

Table IV.2. The Effect of Foreign Listing on Market Risk

Study	Sample	Findings
Foerster and Karolyi (1993) <sup>a</sup>	49 listings on US markets by Canadian firms	<ul style="list-style-type: none"> <li>• A slight negative but non-significant shift in beta (market risk) with regard to the Canadian market..</li> </ul>
Howe and Madura (1990) <sup>b</sup>	68 listings in France, Germany, Japan, and Switzerland by large US MNCs	<ul style="list-style-type: none"> <li>• A slight decline but non-significant in domestic beta, indicating that they are not affected by an international listing.</li> <li>• Foreign betas were insignificantly different from zero, both before and after the listing.</li> <li>• Interpretation: markets are already reasonably integrated, or listing is an ineffective mechanism for reducing segmentation. Alternatively: MNCs have already mitigated segmentation effects.</li> </ul>
Madura <i>at al.</i> (1991) <sup>c</sup>	26 US ADR listings by firms from Europe, Japan, and Australia	<ul style="list-style-type: none"> <li>• No significant change in domestic beta for the whole sample, indicating that issuance of ADRs generally did not influence the sensitivity of a firm's returns to its domestic market or to the US market.</li> <li>• UK firms experience a significant increase in domestic beta.</li> <li>• The firm's stock prices become driven by combined (US plus domestic) market movements overall.</li> <li>• The dispersion of the firm's stock returns is reduced in some cases.</li> </ul>
Miller (1996) <sup>d</sup>	178 US ADR listings of all levels by firms from 35 countries (both developed and developing)	<ul style="list-style-type: none"> <li>• No significant change in firms' domestic beta (with regard to their home market).</li> <li>• A non-significant increase in the beta with respect to the US market for the whole sample. In Level III ADRs the increase is significant.</li> <li>• Firms located in free emerging markets experience a large increase in US beta.. US beta did not change significantly for firms located in developed countries and in restricted emerging markets.</li> </ul>
Reily <i>et al.</i> (1990) <sup>e</sup>	Listings on the TokSE by US firms	<ul style="list-style-type: none"> <li>• No significant change in systematic risk (domestic beta).</li> </ul>
Ting Lau <i>et al.</i> (1994) <sup>f</sup>	346 listings on 10 foreign exchanges by US firms	<ul style="list-style-type: none"> <li>• No significant impact on domestic risk [verify].</li> </ul>

Varela and Lee (1993) <sup>g</sup>	111 listings on LSE and TokSE by US firms (mostly MNCs)	<ul style="list-style-type: none"> <li>• No significant change in systematic risk for the whole sample. Listings on TokSE are followed by a decrease in risk, while listings on the LSE are followed by an increase. Note: systematic risk was actually domestic beta, since a US index was used.</li> </ul>
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Sources: *See* endnotes.

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

Abbreviations

LSE - London Stock Exchange  
TokSE - Tokyo Stock Exchange  
TorSE - Toronto Stock Exchange

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<sup>a</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>b</sup> John S. Howe and Jeff Madura, *The Impact of International Listings on Risk - Implications for Capital Market Integration*, 14 J. Banking & Fin. 1133 (1990).

<sup>c</sup> Jeff Madura, Armand Picou, and Alan L. Tucker, *Use of ADRs to Circumvent Segmented Markets and Its Effects on Risk*, 5 J. Int'l Securities Markets (1991).

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

<sup>e</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 Mangement 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 Litings on the London and Tokyo Stock Exchanges*, in STANLEY R. STANSELL, ED., INTERNATIONAL FINANCIAL MARKET INTEGRATION 369 (1993).

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

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