Table IV.4. The Effect of Foreign Listing on Informed and Noise Trading

Study	Sample	Findings
Barclay *et al.* (1990)[a]	Cross-listings on TokSE by US firms	• Cross listing had no impact on the variance of the NYSE close-to-close returns on the stocks. Interpreted as consistent with the private information models and inconsistent with the noise trading and public information models.
Damodaran *et al.* (1993)[b]	276 listings on TokSE and LSE by firms listed on a US exchange	• Volume increases but no change in variance after the dual listing. Interpreted as consistent with the informed trading hypothesis.
Howe *et al.* (1993)[c]	Cross listings in Basel, Frankfurt, Paris, and Tokyo by US firms	• A significant increase in anticipated volatility following overseas listings. Interpreted as supporting noise theory.
Jayaraman *et al.* (1993)[d]	95 US ADR listings by firms from Japan, UK, Australia, France, Germany, Italy, and Sweden	• Return variance increased significantly after the listing of the ADR. Interpreted as consistent with the informed trading hypothesis, since informed traders are likely to trade in both markets.
Makhija and Nachtmann (1989, 1990)[e]	Cross listings on LSE and TokSE by US firms	• A Significant increase in the NYSE close-to-close variance of returns on the stocks. Interpreted as supporting the private information hypothesis.
Noronha *et al.* (1996)[f]	Cross listings on TokSE and LSE by US firms	• Volume and return variance [increase - check]. Interpreted as an indication that the level of informed trading increases.

Sources: *See* endnotes.

Abbreviations

LSE - London Stock Exchange
NYSE - New York Stock Exchange
TokSE - Tokyo Stock Exchange

[a] Michael J. Barclay, Robert H. Litzenberger, and Jerold B. Warner, *Private Information, Trading Volume, and Stock-Return Variances,* 3 Rev. Fin. Stud. 233 (1990).

[b] 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).

[c] John S. Howe, Jeff Madura, and Alan L. Tucker, *International Listings and Risk,* 12 J. Int'l Money & Fin. 99 (1993).

[d] 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).

[e] A. K. Makhija and R. Nachtmann, *Variance Effects of Cross-listing in NYSE Stocks in Tokyo,* 1 Pacific-Basin Capital Market Research 215-226 (1990); A. K. Makhija and R. Nachtmann, *Empirical Evidence on Alternative Theories of Stock Return Variances: The Effect of Expanded Trading Time on NYSE-LSE Cross-Listed Stocks,* Working Paper, University of Pittsburgh (1989), both cited in Jarayanan *et al.* (1993), *supra* note d.

[f] Gregory M. Noronha, Atyula Sarin, and Shahrokh M. Saudagaran, *Testing for Micro-structure Effects of International Dual Listings Using Intraday Data,* 20 J. Banking & Fin. 965 (1996).