



On the Fortunes of Stock Exchanges and Their Reversals: Evidence from Foreign Listings

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Cross Listings

- Cross listings ... interesting for many reasons:
- globalization of markets, of corporate governance and of disclosure standards
- geography of finance: why do companies move to investors, rather than investors diversify where companies are?
- competition among exchanges: markets not fully segmented



This Paper's Contributions

- Great dataset
 - 89 countries, 5,000 cross-listings over 26 years, of which 24 are exchange countries
- Generalizes our knowledges on foreign listings
 - very systematic and rigorous
- Comforting results
 - importance of governance standards, listing and disclosure requirements
- Market timing analysis
 - new, very interesting



Main Findings

- Country-level regressions (Δ listing per country-year)
 - first code adoption, anti-director rights, SEO/IPO, Q, previous return all with predicted sign
 - Same for new listings and delistings
- Firm-level analysis
 - first code adoption, code expansion, anti-director rights, anti-selfdealing, previous return: with predicted sign
- Market timing
 - Exchange v. origin Q
 - mispricing-prone dummy, value peak-dummy

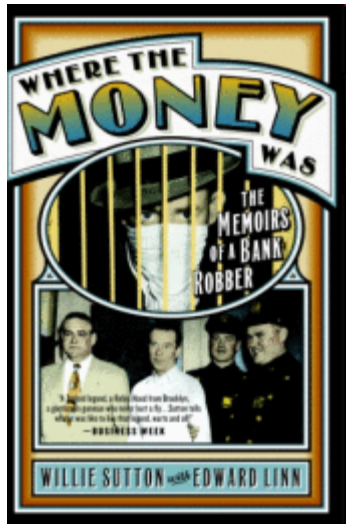


Comments (1)

- Is the governance motive really so dominant?
 - Canadian firms listing in the US: same governance rules, except for jail time
- Country-to-country effects
 - The product-markets motive
 - Stoughton, Wong, and Zechner (2001), Pagano, Roell and Zechner (2002), Blass and Yafeh (2001)
 - e.g. listing of Israeli, Mexican firms in the US; neighboring market effects in Europe
 - listing in Luxembourg targets different audience, and for different motives, compared with listing in London
 - Firm-level analysis: include origin-exchange pair dummy

Comments (2)

- The Willie Sutton motive for listing abroad



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- market timing gives food for thought
- Strong US – UK effect (60% of foreign listings recently)
 - Results on US/UK code still remain counterintuitive (and little explained)
 - they have large market cap. and are strong net importers of capital
- can you control for net foreign capital inflows, net liquidity?
- Look at net capital raised in foreign listing



Comments (3)

- Governance code adoption is a weak indicator of governance quality
 - leading indicator
 - resistance to adoption
- Firm-level analysis
 - 4.6 million observations with firm-year dummy, but only 0.3% ones
 - robustness: exclude rare exchange countries
 - Control for size of exchange countries' stock market
- Difference exclusive foreign listing vs. dual listing
 - market depth in foreign market, capacity to attract analysts



Comments (4)

- Market timing
 - That's the most original part that you want to expand
 - Use other variables beside Tobin's Q that better capture investor sentiment and behavioral effects
 - e.g. IPO underpricing (Derrien, 2005) as a nice sentiment variable
 - Importance relative to governance explanation?
- "Cross-listing waves"
 - in 1998/99, US listing was *de rigueur*. Companies later regretted it. Then UK listing became *de rigueur*
 - You can study it: Firm-level analysis allows you to do it
 - e.g., number of listings in origin-exchange pair explaining new listings



Conclusion

- Truly universal study.
- Rigorous analysis. Well-executed and well-written.
- Market timing in particular is good and original.