-list. Large decreases in voting rights are associated with controlling shareholder characteristics,

domestic market constraints, and better stock market performance and liquidity. In addition, there is control change in 22% of the firms. Controlling shareholders are more likely to sell control, and are more likely to do so to a foreign buyer, than controlling shareholders of benchmark firms. The results suggest that controlling shareholders who want to sell shares or their control stake can use a US cross-listing to decrease the cost of transferring ownership.

TI: Firm Characteristics and the Impact of Emerging Market Liberalizations

AU: Patro, Dilip K.; Wald, John K.

SO: *Journal of Banking and Finance*, 29(7), July 2005, pp. 1671-95

AB: We provide a firm level analysis of the impact of capital market liberalization in 18 emerging markets. Consistent with models of international asset pricing, we find that firms' stock returns increase during liberalization and that a majority of firms have lower mean returns and lower dividend yields after liberalization. We also find that emerging market firms have increased exposure to the world market and decreased exposure to the home market following liberalization. These changes in returns and exposures support the predictions of theoretical international asset pricing models. We also test and find support for the importance of size, local risk, foreign exchange risk, and cross-listing status in explaining the cross-section of changes in returns.

TI: Globalization and the Value of US Listing: Revisiting Canadian Evidence

AU: Mittoo, Usha R.

SO: *Journal of Banking and Finance*, 27(9), September 2003, pp. 1629-61

AB: As capital markets become integrated, the value of foreign listing and, consequently, the number of foreign listings should be expected to decline. The dramatic surge in foreign listings on US stock exchanges in recent years suggests that motivations and value of listing may also be changing as markets become increasingly globalized. We explore this issue by comparing both short- and long-run valuation effects of Canadian listings in the US in pre- and post-1990 periods. We document that the positive price and liquidity effects for Canadian stocks surrounding US listing have declined over time. The analysis of long-run performance, however, shows that Canadian firms list in the US after a strong market performance but underperform Canadian market indexes by 13-30% over the three years after the listing in both pre- and post-1990 periods. Further, the determinants of long-run performance appear to be significantly different from that in the short-run. Our evidence suggests that valuation effects of US listing may be driven by several factors, including liquidity and industry factors, that vary cross-sectionally and over time.

TI: Has New York Become Less Competitive Than London in Global Markets? Evaluating Foreign Listing Choices over Time

AU: Doidge, Craig; Karolyi, G. Andrew; Stulz, Rene M.

SO: *Journal of Financial Economics*, 91(3), March 2009, pp. 253-77

AB: We study the determinants and consequences of cross-listings on the New York and London stock exchanges from 1990 to 2005. This investigation enables us to evaluate the relative benefits of New York and London exchange listings and to assess whether these relative benefits have changed over time, perhaps as a result of the passage of the Sarbanes-Oxley Act

in 2002. We find that cross-listings have been falling on US exchanges as well as on the Main Market in London. This decline in cross-listings is explained by changes in firm characteristics instead of by changes in the benefits of cross-listing. We show that after controlling for firm characteristics there is no deficit in cross-listing counts on US exchanges related to SOX. Investigating the valuation differential between listed and non-listed firms (the cross-listing premium) from 1990 to 2005, we find that there is a significant premium for US exchange listings every year, that the premium has not fallen significantly in recent years, and that it persists when allowing for time-invariant unobservable firm characteristics. In contrast, no premium exists for listings on London's Main Market in any year. Firms increase their capital-raising activities at home and abroad following a cross-listing on a major US exchange but not following a cross-listing in London. Our evidence is consistent with the theory that an exchange listing in New York has unique governance benefits for foreign firms.

TI: Hong Kong Stock Listing and the Sensitivity of Managerial Compensation to Firm Performance in State-Controlled Chinese Firms

AU: Ke, Bin; Rui, Oliver; Yu, Wei

SO: Review of Accounting Studies, 17(1), March 2012, pp. 166-88

AB: We compare the sensitivity of managerial cash compensation to firm performance, the level of long term managerial incentives, and the sensitivity of CEO turnover to firm performance for three types of state-controlled Chinese firms: A shares (firms incorporated and listed in mainland China), H shares (firms incorporated in mainland China but listed in Hong Kong), and Red Chip shares (firms incorporated outside mainland China and listed in Hong Kong). We find no difference in the three pay-for-performance sensitivity measures between H shares and A shares. The cash pay-for-performance sensitivity and the level of long-term managerial incentives are higher for Red Chip shares than for the other two firm types. However, the sensitivity of CEO turnover to firm performance is insignificant for all three firm types. Our study illustrates the complexity in the influence of mainland China's versus Hong Kong's institutional forces on state-controlled Chinese firms listed in Hong Kong.

TI: How Representative Are Firms That Are Cross-Listed in the United States? An Analysis of Accounting Quality

AU: Lang, Mark; Raedy, Jana Smith; Yetman, Michelle Higgins

SO: Journal of Accounting Research, 41(2), May 2003, pp. 363-86

AB: We provide evidence on the characteristics of local generally accepted accounting principles (GAAP) earnings for firms cross-listing on U.S. exchanges relative to a matched sample of foreign firms currently not cross-listing in the United States to investigate whether U.S. listing is associated with differences in accounting data reported in local markets. We find that cross-listed firms differ in terms of the time-series properties of earnings and accruals, and the degree of association between accounting data and share prices. Cross-listed firms appear to be less aggressive in terms of earnings management and report accounting data that are more conservative, take account of bad news in a more timely manner, and are more strongly associated with share price. Furthermore, the differences appear to result partially from changes around cross-listing and partially from differences in accounting quality before listing. We do not observe a similar pattern for firms cross-listed on other non-U.S. exchanges or on

the U.S. over-the-counter market, suggesting a unique quality to cross-listing on U.S. exchanges.

TI: Market Segmentation and the Cost of Capital in International Equity Markets

AU: Errunza, Vihang R.; Miller, Darius P.

SO: *Journal of Financial and Quantitative Analysis*, 35(4), December 2000, pp. 577-600

AB: While theoretical models predict a decrease in the cost of capital from depositary receipt offerings, the economic benefits of this liberalization have been difficult to quantify. Using a sample of 126 firms from 32 countries, we document a significant decline of 42% in the cost of capital. In addition, we show the decline is driven by the ability of U.S. investors to span the foreign security prior to cross-listing. Our findings support the hypothesis that financial market liberalizations have significant economic benefits.

TI: On Syndicate Composition, Corporate Structure and the Certification Effect of Credit Ratings

AU: Bosch, Oliver; Steffen, Sascha

SO: *Journal of Banking and Finance*, 35(2), February 2011, pp. 290-99

AB: We assess the relative importance of ratings versus stock exchange listings in reducing information asymmetry using a dataset of syndicated loans to public and private firms in the UK. We find that the certification effect of ratings is largest for private firms and that syndicates are smallest if firms are privately held or unrated. Moreover, we find that the marginal effect of being stock exchange listed is insignificant once these firms are rated. Exploiting the heterogeneity among lenders, we find that especially foreign bank and non-bank investors do not provide capital if firms are unrated. Our paper highlights the information produced by rating agencies as an important mechanism by which ratings improve access to capital. Our results also emphasize the importance of syndicate moral hazard on the supply of uninformed capital: bank-borrower relationships significantly increase the loan share syndicated to investors particularly if firms are not listed and unrated.

TI: Private Benefits of Control, Ownership, and the Cross-Listing Decision

AU: Doidge, Craig; Karolyi, G. Andrew; Lins, Karl V.; Miller, Darius P.; Stulz, Rene M.

SO: *Journal of Finance*, 64(1), February 2009, pp. 425-66

AB: This paper investigates how a foreign firm's decision to cross-list on a U.S. stock exchange is related to the consumption of private benefits of control by its controlling shareholders. Theory has proposed that when private benefits are high, controlling shareholders are less likely to choose to cross-list in the United States because of constraints on the consumption of private benefits resulting from such listings. Using several proxies for private benefits related to the control and cash flow ownership rights of controlling shareholders, we find support for this hypothesis with a sample of more than 4,000 firms from 31 countries.

TI: Privatization through an Overseas Listing: Evidence from China's H-Share Firms

AU: Jia, Jin; Sun, Qian; Tong, Wilson H. S.

SO: *Financial Management*, 34(3), Autumn 2005, pp. 5-30

AB: We study the partial privatization of 53 Chinese state-owned enterprises (by their listings on the Hong Kong Exchange over the period July 1993 to December 2002. We find that listing

has led to a median increase of 70% in real net profits, 80% in real sales, 50% in capital spending, and a mild but nonsignificant improvement in coverage ratios, but no improvement in return on sales and a significant underperformance of returns against several market index benchmarks. Further investigation shows that firm performance is negatively related to state ownership, but positively related to legal-personal ownership and foreign ownership.

TI: Regulation and Bonding: The Sarbanes-Oxley Act and the Flow of International Listings

AU: Piotroski, Joseph D.; Srinivasan, Suraj

SO: *Journal of Accounting Research*, 46(2), May 2008, pp. 383-425

AB: In this paper, we examine the economic impact of the Sarbanes-Oxley Act (SOX) by analyzing foreign listing behavior onto U.S. and U.K. stock exchanges before and after the enactment of SOX in 2002. Using a sample of all listing events onto U.S. and U.K. exchanges from 1995-2006, we develop an exchange choice model that captures firm-level, industry-level, exchange-level, and country-level listing incentives, and test whether these listing preferences changed following the enactment of SOX. After controlling for firm characteristics and other economic determinants of these firms' exchange choice, we find that the listing preferences of large foreign firms choosing between U.S. exchanges and the London Stock Exchange's (LSE) Main Market did not change following the enactment of SOX. In contrast, we find that the likelihood of a U.S. listing among small foreign firms choosing between the NASDAQ and LSE's Alternative Investment Market decreased following the enactment of SOX. The negative effect among small firms is consistent with these marginal companies being less able to absorb the incremental costs associated with SOX compliance. The screening of smaller firms with weaker governance attributes from U.S. exchanges is consistent with the heightened governance costs imposed by SOX increasing the bonding-related benefits of a U.S. listing.

TI: Speed of Convergence to Market Efficiency for NYSE-Listed Foreign Stocks

AU: Visaltanachoti, Nuttawat; Yang, Ting

SO: *Journal of Banking and Finance*, 34(3), March 2010, pp. 594-605

AB: This paper contributes to the cross-listing literature by documenting the speed of convergence to market efficiency for foreign stocks listed on the NYSE. We find that, on average, it takes 30-60 minutes for a foreign stock to achieve market efficiency. For a comparable US stock, it takes only 10-15 minutes. The significant difference between foreign and US stocks remains robust when the speed is measured by the number of transactions rather than in calendar time. After relevant firm characteristics are controlled for, the time that it takes for foreign stocks to reach efficiency is significantly negatively related to the quality of their home country institutions. We find that one possible channel through which institutions affect the speed is through their impact on information asymmetry.

TI: Stock Exchange Demutualization, Self-Listing and Performance: The Case of the Australian Stock Exchange

AU: Otchere, Isaac; Abou-Zied, Khaled

SO: *Journal of Banking and Finance*, 32(4), April 2008, pp. 512-25

AB: This paper examines the effects of the recent spate of financial exchange mutual-to-stock conversion phenomenon on the performance of listed exchanges and the quality of the stock

market using the Australian Stock Exchange (ASX) as a case study. We find that the ASX stock significantly outperformed the stock index and the control group on a market-adjusted return basis. The stock market performance is driven by strong operating performance. The profitability ratios of the ASX have significantly improved in the five years following the demutualization and self-listing. The performance improvements remain significant even after controlling for growth in the Australian economy. From a market quality perspective, we document evidence of increased trading activity by foreign investors after ASX's demutualization and self-listing. Interestingly, we also find that bid-ask spreads of the stock market have narrowed in the post-conversion period. In particular, small-cap firms have become more liquid. The results show that stock exchange conversion from mutual to publicly traded exchange is not only value enhancing for the exchange and its shareholders, but it is also beneficial for the stock market as a whole.

TI: Strategic Disclosure and Stock Returns: Theory and Evidence from US Cross-Listing

AU: Goto, Shingo; Watanabe, Masahiro; Xu, Yan

SO: *Review of Financial Studies*, 22(4), April 2009, pp. 1585-1620

AB: When a firm exercises discretion to disclose or withhold information (strategic disclosure), risk-averse investors command higher expected returns when expected cash flows decrease, producing a negative correlation between these expectations. Moreover, stock returns exhibit stronger reversal than they do when full disclosure is enforced. We propose a model that makes these predictions and provide consistent evidence using a panel of foreign firms that list American Depositary Receipts (ADRs). We find significant shifts in the time-series properties of stock returns for firms that undergo large changes in disclosure environments, such as those cross-listing on the NYSE/AMEX/NASDAQ and those from less-developed/emerging markets and code-law countries.

TI: Takeovers, Market Monitoring, and International Corporate Governance

AU: Kumar, Praveen; Ramchand, Latha

SO: *RAND Journal of Economics*, 39(3), Autumn 2008, pp. 850-74

AB: We theoretically and empirically examine the role of international takeover markets in curtailing dominant shareholder moral hazard for firms with higher value-added from acquisitions. In equilibrium, such firms strategically list shares in the markets of their targets and voluntarily dilute dominant shareholder control through capital-raising events to lower their expected acquisition costs. Empirical tests, using a sample of foreign firms cross-listing on U. S. stock exchanges during 1990-2003, support the framework. We find a strong influence of post-listing dilution of dominant shareholder control through capital-raising events on the likelihood of acquisitions and their cost to the acquirers, in both U.S. and non-U.S. markets.

TI: Testing for Micro-Structure Effects of International Dual Listings Using Intraday Data

AU: Noronha, Gregory M.; Sarin, Atulya; Saudagaran, Shahrokh M.

SO: *Journal of Banking and Finance*, 20(6), July 1996, pp. 965-83

AB: This paper examines the impact on the liquidity of NYSE/AMEX listed stocks when they were subsequently listed on the London or the Tokyo Stock Exchanges. It can be argued that the increased competition from foreign market makers will reduce the monopoly rents that

specialists can earn, thereby improving their quotes. We find, however, that spreads do not decrease following a dual listing, though the depth of the quotes increases as predicted. The apparent increase in depth disappears once we account for changes in price, volume and return variance. We also find that the level of informed trading increases, which increases the cost to the specialist of providing liquidity, and explains why spreads do not decline in spite of increased competition. Consistent with an increase in informed trading, we also document an increase in trading activity.

TI: The Effects of Market Segmentation and Investor Recognition on Asset Prices: Evidence from Foreign Stocks Listing in the United States

AU: Foerster, Stephen R.; Karolyi, G. Andrew

SO: Journal of Finance, 54(3), June 1999, pp. 981-1013

AB: Non-U.S. firms cross-listing shares on U.S. exchanges as American depositary receipts earn cumulative abnormal returns of 19 percent during the year before listing, and an additional 1.20 percent during the listing week, but incur a loss of 14 percent during the year following listing. The authors show how these unusual share price changes are robust to changing market risk exposures and are related to an expansion of the shareholder base and to the amount of capital raised at the time of listing. Their tests provide support for the market segmentation hypothesis and Robert Merton's (1987) investor recognition hypothesis.

TI: The Geography of Equity Listing: Why Do Companies List Abroad?

AU: Pagano, Marco; Roell, Ailsa A.; Zechner, Josef

SO: Journal of Finance, 57(6), December 2002, pp. 2651-94

AB: This paper documents aggregate trends in the foreign listings of companies, and analyzes their distinctive prelisting characteristics and post-listing performance. In 1986-1997, many European companies listed abroad, mainly on U.S. exchanges, while the number of U.S. companies listed in Europe decreased. European companies that cross-list tend to be large and recently privatized firms, and expand their foreign sales after listing abroad. They differ sharply depending on where they cross-list: The U.S. exchanges attract high-tech and export-oriented companies that expand rapidly without significant leveraging. Companies cross-listing within Europe do not grow unusually fast, and increase their leverage after cross-listing.

TI: The Nature of the Foreign Listing Premium: A Cross-Country Examination

AU: Sarkissian, Sergei; Schill, Michael J.

SO: Journal of Banking and Finance, 36(9), September 2012, pp. 2494-2511

AB: An expanding literature asserts that non-US firms achieve a unique valuation premium for listing on US equity markets. In this paper, we test the uniqueness of the US foreign listing premium by examining the premium achieved by foreign listings across a global set of stock exchanges. We highlight that the documented valuation premium for listing on US exchanges is not unique but common to many home and host markets including US firms that list abroad. The cross-sectional variation in the valuation premium appears to have little association with such cross-country institutional features as investor protection rules, law enforcement practice, or accounting disclosure standards. Rather the premium appears most related to variation in pre-listing valuation ratios.

TI: The Sarbanes-Oxley Act and the Choice of Bond Market by Foreign Firms

AU: Gao, Yu

SO: *Journal of Accounting Research*, 49(4), September 2011, pp. 933-68

AB: This paper examines the economic impact of the Sarbanes-Oxley Act (SOX) by studying foreign firms' choice of whether to issue bonds in the U.S. public bond market or elsewhere before and after the law's enactment in 2002. After controlling for firm characteristics, bond features, home-country attributes, and market conditions, I find that foreign firms rely less on the U.S. public bond market after SOX. Additionally, some determinants of choosing the U.S. public bond market have changed since the passage of SOX: firms listing equities on U.S. stock exchanges, adopting International Financial Reporting Standards (IFRS), and doing large bond issuances are more likely to choose this market in the post-SOX period than in the pre-SOX period. Overall, these results are consistent with a shift in the expected costs and benefits of choosing the U.S. public bond market following SOX. This paper provides the first evidence about how SOX influences debt financing decisions and alters capital flows across international bond markets.

TI: The Value of Excess Cash and Corporate Governance: Evidence from US Cross-Listings

AU: Fresard, Laurent; Salva, Carolina

SO: *Journal of Financial Economics*, 98(2), November 2010, pp. 359-84

AB: We examine whether and how a US cross-listing mitigates the risk that insiders will turn their firm's cash holdings into private benefits. We find strong evidence that the value investors attach to excess cash reserves is substantially larger for foreign firms listed on US exchanges and over-the-counter than for their domestic peers. Further, we show that this excess-cash premium stems not only from the strength of US legal rules and disclosure requirements, but also from the greater informal monitoring pressure that accompanies a US listing. Overall, because investors' valuation of excess cash mirrors how they expect the cash to be used, our analysis shows that a US listing constrains insiders' inefficient allocation of corporate cash reserves significantly.

TI: U.S. International Equity Investment

AU: Ammer, John; Holland, Sara B.; Smith, David C.; Warnock, Francis E.

SO: *Journal of Accounting Research*, 50(5), December 2012, pp. 1109-39

AB: Using a comprehensive data set of all U.S. investment in foreign equities, we find that the single most important determinant of the amount of U.S. investment a foreign firm receives is whether the firm cross-lists on a U.S. exchange. Correcting for selection biases, cross-listing leads to a doubling (or more) in U.S. investment, an impact greater than all other factors combined. Much of this increased U.S. investment is purchased in the foreign market, implying that the cross-listing effect reflects something more fundamental about a firm than easier acquisition of its securities. We also demonstrate that cross-listing is an important determinant of U.S. international investment at the country level and describe easy-to-implement methods for including a cross-listing variable as an endogenous control.

TI: U.S. Investors' Perceptions of Corporate Control in Mexico: Evidence from Sibling ADRs

AU: Pinegar, J. Michael; Ravichandran, R.

SO: Journal of Financial and Quantitative Analysis, 38(1), March 2003, pp. 213-30

AB: We examine the relative prices of sibling American Depositary Receipts (ADRs). These ADRs are issued against classes of shares with different voting rights that are issued by the same foreign firm. Though superior and inferior voting siblings begin trading in the U.S. at nearly equal values, prices quickly separate. For non-Mexican issues, superior voting ADRs command a premium. For Mexican issues, superior voting shares trade at a discount. The Mexican discount is inconsistent with the benefits of U.S. listing discussed in other recent studies and cannot be explained by differences in cash flow rights, systematic risk, liquidity, voting control of major blockholders, or ownership restrictions. Our analysis suggests, however, that control for our Mexican firms has shifted to creditors and competitors, thus, eroding equity voting premiums.

TI: Vagabond Shoes Longing to Stray: Why Foreign Firms List in the United States

AU: Blass, Asher; Yafeh, Yishay

SO: Journal of Banking and Finance, 25(3), March 2001, pp. 555-72

AB: How do firms that go public decide whether to list on a major stock exchange or locally? Using a unique data set on Israeli IPOs in the US and Tel Aviv, we show that companies that list in the US are young and overwhelmingly high-tech oriented. We argue that high-quality innovative firms are willing to incur additional costs associated with listing in the US in order to reveal their value and distinguish themselves from firms that issue stock back home. Costs of listing in the US include first day underpricing and relinquishing corporate control.

TI: Valuation Effects of International Stock Exchange Listings

AU: Lau, Sie Ting; Diltz, J. David; Apilado, Vincent P.

SO: Journal of Banking and Finance, 18(4), September 1994, pp. 743-55

AB: A comprehensive data set consisting of 346 U.S. firm stock listings on 10 different stock exchanges is examined in order to determine the valuation consequences of listing on a foreign stock exchange. For the sample of U.S. firms listing abroad, abnormal returns in U.S. trading were: (1) positive around the date of acceptance on the foreign exchange; (2) negative on the first trading day; and (3) negative in the post-listing period for firms listing on the Tokyo and Basel exchanges. Tests for the equality of stock return variances between event periods and market model estimation periods failed to reveal a definitive impact.

TI: Valuation Effects of Seasoned Global Equity Offerings

AU: Errunza, Vihang R.; Miller, Darius P.

SO: Journal of Banking and Finance, 27(9), September 2003, pp. 1611-23

AB: This paper examines the shareholder wealth effects associated with global equity offerings made by foreign firms after their initial cross-listing in the United States. We document that the market reaction to seasoned global equity offerings is economically and statistically insignificant. However, it is 1.5% larger than the market reaction to offerings made on local exchanges only. In addition, we find that the adverse market reaction to local equity offerings is mitigated as more capital is raised globally. Our findings support the hypothesis that global capital raising is associated with significant benefits.

TI: Why Are Foreign Firms Listed in the U.S. Worth More?

AU: Doidge, Craig; Karolyi, G. Andrew; Stulz, Rene M.

SO: Journal of Financial Economics, 71(2), February 2004, pp. 205-38

AB: At the end of 1997, foreign companies with shares cross-listed in the U.S. had Tobin's q ratios that were 16.5% higher than the q ratios of non-cross-listed firms from the same country. The valuation difference is statistically significant and reaches 37% for those companies that list on major U.S. exchanges, even after controlling for a number of firm and country characteristics. We suggest that a U.S. listing reduces the extent to which controlling shareholders can engage in expropriation and thereby increases the firm's ability to take advantage of growth opportunities. We show that growth opportunities are more highly valued for firms that choose to cross-list in the U.S., particularly those from countries with poorer investor rights.

B. Results of "overseas listing" search

TI: Overseas Listing as a Policy Tool: Evidence from China's H-Shares

AU: Sun, Qian; Tong, Wilson H. S.; Wu, Yujun

SO: Journal of Banking and Finance, 37(5), May 2013, pp. 1460-74

AB: We investigate why the Chinese government chooses to perform share issue privatization (SIP) of its state-owned enterprises (SOEs) in Hong Kong, despite the benefit of facilitating the domestic stock market development if performing SIP in China (Subrahmanyam and Titman, 1999) and the higher cost to list in Hong Kong. We address this issue by arguing that the positive effect of SIPs on the development of the domestic market may have limitations, especially when the domestic market is not well developed and cannot absorb rapid and large-scale SIP activities. To maintain domestic market order, it may be optimal to carry out SIP in overseas markets. Furthermore, by listing shares in developed overseas markets, SOEs from the less developed countries could leverage on the overseas markets' better accounting, governance, and legal standards. By examining a sample of 92 Chinese firms listed in Hong Kong and the relevant control samples of purely domestically listed Chinese firms during the period of 1993-2006, we find supporting evidence for both arguments.

TI: The Impact of International Listings on Risk: Implications for Capital Market Integration

AU: Howe, John S.; Madura, Jeff

SO: Journal of Banking and Finance, 14(6), December 1990, pp. 1133-42

AB: In this paper, the authors examine the impact of international listing on common-stock risk. While previous research has used event study methodology, their research focuses on permanent shifts in risk. Different measures of risk are estimated to test for intertemporal shifts in risk attributable to an overseas listing. No significant shifts in risk from international listing are documented. The results are robust with respect to the location and year of listing. These findings suggest that markets are already reasonably well integrated, or listing is an ineffective mechanism for reducing segmentation.

TI: Crises, Contagion and Cross-Listings

AU: Chandar, Nandini; Patro, Dilip K.; Yezegel, Ari

SO: Journal of Banking and Finance, 33(9), September 2009, pp. 1709-29

AB: We investigate whether cross-listing shares in the form of depositary receipts in overseas markets benefits investors in emerging market countries during periods of local financial crisis from 1994 to 2002. We regress cumulative abnormal returns for three windows surrounding the crisis events on the cross-listing status while controlling for cross-sectional differences in firm age, trading volume, foreign exposure, disclosure quality and corporate governance. Further, we examine cross-listing effects in countries popularly thought to experience contagious effects of these crises. We find that cross-listed firms react significantly less negatively than non-cross-listed firms, particularly in the aftermath of the crisis. The results on contagious cross-listing effects are however mixed. Our findings are consistent with predictions based on theories of market segmentation as well as differential disclosure/governance between developed and emerging markets. We do not find evidence that foreign investors "panic" during a currency crisis.

TI: The Overseas Listing Decision: New Evidence of Proximity Preference

AU: Sarkissian, Sergei; Schill, Michael J.

SO: *Review of Financial Studies*, 17(3), Fall 2004, pp. 769-809

AB: Using a cross section of effectively the entire universe of overseas listings across world markets, we examine the market preferences of firms listing their stock abroad. We find that geographic, economic, cultural, and industrial proximity play the dominant role in the choice of overseas listing venue. Contrary to the notion that firms maximize international portfolio diversification gains in listing abroad, cross-listing activity is more common across markets for which diversification gains are relatively low. Our findings imply that the same proximity constraints that are believed to lead to "home bias" in investment portfolio decisions also exert a profound influence on financing decisions.

TI: Are There Permanent Valuation Gains to Overseas Listing?

AU: Sarkissian, Sergei; Schill, Michael J.

SO: *Review of Financial Studies*, 22(1), January 2009, pp. 371-412

AB: This paper tests whether foreign equity listings are associated with permanent valuation gains and examines how market and firm characteristics influence any valuation effects. Using a global sample of 1,676 listings placed in 25 countries, we find that much of the valuation gains to overseas listings are not permanent. The transitory nature of valuation gains holds for both average US listings and average first-time firm listings. We find little evidence of a permanent effect on returns for firms that list abroad, even for firms' listings in markets that are more liquid, provide better legal protection, or have a larger shareholder base.

TI: Privatization through an Overseas Listing: Evidence from China's H-Share Firms

AU: Jia, Jin; Sun, Qian; Tong, Wilson H. S.

SO: *Financial Management*, 34(3), Autumn 2005, pp. 5-30

AB: We study the partial privatization of 53 Chinese state-owned enterprises (by their listings on the Hong Kong Exchange over the period July 1993 to December 2002). We find that listing has led to a median increase of 70% in real net profits, 80% in real sales, 50% in capital spending, and a mild but nonsignificant improvement in coverage ratios, but no improvement in return on sales and a significant underperformance of returns against several market index benchmarks. Further investigation shows that firm performance is negatively related to state ownership, but positively related to legal-personal ownership and foreign ownership.

TI: Political Considerations in the Decision of Chinese SOEs to List in Hong Kong

AU: Hung, Mingyi; Wong, T. J.; Zhang, Tianyu

SO: *Journal of Accounting and Economics*, 53(1-2), February-April 2012, pp. 435-49

AB: This paper investigates why Chinese state-owned enterprises (SOEs) with strong political connections (i.e., politically connected firms) are more likely to list overseas than non-politically connected firms. We find that connected firms' post-overseas listing performance is worse than that of non-connected firms. This evidence suggests that connected firms' managers list their firms overseas for private (political) benefits. Consistent with this private benefits explanation,

we further find that connected firms' managers are more likely to receive political media coverage or a promotion to a senior government position subsequent to overseas listing than domestic listing.