

Foreign listings, US equity markets, and the impact of the Sarbanes-Oxley Act

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Abstract

This paper examines the effects of the Sarbanes-Oxley Act (SOX) by studying both foreign firms' decisions to list in the US and local market stock price reactions to US listing announcements. We have three main findings: First, we estimate that if SOX was a complete surprise to the market, US equity values would increase between six and eleven percent. Second, small firms do not react differently to SOX than large firms. Third, minority investors place greater value on the increased manager accountability imposed by SOX than on the costs associated with the increased accountability. In summary, we find no evidence that SOX impose substantial costs on US listed firms.

JEL classification: G3, G18

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