

Table IV.1. The Effect of Foreign Listing on Stock Prices and Expected Returns

Study	Methodology	Sample	Findings
Alexander <i>et al.</i> (1988) <sup>a</sup>	Event study - Listing date	34 listings in the US by foreign firms, including from Canada	<ul style="list-style-type: none"> <li>• CARs peak three months before listing and then decline, indicating segmentation.</li> <li>• CARs were significantly lower (and negative) in the post-dual-listing period. No corresponding increase in stock price as theory would suggest.</li> <li>• Decline in returns was significant only for non-Canadian stocks, indicating integration between Canadian and US markets.</li> </ul>
Damodaran <i>et al.</i> (1993) <sup>b</sup>	Event study - Listing date	276 listings on TokSE and LSE by firms listed on a US exchange	<ul style="list-style-type: none"> <li>• No evidence of a positive listing effects on returns.</li> <li>• The days immediately around the dual listing have insignificant negative excess returns.</li> </ul>
Domowitz <i>et al.</i> (1995) <sup>c</sup>	Event Study - Listing date	26 US ADR listings (various levels) by Mexican Firms	<ul style="list-style-type: none"> <li>• Insignificant positive CARs prior to listing.</li> <li>• Little price effect with regard to Level III ADRs.</li> <li>• No significant externality on the price of pure local stocks.</li> </ul>
Foerster and Karolyi (1993) <sup>d</sup>	Event study - Listing date	49 listings on US markets by Canadian firms	<ul style="list-style-type: none"> <li>• Positive significant CARs before listing.</li> <li>• Positive significant CARs during listing period, supporting the market segmentation hypothesis.</li> <li>• Negative significant CARs after listing.</li> <li>• Return patterns vary by industry.</li> </ul>
Foerster and Karolyi (1996) <sup>e</sup>	Event Study - Listing date;  ICAPM - Listing date	161 US ADR listings by firms from 14 countries in Europe, Asia, Canada, and Australia	<ul style="list-style-type: none"> <li>• Positive significant CARs before listing.</li> <li>• Positive significant CARs during listing period.</li> <li>• Negative significant CARs after listing, which erode most, but not all, of the previous yields.</li> <li>• Positive significant alpha before listing.</li> <li>• Negative significant alpha after listing.</li> <li>• Results differ by region, not necessarily in way predicted by segmentation theories. Return patterns also vary by industry.</li> </ul>

Howe and Kelm (1987) <sup>f</sup>	Event study - Announcement date	165 listings (first, second, and third) on stock exchanges in Paris, Basel, and Frankfurt by US firms.	<ul style="list-style-type: none"> <li>Negative abnormal returns in the period surrounding the announcement of the listing, suggesting a net cost to overseas listing.</li> </ul>
Jayaraman <i>et al.</i> (1993) <sup>g</sup>	Event Study - Listing Date	95 US ADR listings by firms from Japan, UK, Australia, France, Germany, Italy, and Sweden	<ul style="list-style-type: none"> <li>Positive significant ARs on the listing day, suggesting there is value associated with ADR listing.</li> </ul>
Lee (1991) <sup>h</sup>	Event study - Listing date	141 listings on TorSE and LSE by US firms	<ul style="list-style-type: none"> <li>Negative, but insignificant, ARs on the actual listing and CARs in the period surrounding it, suggesting that overseas listing has no significant impact on shareholder wealth.</li> </ul>
Marr <i>et al.</i> (1991) <sup>i</sup>	Event study - Announcement date	32 Euroequity and 196 domestic equity offerings by US firms	<ul style="list-style-type: none"> <li>Negative stock price response on announcement.</li> <li>After controlling for firm characteristics, the negative stock price responses are proportionately smaller for Euroequity issues the larger is the off-shore tranche. This is consistent with the hypothesis that new financial instrument enable firms to reduce international investment barriers.</li> </ul>
McGoun (1987) <sup>j</sup>	Event study - Listing date	Listings on the LSE, TokSE, and TorSE by US firms	<ul style="list-style-type: none"> <li>Negative post-listing return pattern.</li> </ul>
Miller (1996) <sup>k</sup>	Event Study - Announcement date; Listing date	183 US ADR listings of all levels by firms from 35 countries (both developed and developing)	<ul style="list-style-type: none"> <li>Positive significant ARs during announcement period.</li> <li>Low positive and insignificant ARs in the pre-announcement period.</li> <li>Low insignificant ARs in the post-announcement period.</li> <li>Low negative and insignificant ARs before listing.</li> <li>Negative significant ARs after listing.</li> <li>Firms experience larger positive ARs upon announcement of an ADR in a large market compared with an ADR on the OTC market.</li> <li>Firms experience high positive and significant ARs upon announcing an upgrade from the OTC market</li> </ul>

			<p>to a large market (NYSE, AMEX, NASDAQ).</p> <ul style="list-style-type: none"> <li>• Positive significant ARs upon announcing a Level III ADR (capital raising).</li> <li>• Firms located in emerging markets experience a larger increase in AR than those domiciled in developed markets, consistent with international market segmentation.</li> </ul>
Reily <i>et al.</i> (1990) <sup>l</sup>	Event study - Listing date	Listings on the TokSE by US firms	<ul style="list-style-type: none"> <li>• Negative post-listing ARs.</li> </ul>
Sundaram and Logue (1996) <sup>m</sup>	Examining valuation metrics (price-to-book, price-to-cash-earnings, price-to-earnings) - Listing date;  Event study - Listing date	80 US ADR listings on NYSE or AMEX by firms from 14 countries (mostly developed)	<ul style="list-style-type: none"> <li>• Using country benchmarked ratios - the value of cross-listed stocks experienced a positive significant rise of 4-10% relative to the stock prices in the home markets.</li> <li>• Using worldwide industry benchmarked ratios - a positive significant rise of 4-10% relative to global industry counterparts.</li> <li>• No cross-sectional logic was found in the results.</li> <li>• In the event study - Negative significant ARs immediately after listing; negative but insignificant CARs around listing date.</li> </ul>
Ting Lau <i>et al.</i> (1994) <sup>n</sup>	Event Study - Application, acceptance, and listing dates	346 listings on 10 foreign exchanges by US firms	<ul style="list-style-type: none"> <li>• No ARs on application date.</li> <li>• Positive but insignificant daily ARs around acceptance date.</li> <li>• Positive significant CARs during acceptance period.</li> <li>• Negative ARs on listing date.</li> <li>• Negative CARs in the post-listing period.</li> </ul>
Varela and Lee (1993) <sup>o</sup>	ICAPM - Listing date	111 listings on LSE and TokSE by US firms (mostly MNCs)	<ul style="list-style-type: none"> <li>• LSE listings show a significant negative alpha term.</li> <li>• TokSE listings show no significant alpha term.</li> <li>• Significant decrease in alpha term in both markets, indicating that international listings decrease required returns.</li> </ul>

Sources: *See* endnotes.

Reference to significance/insignificance in the findings column is to statistical significance, usually at 0.05 level.

### Abbreviations

AR - Abnormal Returns  
CAR - Cumulative Abnormal Returns  
LSE - London Stock Exchange  
TokSE - Tokyo Stock Exchange  
TorSE - Toronto Stock Exchange

---

<sup>a</sup> Gordon J. Alexander, Cheol S. Eun, and S. Janakirmanan, *International Listings and Stock Returns: Some Empirical Evidence*, 23 J. Fin. & Quantitative Anal. 135 (1988).

<sup>b</sup> Aswath Damodaran, Liu Crocker, and W. Van Harlow, *The Effects of International Dual listings on Stock Price Behavior*, New York University Salomon Brothers Working Paper S-93-41 (1993).

<sup>c</sup> Ian Domowitz, Jack Glenn, and Ananth Madhavan, *Market Segmentation and Stock Prices: Evidence from an Emerging Market*, working paper, University of Southern California (1995).

<sup>d</sup> Stephen R. Foerster, and G. Andrew Karolyi, *International Listing of Stocks: The Case of Canada and the U.S.*, 24 J. Int'l Bus. Stud. 763 (1993).

<sup>e</sup> Stephen R. Foerster, and G. Andrew Karolyi, *The Effects of Market Segmentation and Illiquidity on Asset Prices: Evidence from Foreign Stocks Listing in the US*, Working Paper No. 96-6, Fisher College of Business, Ohio State University (1996).

<sup>f</sup> John S. Howe and Kathryn Kelm, *The Stock Price Impact of Overseas Listings*, 16 Fin. Mgmt. 51 (1987).

<sup>g</sup> Narayanan Jayaraman, Kuldeep Shastri, and Kishore Tandon, *The Impact of International Cross Listings on Risk and Return - The Evidence from American Depository Receipts*, 17 J. Banking & Fin. 91 (1993).

<sup>h</sup> Insup Lee, *The Impact of Overseas Listing on Stockholder Wealth: The Case of the London and Toronto Stock Exchanges*, 18 J. Bus. Fin. & Accounting 583 (1991).

<sup>i</sup> Wayne Marr, John Trimble, and Raj Varma, *On the Integration of International Capital Markets: Evidence from Euroequity Offerings*, Fin. Mgmt. Winter, 11 (1991).

<sup>j</sup> E. McGoun, *The Value Impact of American Stock Listing on Foreign Stock Exchanges*, Ph.D. Dissertation, Indiana University (1987), cited in Oscar Varela and Sang H. Lee, *The Combined Effects of International Listing on the Security Market Line and Systematic Risk for US Listings on the London and Tokyo Stock Exchanges*, in STANLEY R. STANSELL, ED., INTERNATIONAL FINANCIAL MARKET INTEGRATION 369 (1993).

<sup>k</sup> Darius P. Miller, *Why Do Foreign Firms List in the United States? An Empirical Analysis of the Depository Receipt Market*, unpublished manuscript (1996).

<sup>l</sup> F.K. Reily, D.J. Wright, and T. Wakasugi, *A Dual Overseas Listing: The Impact on Returns, Risk, and Trading Volume*, unpublished paper, presented at the Financial Management Association meeting, October 1990, cited in Oscar Varela and Sang H. Lee, *The Combined Effects of International Listing on the Security Market Line and Systematic Risk for US Listings on the London and Tokyo Stock Exchanges*, in STANLEY R. STANSELL, ED., INTERNATIONAL FINANCIAL MARKET INTEGRATION 369 (1993).

<sup>m</sup> Anant K. Sundaram and Dennis E. Logue, *Valuation Effects of Foreign Company Listings on U.S. Exchanges*, 27 J. Int'l Bus. Stud. 67 (1996).

<sup>n</sup> Sie Ting Lau, David Diltz, and Vincent Apilado, *Valuation Effects of International Stock Exchange Listings*, J. Banking & Fin. December 743 (1994).

---

<sup>o</sup> Oscar Varela and Sang H. Lee, *The Combined Effects of International Listing on the Security Market Line and Systematic Risk for US Listings on the London and Tokyo Stock Exchanges*, in STANLEY R. STANSELL, ED., INTERNATIONAL FINANCIAL MARKET INTEGRATION 369 (1993).