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Does US cross-listing come with incremental benefit for already UK cross-listed firms

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Highlights

- Investigate a unique case of firms with UK and US cross-listings.
- Additional cross-listing in the US is driven by legal protection, price informativeness, geographic proximity and firm's business strategy.
- UK cross-listed firms are not attracted by additional higher disclosure standard in the US.
- Additional cross-listing in the US has an incremental benefit for already UK cross-listing firms.
- Value creation around an additional cross-listing in the US is related to geographic proximity, price informativeness and business strategy consideration

Abstract

The aim of this paper is twofold. First, we try to understand the reasons that explain the decision made by companies with UK cross-listing to cross-list their shares in the US. Second, we study the impact of cross-listing on value creation. Our results shown that the motivations for such decision are related to the improvement of stock price informativeness and investor protection interests. Firms may also be motivated by reasons related to the global business strategy. However, the commitment to additional higher disclosure requirements and geographic proximity act negatively on the decision to cross-list. By applying a methodology taking into account the endogeneity of the cross-listing decision, we found results that support the positive effect of cross-listing on performance. The finding also revealed the existence of an indirect impact of the cross-listing decision through its determinants on performance.

Keywords: Cross-listing; Price informativeness; Legal bonding, Performance

1. Introduction

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