

EVALUATION OF CROSS-LISTING INFLUENCE ON THE MARKET VALUE OF RUSSIAN COMPANIES

Angelina Yavorskaya,

Postgraduate student at NRU HSE, Stock and Investments Market Subdepartment

Abstract

The article describes the study of the influence of cross-listing through depositary receipts issue on the market value of Russian companies.

In the introduction the recent dynamics is described, according to which we can conclude that the number of issues fluctuated significantly during 1995 - 2012. The maximum amount is observed in year 2008; the most popular type of depositary receipts issued by Russian companies is sponsored when a company initiates its issue.

The literature review contains a description of several studies devoted to cross-listing effects on market value of companies from developed and emerging countries, which implemented a cross-listing in different periods. The result of literature investigation is that it is not possible to draw a common conclusion about a tendency and effects for all countries and periods. For some of them there is a positive influence of cross-listing or no influence, even the delisting from abroad market can be considered positively by market. This makes it reasonable to recognize a set of Russian companies and to study how the cross-listing influences its market value (returns).

In the next section the event-study algorithm is described and applied to selected data set. In this study the data set is represented by 34 Russian companies, which issued depositary receipts during the period 1996 – 2012, their returns are analyzed. The other set (subset) includes 18 companies, which issued depositary receipts during crisis and post crisis years 2008-2012. After application of the even-study approach to Russian data, using market model for expected returns, the result is obtained that cumulated average abnormal returns (CAAR) are positive for both sets of Russian companies on the selected event window [-10; 10] days. The CAAR for 34 companies is equal to 0,9% and for 18 companies is higher: 1,7%.

Therefore, the market evaluates the event of cross-listing (depositary receipts issue) positively, the market value of Russian companies increased after the cross-listing abroad.

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Keywords: cross-listing, market value of a company, depositary receipts, event study

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