Lingnan University 嶺南大學
The Liberal Arts University in Hong Kong 香港的博雅大學

Department of Economics Internal Presentation

"Cross-Listing, Institutional Investors and Equity Returns"

(in English)

Presenter:	**Mr. LAW Yui, Roy** **MPhil Student**
Chief Supervisor:	Prof. MA Yue
Co-Supervisor:	Dr. ZHANG Yifan

Date: **19 April 2012 (Thursday)**
Time: **9:30am – 11:00am**
Venue: **SO322, Dorothy Y. L. Wong Building**

Abstract

Cross-listing refers to firms listing their equities on more than one stock exchange. Cross-listing is an interesting topic of international finance. This is because along with the deeper integration of the global financial market, we should see lesser importance of geographic factors. Thus, the motivations and effects of listing a firm on exchanges of different regions should have essential economic implications. The reputation bonding hypothesis suggested that cross-listing improved the information environment of a firm because of the higher disclosure standard and more analyst coverages (e.g. Lang, Lins and Miller 2004 JAR and Fernandes and Ferreira 2008 JFE). The legal bonding hypothesis argued that cross-listing improved the investor protection and corporate governance of a firm since the firm was under more stringent law and regulation(e.g. Lel and Miller 2008 JF and Frésard and Salva 2010 JFE). The firm growth hypothesis pointed out that cross-listing lowered the external capital cost of a firm and thus enabled the firm to achieve a higher growth rate (e.g. Pagano, Röell and Zechner 2002 JF and Khurana, Martin and Periera 2008 RF).

Using a sample with 12532 firms of 23 developed markets from 2006 to 2011, this thesis tests three hypotheses of cross-listing. Firstly, my empirical results show that a cross-listing on the U.S. exchanges improved the equity return predictability of institutional investors, i.e., I found a stronger positive correlation between the change in institution ownership level and future equity return for cross-listed firms. This suggests that the information environment was improved after a cross-listing. Moreover, the improvement in information environment was stronger for cross-listed firms from regions with stronger legal and regulatory standards. Secondly, the results support for the firm growth hypothesis. The cross-listing event only had a positive effect on equity return of firms with young age and financial stress. Thirdly, the positive impact on equity return of firms with young age and financial stress was significant only for firms from regions with stronger legal and regulatory standards. These results do not support the legal bonding hypothesis.

All are welcome

For enquiry: 26167047 (Kit)