

# ***“Does Cross-Listing Provide Valuable Information to Institutional Investors?”***

(in English)

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**Venue:** AR322, Leung Kau Kui Building

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## **Abstract:**

Existing literatures discovered that the predictive ability on stock return is strong for local institutional investors, but is very weak for non-local institution investors (see Coval and Moskowitz, 2001 JPE, and Baik, Kang and Kim, 2010 JFE). Both papers attributed this phenomenon to the inadequacy of information disclosure. On the other hand, evidences showed that cross-listing on the exchanges of the United States can increase the information disclosure (see Bailey, Karolyi and Salva ,2006 JFE). Therefore, the question whether cross-listing on the U.S. market may improve the information quality and hence strengthen the predictive ability on stock return of institutional investors is worthy to ask.

In this study, it tested the hypothesis by using more than 6000 firms from 23 developed countries over 4 years. Using institutional owners density as a proxy of institutional ownership, it was found that cross-listing on stock exchanges of the U.S. improved local institutional investors' predictive ability on stock return, but not for foreign institutional investors. Cross-listings on stock exchanges with laxer legal requirement had no effect on both groups of investors. Also, preliminary results favored the conclusion that better domestic legal environment cannot replicate the benefit of cross-listing.

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