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Motives and Barriers for Listing Swedish Companies on International Markets

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ABSTRACT

Today, the financial markets around the world are linked more to each other than ever before. The thesis studies Swedish companies entering the international arena through secondary listings, as well as investigating what regulatory requirements exist in the selected stock markets, and what main differences exist between these international markets' regulations.

The study is limited to companies who had their secondary listing on the New York Stock Exchange, the Nasdaq market and the London Stock Exchange. The thesis is conducted on a micro level, focusing on company specific factors influencing foreign secondary listings, and both a descriptive and an exploratory research approach are used. The phenomenon of foreign secondary listing is analysed from the point of view of the companies who executed the listings, and not from an investor's perspective.

The stated motives for the secondary listings are capital motives, valuation motives, owner related motives, to diversify shareholder base, to increase visibility and reputation and to enable employees not employed in the country of origin to invest in the parent company. Also, to make the stock liquid in another country, to make it easier to get qualified employees, to have the possibility to use foreign stocks in foreign acquisitions or a strict internationalisation phase in the company are motives of importance. In this study conducted it has been realised that the motives stated in the thesis from a theoretical perspective are also valid in practice. It has been observed that it is hard when discussing secondary listings to identify and generalise one single motive for all companies, however the thesis has identified four motives that the companies interviewed have agreed are the most relevant ones, i.e. the valuation motive, to diversify shareholder base, to make the share liquid in the foreign country and to increase visibility and reputation, with no internal order.

Key Words: Secondary Listing, Stock Market, Motives, Barriers, Regulation

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Göteborg, 2001-12-07

Susanne Leuhusen Liying Wen

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1 INTRODUCTION

1.1 Background

The world's financial markets provide meeting places for the needs of actors of many nationalities. Tremendous amounts of money, capital and securities pass daily through the markets. Traditionally, financial actors e.g., companies, have tended to look first at domestic financial possibilities and second at overseas and other foreign possibilities. Nowadays however, there are increasingly strong motives that lead the actors to consider overseas and other foreign opportunities to a large extent. Consequently, the world's capital markets have become increasingly attuned to more international financial transactions and companies, to a large extent, seek listing on new and, for them, unexplored markets (Ayling, 1986).

"The world is shrinking" as Hans Löwbeer, an old educationalist, came to read in some graduation compositions (Stockholms Fondbörs, 1988). The compositions studied how new technical developments and innovations improved communications between people and nations and how boundaries between different countries became obscure, making the world smaller than before (ibid). This phenomenon can be observed by having a look at today's securities markets worldwide. The 20th century, and the beginning of the 21st century, saw a large internationalisation of stock markets and never before has change swept so quickly through the world's financial markets. The internationalisation has been ongoing since the Second World War, due to the fact that before that the national capital markets either did not exist or where hemmed by protective regulations and exchange controls. The never-ending developments of new computer systems for trading, dissemination of information, registration of securities holdings and transactions have created possibilities for large companies to utilise international markets to meet their needs and make secondary listings a possible approach (Ayling, 1986).

The advance in information and communications technology has been essential to the growth in the international equity market. Market information of all types is now available internationally, contributing to the possibility for securities to be traded with a high degree of reliance on a trouble-free delivery. The expansion of the international market place would probably not have occurred if it was not for computerisation. Due to this great expansion of the international equities market, investment conditions have been extremely favourable and stock markets worldwide have powered their way to all-times highs (Noyelle, 1989), yet with some downturns in between.

Back in the old days, the foreign investments of some countries were formally hemmed by the fact that there have been foreign exchange controls requiring that a premium be paid for foreign currency investments outside the country, however most of them are now abolished. The last few years' international equity securities have increased enormously. This market phenomenon is the result of the convergence of many factors, which have led toward the integration of capital markets around the world. The internationalisation process has begun, yet it is far from being finished. Almost everything presently taking place contributes to the laying of a foundation for a future, more integrated, international market (ibid).

Companies are nowadays, to a larger extent, listed on more than one stock market, offering the possibilities to seek capital beyond their home country markets. One main reason for these secondary listings in stock markets outside the country of origin is that companies need to access more capital, and alternative methods of raising capital are becoming less attractive and less available (http://www.nasdaq.com/about/cha1.pdf, 2001-10-04).

Listing on a new market can offer great possibilities for both the company and its employees, and there are many motives behind a listing on a new market. Raising capital is not the only possible reason, as many seem to believe, the secondary listing can also support other activities, for instance increase employee commitment and give the company new recruiting power (ibid).

1.2 Problem Discussion

Financial markets around the world are today linked more to each other than ever before. They are all in one single global pool of funds that can be accessed by users of funds and investors from all industrialised countries, many of these international stock markets serve as “hubs” for other smaller markets, as London for Paris and Frankfurt as well as New York for Toronto, Boston and Chicago (Noyelle, 1989).

As Axelsson & Gullmarstrand (2000) write in their thesis on motives for Swedish companies in their Initial Public Offerings (IPOs), the attitudes on listings have changed both from companies’ and individuals’ perspective during the last decade. The mentioned thesis investigated how often different motives for the IPO were used in companies’ prospectus. In the thesis the prospectus is considered to be a relevant source of motives for the IPO. Another thesis dealing with this subject is one written by Håkansson & Sandberg (2000). Written as a replica to the former, Håkansson & Sandberg (2000) claim that prospectus is not a reliable source, on which we agree.

The motives of the listings are different between companies, as well as the choice of markets when companies conduct an international listing. The classical argument for the listings to obtain risk capital nowadays is not the only essential motive; also to get a more well-known company name, to get a better status and to get access to new means of payment are important issues for the companies (Axelsson & Gullmarstrand, 2000), both in their primary and secondary listing.

In the IPO the motives are about sharing corporate control, financial gains and responsibilities. It is about how to manage a company to maximise shareholder value and sharing strategic information. The whole process may end up with large start-up and ongoing costs. However, the cost for the secondary listing is in most cases not as high as in the IPO, but also the motives may be of a different nature (http://www.nasdaq.com/about/chap1.pdf, 2001-10-27).

In our thesis we will focus on the motives, given by many researchers on this subject before, however our focus will be on the secondary international listing process. What are the motives for the companies being listed in a secondary country other than their country of origin? We do not seek to find the answer through prospectus or annual reports, yet to get the information through personal interviews and questionnaires. Due to the increase of international secondary listings, we aim at investigating the implications of these decisions. We will also clarify the requirements companies are exposed to when entering a secondary stock market.

The thesis studies the motives for foreign listings and the advantages and disadvantages for companies searching for global equity by entering various stock exchanges. Also, it studies if there are any barriers for the companies. As issuers that have entered foreign markets by listing their stocks on other exchanges may find themselves caught between rules that are not only slightly different but also sometimes contradictory, we explain the fundamental differences between a selected group of stock markets.

The thesis has its point of departure in the thesis by Axelsson & Gullmarstrand (2000) “Börsintroduktion – Ny tid, nya motiv?”. We have used this thesis to get inspiration and ideas, but also to reflect on some of the methods applied in that particular thesis.

1.3 Objectives of the Study

- The main objective for the study is to give an understanding of motives and barriers for companies seeking foreign secondary listings.

We limit our study of barriers to three areas: regulations, fees and the listing process as such. The aim with the thesis is to find valid information and generate a deeper understanding on what requirements are set by different stock exchanges concerning listing procedures of foreign companies, focusing on Swedish companies, and to identify motives and barriers from the companies’ point of view. The purpose is to by use of an explorative and descriptive study give the reader a possibility to understand differences between stock exchanges and see the motives from the companies' point of view.

1.4 Scope and Limitations

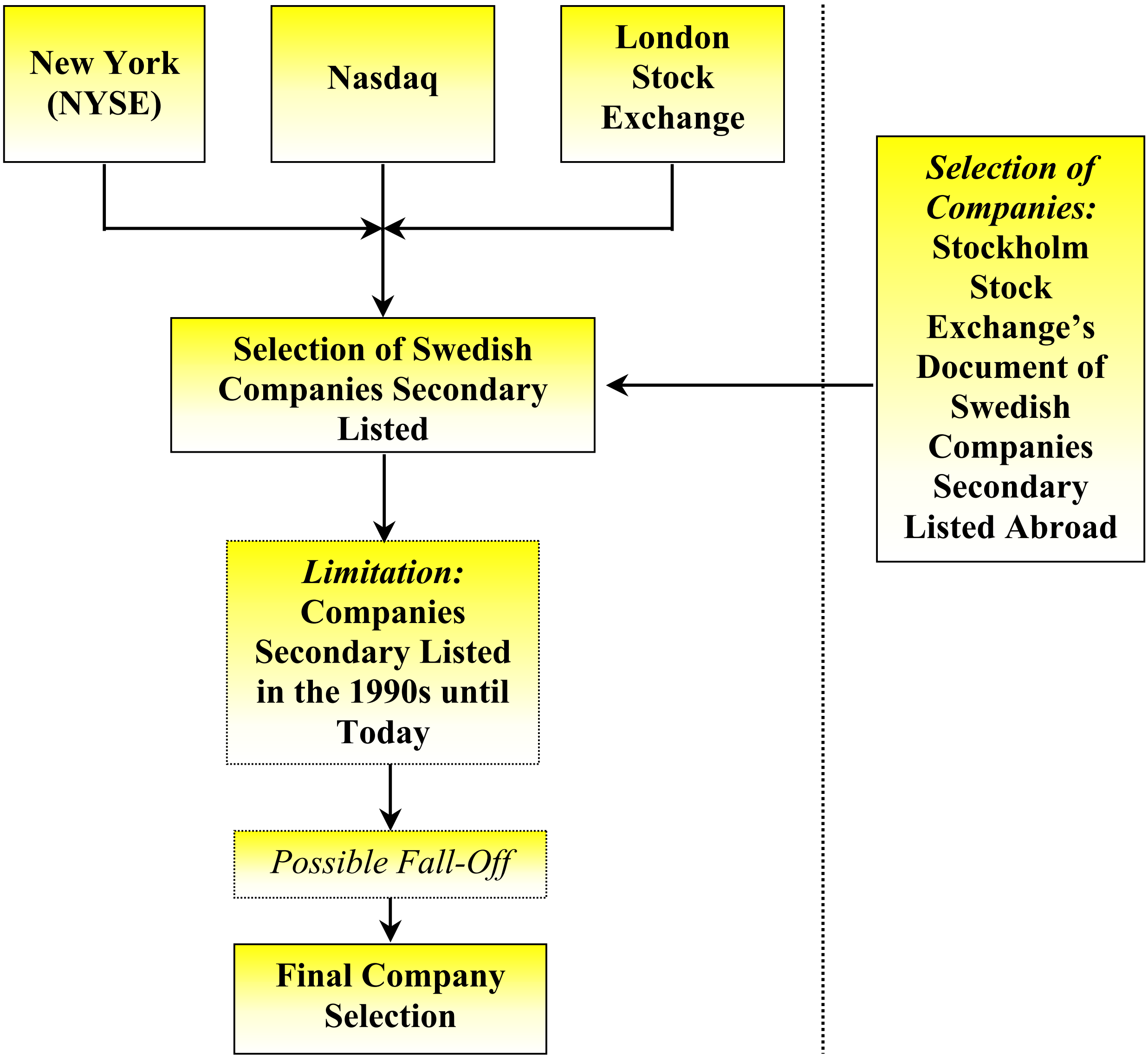


Figure 1.1: Scope and Limitation Model

The research unit in this study are Swedish companies listed on the Stockholm Stock Exchange as well as foreign stock markets, as the London Stock Exchange, the New York Stock Exchange or the Nasdaq. The study focuses on stock listings abroad and markets other than the stock market, i.e. the bond market and the derivative market, are excluded.

As mentioned, we limit our study to companies who had their secondary listing on the New York Stock Exchange, the Nasdaq and the London Stock Exchange. The primary reason for this is that the US market is currently the world's largest financial market, including many facilities for foreign issuers and investors. As the traditional home of capitalism, the US provides an experimental ground for new facilities and techniques for international capital and money transfers, and cannot therefore be excluded from the study. In addition, the second most important markets offering facilities are those in Western Europe, such as the UK market (Ayling, 1986).

The study conducted will also be limited in time span. We will only look at today's stock exchange regulations, and not at any regulation in force in the past. We will look at how companies conducted their international listing in the 1990s up to the present day. The latter limitation is set due to the fact that management dealing with these issues may have been replaced during the years, or simply does not remember; this is why it is our belief that validity of the thesis is improved through this limitation in time span.

The thesis is conducted on a micro level, when a macro level would have been too broad for the thesis purpose. The thesis consequently focuses on company specific factors influencing foreign secondary listings. The phenomenon of foreign secondary listing is analysed from the point of view of the companies who executed the listings, and not from an investor's perspective.

Since there are not many companies listed in the Stockholm stock market as primary market and another stock market as secondary market, the selection of companies for this thesis is very limited, in addition the number of respondents is limited due to the fact that the companies do not have time to participate or do not want to make the effort; possibly due to the recession at hand. Therefore, the companies are not selected by size or industry, since this was not possible with the limited numbers of target companies. A tendency noticed is that some companies could not attend the interviews, at the same time as some could not contribute to the extent that was initially expected.

1.5 Thesis Outline

Chapter 1: The introduction chapter includes sections as to the background, the problem discussion, the objectives and the scope and limitations. This chapter is to clarify what subject the thesis will investigate and within what frames.

Chapter 2: In the methodology chapter an overview of essential methodology parts used in scientific research and thesis writing will be given. The research approach and other essential methodological issues will be discussed.

Chapter 3 & 4: The theoretical frame of reference chapters include theory on the subject, including e.g., theory on the underlying motives for foreign listings and comparison of selected stock markets.

Chapter 5: In the empirical chapter the results from the interviews will be presented.

Chapter 6: In the analysis chapter the results from the empirical studies will be analysed and discussed.

Chapter 7: In the conclusions chapter we draw conclusions from the conducted study. We will answer the questions stated in the introduction chapter and discuss the findings generated from the study.

Chapter 8: The final chapter gives suggestions for further investigations.

Appendix 1: Questionnaire

2 METHODOLOGY AND RESEARCH DESIGN

The objective in thesis writing is by different methods and through a creative work come to a conclusion concerning a specific problem. In our case this is to focus on the motives and barriers for secondary listings abroad, focusing on Swedish companies. Also, requirements of selected stock markets are studied to some extent. The reason for this kind of outline is the inspiration from Björn Grundvall at Ernst & Young for us to examine requirements on different stock exchanges, and also our own wish to use the thesis by Axelsson & Gullmarstrand (2000) as a point of reference, however focusing on Swedish companies entering the international arena.

Methodology is essential for carrying out a study, but also to help readers understand how the researchers have studied a certain problem. The method used must be specified and adjusted to the precise problem to be solved and must be well connected to the problem that one wants to have increased knowledge about. The methods used assist in giving us principles and methods in our search for knowledge, but also in giving us (Patel & Tebelius, 1987):

- Control of how our experiences and valuations can come to affect our creation of knowledge
- The right kind and enough information on the phenomena we wish to get knowledge on
- Good quality of information gathered
- Possibility to see the context of the information, to compile and express the information to come to terms with the problem stated

2.1 Choice of Method

In order to conduct research on a specific phenomenon, it is possible to make an explorative, descriptive or explaining study. Explorative studies are proper to use when the problem is hard to limit and when having an indistinct understanding of what model is suitable and what abilities and relations are of importance. The descriptive studies are often applied when the problem examined is well structured and when no reason to investigate relations of reasons exists.

Since we study different companies that have entered the international arena we collect information through interviews and other relevant documents, using the descriptive method. However, concerning barriers the exploratory method is used. A combination of the descriptive and the explorative method may be beneficial for this study; an explorative study may be desirable in the beginning when we seek a good understanding of the problem stated and a descriptive better continuously when the problem is structured.

2.2 Research Approach

During different periods in our history, various research approaches have been applied. There are three possible research approaches to use: the deductive, the inductive or the abductive approach. The first mentioned is an approach signified by proving/testing, and the second by discovery. In the deductive approach the point of departure for the research is the deep structure, i.e. the theory, and the movements towards reality. What one does is to test theory in relation to reality. In the inductive approach, one has the point of reference in the reality and tries to create a theory. The third approach, which we use in our thesis, is the abductive that is a combination of the approaches mentioned, appropriate for studies where one search for deeper understanding of a phenomenon.

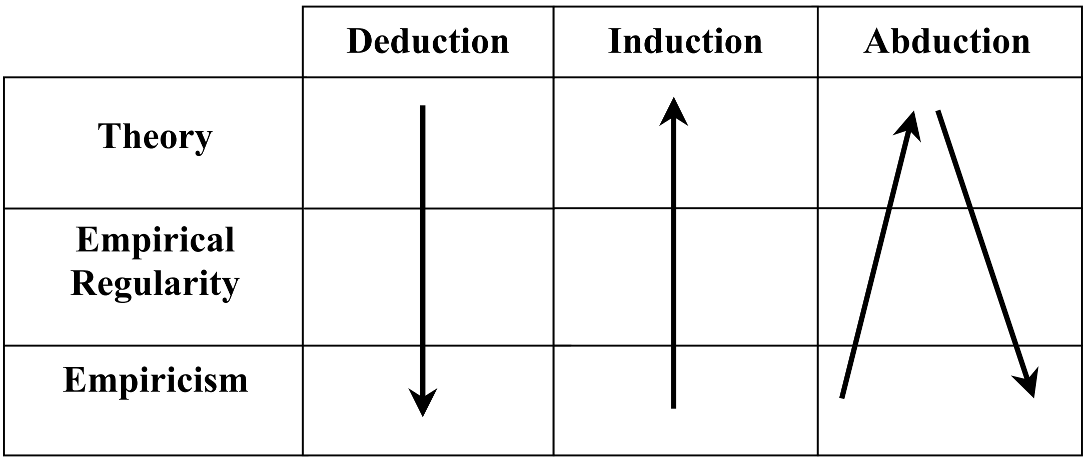


Figure 2.1: Research Approach
Source: Makhloufi, 1999/2000

2.3 Research Method

There are two basic types of research methods, the qualitative method and the quantitative method. In the qualitative research method the conclusions are based on either data that is or is not hard to quantify, as attitudes and values etc. The primary objective is to attain an understanding and the researcher has a close relation to the object studied during the study, focusing on a limited selection to get a full picture. The aim with the method is to get a new and deeper knowledge than the fragmented knowledge received when using quantitative methods (Patel & Davidsson, 1994). The qualitative method is dominated by qualitative data, but also includes quantitative data (Lundahl & Skärvad, 1999).

The quantitative research method is characterised by conclusions that are based on quantitative data. The quantitative method is dominated by quantitative data, but also includes qualitative data (ibid). This method is characterised by a more formal and structured procedure than the qualitative method and the researcher should have more control. The method implies a distance between the researcher and the studied object, leading to a prerequisite for being able to reach the degree of formalisation and structure required. The core of this method is to work with numbers, above all statistics.

We have chosen to use the qualitative method, since we want to establish an overall knowledge and understanding on the issue. In this method we will have a nearness to the object studied, to make it easier to understand and personalise the study.

2.4 Theoretical Approach

Theory can be described as a system of mutually related concepts, which together give an understanding of a phenomenon, showing how the concepts used are related to each other so that it can explain and predict the conception or understand the meaning of it (Patel & Tebelius, 1987).

The theory used in this thesis concerns motives for foreign listings, the stock markets and their regulations. The theory on regulations will not include all details, since the thesis as a result will loose its focus. Also, there exist different degrees of ease concerning the access of information in various stock markets around the world. These variations will be reflected in our theoretical part, and due to this the reader may perceive the theory on the various stock markets detailed to different degrees. However, the theory on the stock markets in the thesis is to give the reader a general picture of the selected markets.

A large part of the theoretical materials has been collected from the Internet. In many cases, the base has been collected from the existing literature, however since it is essential for the thesis' reliability and validity to have the most updated information, the literature base has been updated on the Internet. Present literature on e.g., the NYSE is rather old and therefore e.g., fees and requested financial standards are not always properly updated and moreover, we cannot find all the relevant information from the literature.

2.5 Problems of References

We cannot see any real problem concerning references used in the thesis. Concerning contacts with companies, we will probably not get access to secret and bad publicity information from these, partly due to their situation as listed companies. On the other hand, we do not believe that this will have any great effect on the final thesis, since the information we want in most cases is not of this kind. The public material we will use can be considered trustworthy, due to the type of sources we will use as literature and media databases.

2.6 Previous Studies

There have been many studies before on listings in general, which is why we have chosen the international approach. There have also been some studies of foreign listings before, which is the reason that we have specified our study of Swedish companies having their secondary listing abroad.

A study by Arja Laakso was conducted in 1993, focusing on Finnish companies entering a foreign market. Our thesis focuses on Swedish companies having their secondary listing in another country than the country of origin, which is a topic not formally studied as far as we know.

2.7 Data Collection

There are two basic types of data: primary data and secondary data. The primary data is the information collected by the researcher for the specific issue, created through for instance interviews and observations. Secondary data is the data and information documented about a certain issue, however not collected for the specific study (Lundahl & Skärvad, 1999).

2.7.1 Primary Data

In our case the primary data is collected through interviews. Interviews can be divided into different groups; standardised and non-standardised as well as structured and free interviews. The first two are characterised by the way the questions are stated and the others by how many possible answers the respondents have and if the answers are set in advance or not. Free interviews are not as well defined as the structured ones, where the interviewer has set the objective with the interview in advance (ibid).

The greatest advantages of conducting interviews are that we as researchers have more opportunities to conduct relevant follow-up questions (Patel & Tebelius, 1987). The interview is a process to obtain information for certain purpose and a good tool to get primary data, if used in the right way (Gordon, 1978).

When standardised, both the inquiry form and the sequence of questions are predetermined. This form is used mainly when conducting interviews with a large selection group. The non-standardised type is when discussions are taken into more or less conversational form, with the most essential thing to cover the information needs of the researcher. When using the non-standardised form the interview is more flexible and modified for the specific issue. The interview can be varied to a greater extent and adapted to the specific situation (Lundahl & Skärvad, 1999).

In our research, we use both personal interviews and a standardised questionnaire. The personal interviews are conducted through a few broad questions, where there is a possibility for us to have an independent discussion with the interviewees. However, the answers will not be standardised in this part. Concerning the motives of the listing, this will be conducted through a questionnaire with standardised motives/answers for the companies to grade. This is for the companies to be able to valuate and comment upon the different motives. If the companies wish to be anonymous, they can.

During the research, we will be dependent on the interviewed object's benevolence to participate in the research project. If the questionnaire is apprehended to be diffuse, not serious, too extensive or has an incomprehensible language there is a probability that the object will not put any effort in answering set queries, and the result will therefore not be valid to base any conclusions on.

Finally, it is of great importance when taking the decision of using interviews as the primary source of method of data collection that the decision is based on a consideration of what information is needed and that interviews are the best-suited method to generate this information (Merriam, 1994). The interviews are combined with other methods during our thesis work, however the principal source will be the primary data generated through interviews with companies and other respondents. It must be considered that interviews have, as many data collection methods, both strong and weak aspects. The researchers' task is to limit the disadvantages and strengthen the advantages during all phases of the interview. The interview is all in all, the best and maybe the only way to come to terms with what is on people's mind and their opinion and experience on a certain issue (ibid).

2.7.2 Secondary Data

When conducting research, it is possible to use data that someone else has produced; namely secondary data. Secondary data is traditionally considered information based on documented information in printing or in electronical form, as e.g., annual reports, television, newspapers and magazines. When using this data it is essential to show the reader who made the original study, since one use secondary data produced by someone else in the first place. It is essential to determine the material's preciseness, validity, reliability and relevance in relation to the issue studied and one must have a certain degree of criticism of ones sources to be able to analyse the information received properly (Lundahl & Skärvad, 1999).

In our study we will use secondary data primarily for the theoretical part, but also for the pre-study, to get a wider knowledge on the subject studied. It is especially important for us to collect and use secondary data in the beginning of the study, since this will provide us with the basic knowledge on the topic studied and give an accurate background of the problem studied. When Axelsson & Gullmarstrand (2000) made their study it was based on the prospectus published by the companies entering the Stockholm Stock Exchange. According to our opinion, this is not a reliable source to determine motives, since the companies for more or less commercial reasons publish it for the stockholders. Even if this kind of information has to be true and fair, we doubt that it is possible to get reliable results from a study if based on the prospectus as the only source.

In our thesis we will use the Internet to a large extent, which is a worldwide network of computers available for everybody, making people around the world able to communicate with each other. It has created new possibilities for research and investigatory work and gives a possibility to electronically combine both sources of documents and persons (Lundahl & Skärvad, 1999). Most of the information gathered on the different stock exchanges is collected on the Internet, through the stock exchanges' homepages, covering everything from historical information to current regulatory frameworks.

2.8 Choice of Stock Markets

When choosing stock markets to investigate we have set two criteria for the stock exchange to fulfil:

- The stock exchange must rely much on international investors; it has to be international.
- The stock exchange must have a number of Swedish companies listed.

The choice of stock markets relies on the markets the majority of the Swedish companies listed abroad have chosen.

2.9 Choice of Companies and Respondents

The companies are selected through their listings on foreign stock markets. We will have our starting point in the document stating all Swedish companies listed at foreign stock markets, a document published by the Stockholm Stock Exchange. We have selected companies that had their secondary listing after 1990, to make sure that we receive accurate and valid information when conducting interviews etc.

The respondents interviewed are the ones that the companies consider having the best knowledge on the subject, since it is essential that we have the possibility to meet persons who have knowledge on all issues studied.

In the thesis by Axelsson & Gullmarstrand (2000) the selection of respondents was to a large extent affected by the time frame, which surrounds the thesis work. This is also the case in our thesis. The choice of respondents is not conducted by choice of gender or personality, yet a choice of position, duties; but primarily by knowledge and experience.

In comparison to Axelsson & Gullmarstrand (2000) who limited their respondents' location to Gothenburg, we have chosen to widen the view and therefore conduct the interviews in all parts of Sweden if necessary.

2.10 Choice of Motives

The motives stated in the theoretical part are generated from different literature sources that earlier have conducted research on the topic, as Gometz et al (1997), Stockholms Fondbörs (1990), Laakso (1993), Axelsson & Gullmarstrand (2000) and Håkansson & Sandberg (2000). To make sure that all possible motives have been stated in the thesis we have used many different sources, and combined these into our stated motives. We have built the thesis on the assumption that the underlying motives for the IPO in the Stockholm Stock Exchange are more or less the same as possible motives for abroad listing, however maybe in another internal order. We have also verified this method and these motives in discussions with Björn Grundvall at Ernst & Young.

2.11 Empirical Approach

The empirical studies will be conducted with employees in the companies selected, who have a good overview of the company and its policies. The interviews will be conducted at the respondents' places of work. We will use a tape-recorder to make sure that no information is excluded.

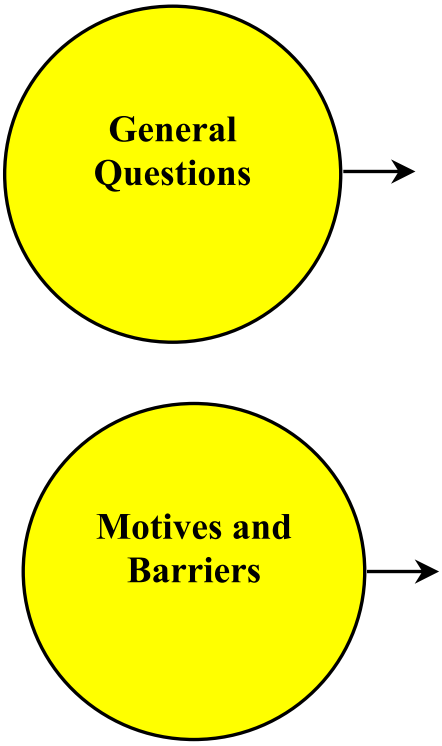
The empirical studies will be conducted with guidance from Björn Grundvall, partner at Ernst & Young. The reason for this is that he can, through his work as a partner at Ernst & Young and with regards to his assignment with the Stockholm Stock Exchange, help us with essential information, inspiration on the topic and contacts in the business world. Grundvall's contacts with companies are precious and give us an opportunity to talk to the right persons involved in the international listing process. The discussions with Grundvall have an informal structure and no real interviews will be conducted with him, instead he will be an advisory expert with whom we have the possibility of testing our findings.

The interviews and the theory on secondary listings abroad and motives of these will be the foundation for the analytic part of the thesis. Since the companies' ways of listing differs and the number of companies possible to interview are few, the information received may differ among the companies. Yet, we think the information generated is vital anyhow, which is why we have decided to include different types of companies, as well as companies with different secondary markets and listing/registration structure.

The questionnaire on motives is developed by pre-studies on former questionnaires made by other studies, as by Laakso (1993) and Håkansson & Sandberg (2000). We will through this experience, try to find the best design of the questionnaire to be able to generate vital information from respondents.

2.11.1 Interview Strategy

Our interview strategy is divided into two main areas, with some underlying questions, stated below:



- What were the main factors influencing the timing of the listing on the foreign stock exchange?
- What are the major changes in the company after the secondary listing?
- Did the company achieve results wished for/goals set for the secondary international market?

- What were the motives for the foreign secondary listing?
- Was the Stockholm Stock Exchange not sufficient for the company?
- Did the company notice any barriers for the international listing?

Figure 2.2: Interview Strategy

Apart from these questions, some questions on the companies' future stock markets will be stated, as well as if the company will stay in the foreign market in the future or enter any new ones.

2.12 Qualitative Criteria

To be able to conduct good research some qualitative criteria have to be fulfilled to give the reader a true and fair picture of the study conducted. We should strive for validity, reliability and precision. This will be done through use of secondary materials that are valid, reliable and that fits its purpose; where the information on, for instance, the stock exchanges' own homepages will suit well. We will also make sure that the primary materials will fulfil these set criteria, yet this can be considered more simple since we can perform e.g., the interviews ourselves (Merriam, 1994).

When looking at the qualitative criteria, two main areas can be identified: validity and reliability (Merriam, 1994). However, also precision, objectivity and exactness is important, since it is essential that studies, interviews and other methods are conducted with exactitude and utmost precision (Patel & Tebelius, 1987)

2.12.1 Validity and Reliability

Validity can be defined as the absence of systematically measuring defaults, meaning how the measuring instrument answers to the qualities and the underlying phenomenon intended to be measured. Validity can be explained as how well the researcher has been able to capture the objective truth. The researcher has to be sure of that he/she is measuring what was originally intended (Merriam, 1994).

Concerning validity, one can differ between internal and external validity. There exists internal validity when the measuring instrument, for instance the questionnaire or an interview, measures what is intended to measure. There is a high degree of agreement between the theoretical and operational definition. In most studies it is of great importance to define the degree of internal validity and be aware of the extent to which the measuring instrument measures too much, too little or the wrong things (ibid). Total internal validity is hard to achieve, and it is therefore of great importance to control the number of faults a study might contain, since this can to some extent guide the researcher and the reader. The external validity refers to the possibility of generalising the results. External validity exists when the chosen indicator is in accordance with the relation looked for (Lundahl & Skärvad, 1999).

Reliability is defined as how well the measuring instruments used resist different kinds of chance influence, and to what extent one can trust the results obtained through a certain measuring instrument; meaning how reliable it is. It is about the extent to which ones result can be repeated. The question if the same results will be achieved if the study was repeated should be stated. Reliability is a problematic concept within scientific/social research, since the behaviour of the human being is not static, but changeable (Merriam, 1994).

The reliability of a study, meaning the extent to which there exists a consistency and logic in received results, can be strengthened by clarifying the point of departures and what theoretical perspective have guided the study (Merriam, 1994).

The internal validity of the thesis is strongly affected by the choice of companies. Therefore, to generate a high degree of internal validity we have selected companies from the document published by the Stockholm Stock Exchange, stating Swedish companies abroad listed. However, there has been a substantial fall-off in the study, as only three out of fifteen companies have agreed to attend a personal interview. This was an unfortunate result, since the validity is consequently strongly affected, a fact that we are fully aware of.

The interviews have been divided into two parts: one standardised and one not standardised. The standardised part is conducted through a questionnaire, which the respondent gets a moment to answer during the interview. In the questionnaire the respondent is asked to grade the motives for their foreign secondary listing. At the same time as the respondent answers the questionnaire, the motives are described in a certain predetermined way, to make sure that the respondents correctly understand the motives stated. It has been observed that the questionnaire has measured what it was supposed to, since the companies interviewed have not made any efforts to add any other possible motives and have considered all motives stated to be valid to some extent. The not standardised part of the interview has been selected for the other parts of the interview, as it benefits the thesis' validity and increases the possibility for follow-up questions essentially. Axelsson & Gullmarstrand (2000) claim that the personal not standardised part of the interview can make the comparability between the interviews difficult, however the knowledge as a result from the interviews increases; which is a statement that we definitely agree upon. All in all, the questions stated have a good theoretical basis, since they have been generated through pre-studies of much literature and others on the subject.

Concerning the external validity, we will not be able to produce a generalised result from the study. The results could probably be valid for companies of the same size or in the same sector, however if it is valid among all Swedish secondary listed companies is doubtable.

Both the timing and the choice of respondents play an important role concerning the reliability. Probably, if another timing was set for the study or if another respondent was chosen, the aspects and indications received would probably have been different, which influences the reliability to a large extent. The respondents' stories are influenced by their own opinions, a bias that can however have a positive impact on the study, since we then have the possibility to generate extra knowledge on the topic. On the other hand, we have tried to avoid all possible misunderstandings by using a tape-recorder, to compensate the low reliability of the study and to make sure that no information is left out.

All in all, the main purpose for the thesis is to bring up aspects on the topic studied. The companies studied are companies that are middle-sized and two of the companies are biotech companies, which improves the validity. It is also improved by the fact that we have chosen to let the company select the suitable respondents themselves, since they know best who has the best knowledge and experience on the issues discussed. In addition, it is beneficial for the study that the respondents interviewed devoted a lot of time to our discussions.

2.13 Fall-Off

In all interview and questionnaire investigations, there is some degree of fall-off. There are always people impossible to get in contact with or who simply do not want to answer the questions stated. It is an important part of the research to make this fall-off as insignificant and small as possible, for the outcome of the study to be unaffected, and at the same time try to get as wide knowledge about it as possible (Magne Holme & Krohn Solvang, 1997).

The problem with fall-off is that it is for the most part not a coincidence. The fall-off is in most cases influenced by factors connected to the quality of the units observed. Through that, there is also a risk that the fall-off diverges from the respondents and can therefore lead to distorted results (Magne Holme & Krohn Solvang, 1997).

The fall-off in our thesis will be that the companies are not willing to attend the interviews. Different from Axelsson & Gullmarstrand (2000), whose fall-off was mainly due to lack of some prospects, our study is more dependent on the respondents and their decision whether to attend the interview or not, in which the latter has shown quite frequently to be the case. From a selection of about fifteen companies, only three have been willingly to perform a personal interview.

2.14 Criticism of Sources

Since the primary instrument in research is the human being, all observations and all analysis conducted are filtrated through their general conception of the world, view of life, values and perspectives (Merriam, 1994). The main aim with criticism of sources is to determine whether the source measures that which it is supposed to measure and whether it has relevance and is free from mathematical variations of defaults. If one is supposed to decide whether a statement is true or false, a prerequisite is to judge if there is a possibility that it *can* be true or not. What one does is to see the degree of validity and reliability of information received. This description is founded on the prerequisite that there is a possibility, at least to some extent, to separate valid and invalid information. Criticism of sources is not some kind of exact, unfailing method to find the truth, yet a kind of common sense put into a system. Every case must be judged from its individual conditions and with the methods applicable for the specific case in mind (Thurén, 1990).

In our research we will mainly use documents produced in literature, by newspapers and in homepages. Since all these documents can be considered publicly available and written without bias, we consider the materials to be reliable and also have a high validity. In short, the theoretical materials used are to give the reader a fundamental knowledge on the topic studied (ibid).

2.14.1 Biases

The most essential problem associated with research issues is the bias, meaning that the researcher may give a false impression into the study. The researcher can have an opinion, but also when studying annual reports or homepages, it can be observed that the information published sometimes is from a one-sided perspective.

Data can be biased both from the researcher's and the respondent's perspective. When conducting an interview, the respondents are often influenced by their own surroundings. The interview can also be affected by the interviewer's personal opinions, and therefore the respondent is drawn in a certain direction regarding the research issue. The effect will be that the interviewer is leading the answers given by the respondent. In studies, this effect must be eliminated as much as possible (Merriam, 1994). To eliminate this we have tried to, as far as possible, only state the questions to the respondents and after that just letting them answer the question, without us interfering.

2.15 Research Design

The research design developed for the thesis can be illustrated as follows:

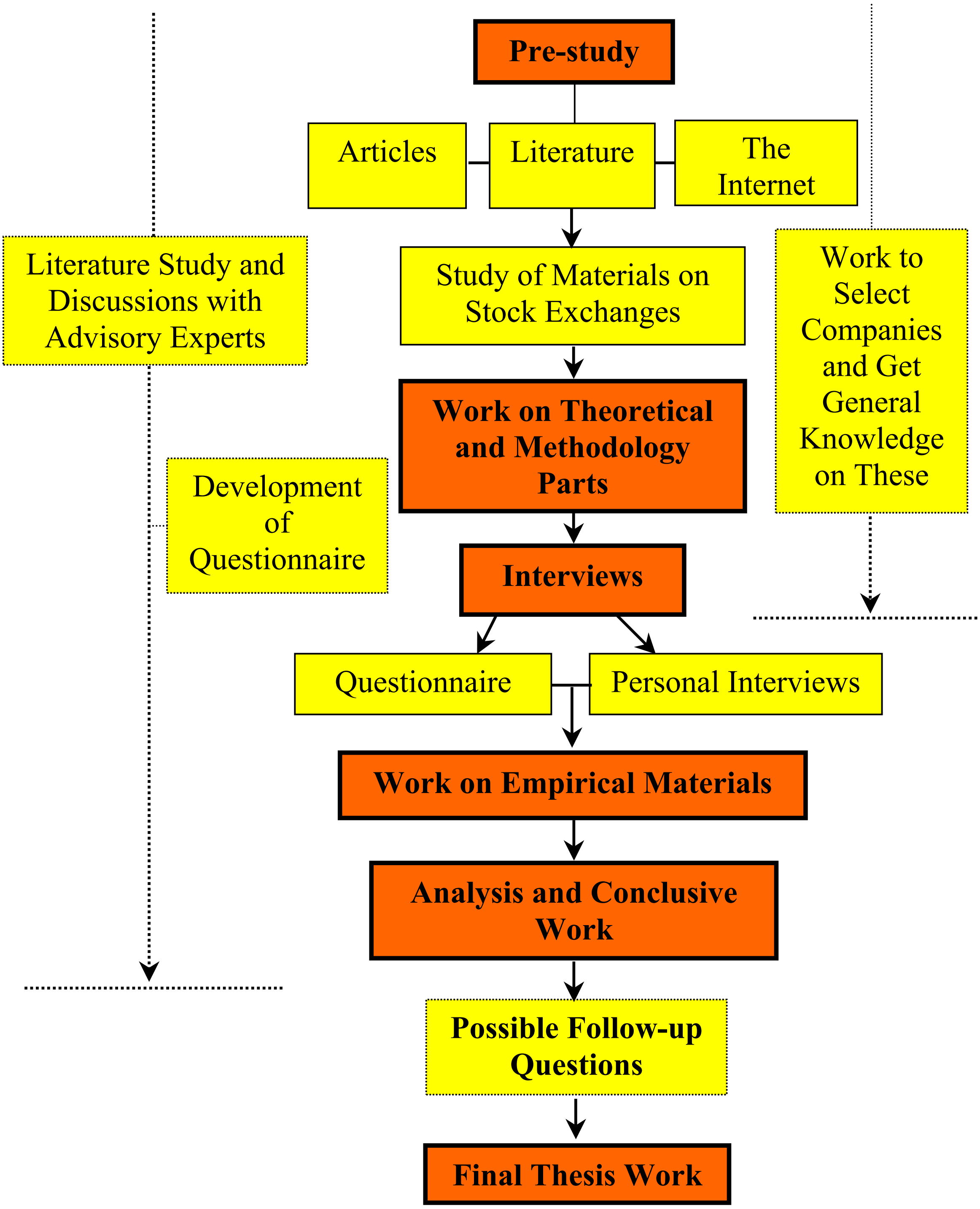


Figure 2.3: Research Design

The thesis work is launched by a pre-study of materials; as literature, the Internet and articles concerning the topic studied. We study the stock exchanges and other essential parts, mainly through the Internet and literature. The aim is to generate information on the topic necessary, and to find previous studies conducted. We have contacted different experts within certain areas, as staff at the stock exchanges, to be able to find the information required. We have been in contact with the National Statistics Office of Sweden (SCB), but they could not give us any information on sizes of the different stock markets or materials on what companies are listed abroad. Neither could the Stockholm Stock Exchange according to their information department, however through our study of their homepage we have been able to find published materials that the information department was not aware of. This material has served as the base for the selection of companies.

As mentioned before, much of the information on the various stock exchanges has been collected at the exchanges' homepages, since this information can be considered a reliable and updated source of information. In most of these pages there is also a possibility for us to state inquires on the stock exchange in question. A tendency noticed is that some stock exchanges, as for the Frankfurt Stock Exchange and the London Stock Exchange, are better on answering e-mails than others. We have tried to contact the NYSE, yet it has shown to be difficult to establish a contact with them as well as with the Nasdaq market.

After these stages the work on the methodological and theoretical parts was carried out. We strive to find the most suitable way to get a valid result on the questions stated and therefore methodological issues are of essential means. The theoretical part will include general information on the stock exchanges, motives for secondary listing and general information on the capital market and its development. After the interviews, the analysis work with the final theoretical part and the work on the empirical materials will be our main task. This work will be complemented if we find it necessary to state follow-up questions to interviewed persons. If not, or when it is done, the analysis part and the conclusions part will be finished.

We conduct literature studies continuously through the research process and have discussions with Grundvall, our advisory expert. The literature studies' main purpose is to identify potential motives for a foreign secondary listing, and at the same time generate a general knowledge on the different stock exchanges; to be sure that our information received and conclusions drawn are correct. The motives that will be selected are the ones we consider valid for the abroad listing, verified by our advisory expert. The results of the literature study will be shown in the theory part. The questions for the interviews will be developed during all phases until the interview, since the questions have to be adapted to new information and knowledge received. Also, information search about the companies interviewed will take place through a large part of the research schedule, to be able to obtain a general knowledge for the interviews.

3 THEORETICAL FRAME OF REFERENCE

3.1 Fundamentals of the Capital Market

The capital market consists of three parts: the credit market, the stock market and the derivative market. Some different versions on how to illustrate and define the capital market exist, however the correlation between the above mentioned parts and its underlying parts are pedagogical illustrated by the Swedish Society of Securities Brokers (Svenska Fondhandlare Föreningen, 1990):

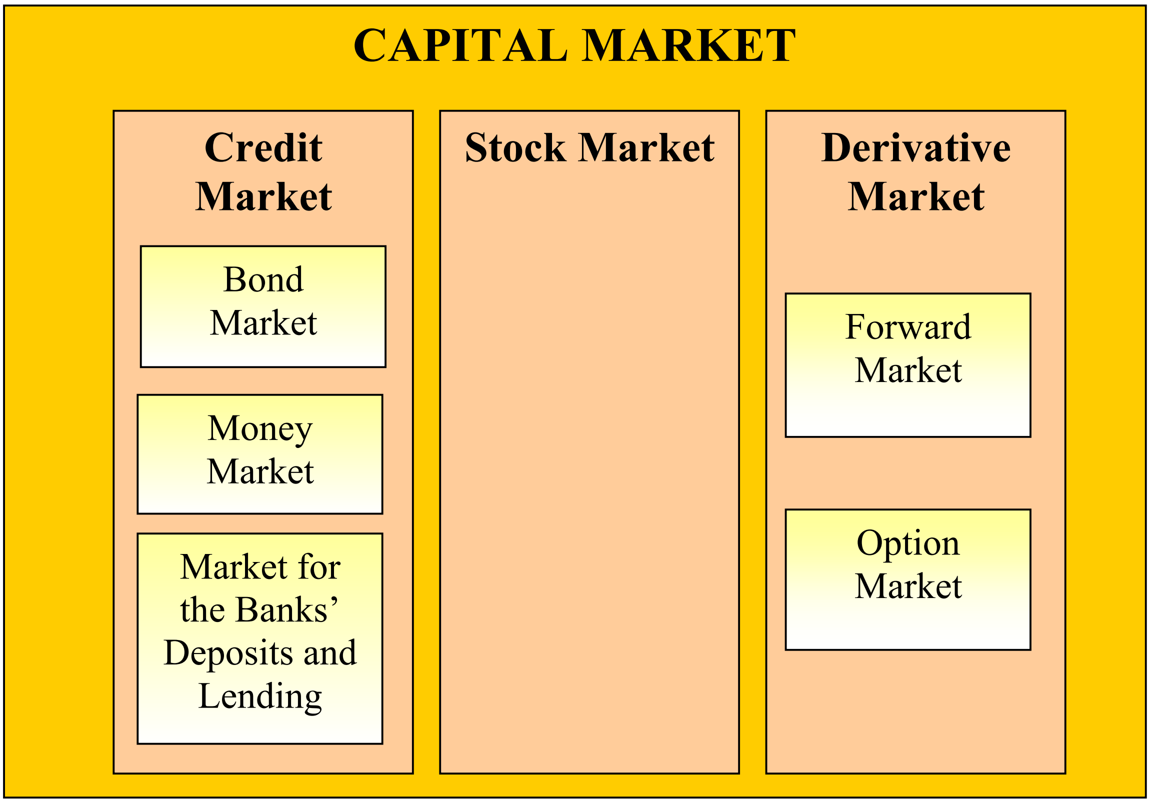


Figure 3.1: The Capital Market
Source: Svenska Fondhandlare Föreningen, 1990

The capital market's main task is to, as effective and as inexpensive as possible, pass capital between companies, institutions and private persons having a surplus or deficit. The capital market brings all actors in the different markets together (ibid).

The capital works to converge all desires, hopefully resulting in that all actors will be satisfied, at the same time as everything has to work together properly. It makes sure that savings come to the best possible national economy use and that efficient distribution of the economic risks is made. What actors in the capital market basically do, is to valuate different investment alternatives through comparisons (Svenska Fondhandlare Föreningen, 1990).

3.1.1 The Stock Market

The stock market is often called the risk capital market, since stockholders must be more or less prepared to possibly loose their capital invested in the company due to the fact that the company may face difficulties and does not deliver satisfactory results. Stockholders supply the company with capital, at the same time as they take the risk not to get any kind of compensation if the company does not generate revenues covering dividends to shareholders. This relation results in that one investor accepting this potential risk needs to have the possibility to get high-quality information on the company and its business (ibid).

When operating in stock markets, every player should follow the rules of game and operate in a sound and prudent manner. Although more efforts are put into the globalisation and harmonisation of various stock markets worldwide, making the stock markets move closer together, there is still a long way to go to reach this goal. In today's securities markets, each stock exchange has its own listing requirements. For companies thinking of issuing securities in a new stock market, especially in the large and famous ones like New York Stock Exchange (NYSE) or the London Stock Exchange, the initial, and also very important step, is to understand the regulatory requirements in the foreign country (http://www.nasdaq.com/about/chap1.pdf, 2001-10-29).

3.2 Internationalisation of Stock Markets

Today, many companies' stocks are traded in other stock markets than in the country of origin, a development that may continue to an even larger extent in the future. Cost levels, efficiency in the trade and nearness advantages decide the competition among stock markets. Even if the internationalisation is an essential part of the world's development, one can still observe that Americans would rather trade in the US stock markets; the Swedes trade in the Stockholm Stock Exchange and Englishmen in the London Stock Exchange. Another trend observed is that larger international companies trade their stocks in the London Stock Exchange or in the US stock markets, while the smaller companies stay in the stock market in their country of origin (Miller & Upton, 1989).

There are two main reasons for companies seeking overseas capital markets. One is that there are not sufficient sources of capital or the right type of funds available in their domestic market. The other is if the borrowers can find better sources of funds in other markets than from their domestic market. Along with the booming of the world's stock markets in the 1980s, more companies made themselves involved in more than one stock exchange. It seems natural to see the rising demands for the cross-border financial flows from the desires of investors and borrowers to broaden their range of opportunities for investments and access to pools of money (Ayling, 1986).

Internationalisation is the trend of the world's capital markets today, a development hard to restrain (Stockholms Fondbörs, 1988). One important precondition that should be mentioned is what made the cross-border financial activities possible and practical was the computerisation and IT revolution. For instance, in regard with the operations in the stock exchanges, one fundamental change reflecting the high technological development is the transition from traditional floor trading to screen trading. With the computer-based systems registering of securities, dissemination of information and trade of securities can be more easily and efficiently conducted.

Given the internationalisation trend stated above, we could conclude that the world's capital markets are getting closer every day. The EU and the US have showed us their leading position in the movement towards the goal of market integration. In Europe, the creation of Euro Next by the exchanges in Paris, Amsterdam and Brussels is a good step. The co-operation between Europe and the US has become more frequent and effective and the number of European issuers seeking a US registration of their stock is growing rapidly. Nasdaq has taken over Easdaq and renamed it Nasdaq Europe. Deutsche Borse has agreed with Dow Jones to start calculation of the Dow Jones Industrial Index upon opening of the European markets on the basis of the trading of US stocks on XETRA, Deutsche Borse's electronic trading platform. All of these proved that market integration is progressing (Haag & Mueller, 2001).

Although the way towards the full consolidation of markets has still far to go and has many difficulties, it can be illustrated as the flowing tide that no one can stop (ibid). Nevertheless, we should pay enough attention and patience to the problems, which might be regarded as hurdle on the way towards harmonisation of the markets.

3.2.1 Internationalisation of the Swedish Stock Market

The internationalisation of stock markets has also been ongoing in Sweden for a number of years. In 1989, foreign exchange regulations on acquisitions of foreign stocks for Swedes were abolished, considered a turning point and a prerequisite for the internationalisation of the Swedish stock market. From then on, Swedish traders could freely buy and sell foreign stocks, with some restrictions (Stockholms Fondbörs, 1990).

After the legendary Kreuger crash in the beginning of the 1930s Swedish companies' issues of stocks almost ceased until the 1980s. The trade with Swedish stocks in foreign countries was then limited to stocks already in trade in the foreign countries, meaning that no attempts to new trade were conducted. After the foreign exchange controls were introduced in the 1940s, foreign issues were more or less prohibited during four decades. In the years 1972-1982 the currency regulations were gradually softened, and since 1981 Swedish companies have increased their presence in international stock markets considerably (ibid). In today's international trade, Swedish companies can choose to seek new capital abroad, if more flexible and cheaper, resulting in lower transactions costs than at home (Svenska Fondhandlare Föreningen, 1990). Today more than twenty Swedish companies are listed in both Sweden and additional countries where they have secondary listings and the markets are more integrated and international than ever. The table below lists companies that are primarily listed in Sweden and have at least one secondary listing abroad:

COMPANY	MARKET-OFFICIAL LISTINGS ABROAD	UNOFFICIAL LISTINGS
Atlas Copco	London, Germany	US OTC
Biacore International	US Nasdaq	
Biora	US Nasdaq	London
Cardo		London/US OTC
Electrolux	London, Paris, Switzerland, US Nasdaq	
Ericsson	London, Paris, Switzerland, Germany, US Nasdaq	
Esselte	London	
Kinnevik	US Nasdaq	
Lundin Oil	US Nasdaq	
MTG	US Nasdaq	
Nordea	Copenhagen, Helsinki	
Sandvik	London	US OTC
SCANIA	NYSE New York	London
Scandianavia Online	Oslo	
Skandia	Copenhagen, London, Germany	
SKF	London, Paris, Switzerland, US Nasdaq	
Swedish Match	US Nasdaq	
Sv. Cellulosa SCA	London	US OTC
Tele2	US Nasdaq	
Tele1 Europe	US Nasdaq	
Volvo	Brussels, London, Germany, US Nasdaq	

Table 3.1: Swedish Companies Abroad Listed
Source: http://www.stockholmsborsen.se, 2001-10-06

The internationalisation has had essential effects for all companies acting in all stock markets. Companies entering the Swedish stock market, as well as other stock markets, are today a part of the global arena, with demands of knowledge on languages and an understanding of international situations in the capital markets. Stockholders' and the financial markets' internationalisation, as the technology developments, have resulted in that a considerable amount of Swedish companies' shares are traded abroad. Many Swedish companies are listed abroad, primarily in the US stock markets or in the London Stock Exchange, and consequently give information and report to the foreign investors, as well as to the Swedish (Stockholms Fondbörs, 1990).

3.3 Motives for Foreign Companies Getting Listed Abroad

There are two main types of appeal for companies entering a foreign stock markets, namely for the companies to 1) raise capital and 2) for commercial reasons (http://www.nasdaq.com/about/chap4.pdf, 2001-10-15). Nevertheless, there exist a number of other reasons that might influence companies when entering a foreign market. The most essential motives are stated below, with no internal order:

- Capital Motives

Companies get access to more capital than when only listed in its domestic market. For instance, a listing on the US Market provides non-US companies with access to one of the largest pools of capital in the world. The new market gives access to expansion and risk capital (ibid) and makes it easier for the company when making new issues for stocks to strengthen the equity base of the company's investments, for company acquisitions or other kinds of expansions (Stockholms Fondbörs, 1990).

Furthermore, many exchanges offer a continuous market; thereby making the security of the listed company more attractive to public investors and for the companies the listing may create lower financing costs when additional capital is raised in the future (Teweles & Bradley, 1987).

- Valuation Motives

Companies entering a new stock market benefit if taking their product to a market where the investors understand their story. In respect of a specific industry, investors in other countries might be more acquainted with, and therefore value, a company or its products higher than those in the company's country of origin, resulting in a more beneficial valuation of the company's stock (http://www.nasdaq.com/about/chap4.pdf, 2001-10-24). Through the listing on a secondary market, on which many other companies in the same industry list their shares, the company can expect best price of its shares (Teweles & Bradley, 1987) and consequently always have a current value based on an effective interaction of demand and supply of the stock (Sydsvenska Dagbladet, 1988).

- Diversify Shareholder Base

Listing in the secondary country gives Swedish companies a possibility to broaden its shareholder base through foreign countries. It offers a complement to an already existing listing in the company's country of origin (http://www.nasdaq.com/about/chap4.pdf, 2001-10-24). Many times the company sees the listing as a possibility to attract more stockholders, since more stockholders seem to create more customers, improve investor relations, aid future financing, diversify company ownership and advertise the organisation (Teweles & Bradley, 1987)

- Increase Visibility and Reputation

A company obtains a certain amount of publicity and advertising from having their securities listed in a foreign market and consumers associate the company's product with the stock, which increases the visibility of the company (ibid). In most cases, when a foreign company gets listed on a new market as secondary market the company's profile raises, in both the foreign country and the country of origin. For instance, a listing on the US stock market may be considered a sign of company success and a quality brand.

Finally, foreign listing complements a company's market communications message and gives the company an increased analysts' coverage (http://www.nasdaq.com/about/chap4.pdf, 2001-10-24). A company listed in a stock market is being monitored on continuous basis of analysts within media, banks and stockbroker firms in the country, which is valid also for Swedish companies entering a secondary market. Through this the company generates a higher degree of visibility, resulting in that the company's products and business are better known in the secondary country. The company reaches a new market, a fact that gives many business advantages. In addition, the listing increases the company status with business connections (Gometz et al, 1997).

- Enable Employees not Employed in the Country of Origin to Invest in the Parent Company

A foreign listing may help a company's incentive program for its foreign employees. The reason for that is that it provides a liquid market in the foreign country for the company's stocks (http://www.nasdaq.com/about/chap4.pdf, 2001-10-22), a process that makes it easier for the employees to become part owner in the company (Gometz et al, 1997).

- Making the Stock Liquid in another Country

The aim is to make it easier for the general public to buy and to sell stocks when listed in the investors' home market place (Stockholms Fondbörs, 1990).

- Easier to get Qualified Employees

The listing can place the company in a beneficial position when recruiting qualified personnel, due to reputation, but also of psychological reasons since the company is in a public focus. Many consider the challenge and the stimulation of working in a public company a positive influence in their careers (Gometz et al, 1997). Making the share liquid helps the company in the process of attracting qualified personnel, both at home and abroad.

- Possibility to Use Foreign Stocks in Acquisitions

Using a company's stocks listed in a country other than the country of origin provides an alternative, cash-free financing option for acquisitions. An offer of the foreign stocks benefits the company when engender loyalty in the newly acquired company and provides incentive to ensure the success of the venture (http://www.nasdaq.com/about/chap4.pdf, 2001-10-24). The stocks are simply used as acquisition payment (Stockholms Fondbörs, 1990).

- Owner Related Motives

When a company's ownership structure is changed, the company can go into an era of changes. If the company is bought by another company there may be no other more important reasons for the abroad listing than that the parent company wants the subsidiary to be listed in the US market, since the parent company has a listing there.

- Internationalisation Phase in the Company

Since our thesis focuses on abroad listing, the internationalisation motive must be considered, partly due to what Axelsson & Gullmarstrand (2000) found in their review of the Swedish stock market. They observed that internationalisation was a common motive in the new economy; thereby we have decided to include it as a motive in our thesis. The internationalisation motive signifies that the company seeks to act on an international basis.

3.4 Advantages and Disadvantages of Foreign Listings

When going abroad, a company must consider the pros and cons. Laakso (1993) states if the benefits are larger than the costs for a listing, the company should go ahead with the procedure. If not, the company should put more thoughts into the decision, and consider whether to cancel the listing procedure. Many companies do not believe that the expenses of the listing are justified by the benefits received, due to regulatory and information demands (Teweles & Bradley, 1987).

The main advantages of the international listing can be seen from the motives stated in section 3.3. The advantages are, among others, that the companies get access to new capital/financing, new markets and get more publicity (Laakso, 1993).

International exchange markets can provide a flexible financing alternative to a company's domestic market and therefore allow the company more capital opportunities. The companies get a wider access to the capital market (http://www.londonstockexchange.com/about/pdfs/first/english/shares.pdf, 2001-10-15).

Also, the companies entering foreign markets will get a stronger shareholder base and a greater visibility with foreign investors and potential customers. Consequently, the company corporate profile can be maintained or even improved (ibid).

The companies can take advantage of that they are represented in an international market with, in most cases, efficient and respected regulations. The regulations in the large stock exchanges are recognised as stringent and flexible, aiming at protecting investor's interest as well as encouraging the activities of listing and trading of new entrants. The company's investors and partners know that the company has to deliver regular information and any other information that might affect the value of the securities (ibid).

Foreign companies often benefit from a foreign listing. One reason for this is that the company will find that their employees share option and save-as-you-earn schemes may be more attractive to their employees in the foreign country, which helps to recruit and retain professional staff (ibid).

However, every coin has its two sides. Even if there are many advantages for companies entering new stock markets, the disadvantages must also be taken into consideration. Different studies on this issue have been made during recent years, partly due to the increasing number of companies seeking abroad listing. Nevertheless, it should be mentioned that the disadvantages may not be the same as for the IPO, when the costs referring to the listing are of a new kind for the company and the company sees the decreased control due to diversification of ownership (Axelsson & Gullmarstrand, 2000), as these changes to a large extent have already taken place in connection with the IPO.

One of the most evident disadvantages is that the stock market other than the domestic one may have different regulations concerning information disclosure. For instance, the US stock market is characterised by many rules and restrictions concerning accounting information disclosure and other issues. The US market is in many perspectives severe compared to other markets. Not surprisingly, companies sometimes seem to fail, or at least have difficulties, to meet listing requirements when entering a new stock market. The stock markets set different requirements that they want the companies entering to fulfil. The requirements may be for the companies to have a certain level of total assets or total common shareholder's equity, which sometimes can be hard for the companies to fulfil. Companies that fulfil the requirements in one country may not fulfil those in the other markets due to difference among the requirements, which in many cases is a very costly process (Laakso, 1993).

The foreign stock markets often have different requirements on financial disclosure than the country of origin. For instance, in the US the requirement set by FASB in statement number fourteen demands companies to include segmental reporting in their reports. This is different from many other countries, e.g., Japan. This is considered a difficult requirement to meet, together with translation of financial accounts from one currency to another. Taxation differences is another issue. Taxation laws differ among countries and it is essential to consider tax and income consequences in each country when taking decisions (ibid).

In some cases the companies simply do not consider the benefits to exceed the costs for the listing. The costs most often varies between the different stock markets and most of the costs are recurring, meaning that they will continue even after the initial listing is granted. It is common that large costs arise when foreign companies getting listed in a new stock market since the companies need to have strong investor relations programs, as road shows and other presentations (ibid).

Finally, a problem is also that there is a potential for shares issued in foreign markets to flow back to the issuer's domestic market soon after they are released. As a result of this, the share stock price will probably be depressed in the domestic market (ibid).

4 DESCRIPTION AND COMPARISON OF SELECTED STOCK MARKETS

During the years activity has increased in the stock markets worldwide and the big issue for stock markets of today concerns the internationalisation at hand. Today capital does not stop flowing at the boarder crossing or at the water's edge; the stock markets are more linked than that. Companies of today have learned to borrow money where it is cheapest and most accessible. Corporations have realised that they can raise capital round the world and maintain facilities on several continents (Teweles & Bradley, 1987).

The most important function for the stock exchanges is to create a continuous market for individual security issues. The continuous market is beneficial due to two major reasons: (1) it creates marketable and liquid investments; and (2) it facilitates collateral lending. Consequently, investors have the possibility to place and withdraw funds rapidly (ibid).

4.1 The London Stock Exchange

London is one of the largest international markets worldwide, with companies from all sizes of countries as Korea, Poland, Israel and India represented. The London Stock Exchange provides a comprehensive range of markets for all kinds of companies and investors. The London Stock Exchange is not characterised by any single sector, yet the companies represented include most major economic industries, ranging from telecom, technology and aerospace (http://www.londonstockexchange.com/international/pdfs/mainguid.pdf, 2001-10-25).

In order to have securities listed on the London Stock Exchange the securities need to be admitted to the Official List by the UK Listing Authority (UKLA), which is a part of the Financial Services Authority, and admitted to trading by the London Stock Exchange (http://www.londonstockexchange.com/about/pdfs /first/english/shares.pdf, 2001-10-15). For international companies there are three main types of securities to list on the London Stock Exchange: shares, depositary receipts and bonds (ibid).

Concerning shares, international companies can list their equity directly in London, either as a primary or secondary listing. The market is often beneficial for foreign companies, since the whole range of investors, ranging from private individuals to global institutions, commonly buy international shares.

Another option is the depositary receipts that represent ownership of a company's equity shares. The depositary receipts are tradable and generally bought by institutional investors and can often be traded more easily than the underlying shares. Many kinds of depositary receipts can be listed and traded in London, as global depositary receipts (GDRs), American depositary receipts (ADRs) or Euro depositary receipts (EDRs).

The third alternative is bonds, which are debt securities issued by companies and countries worldwide. Like depositary receipts, financial institutions generally buy Eurobonds and convertible bonds. A listing on a well-regulated exchange will make these securities accessible to many investors. Eurobonds denominated in Euros (EEBs) and Euro convertible bonds (ECBs) may be listed in London.

We are going to focus on the listing requirements for shares and depositary receipts in this thesis, since these two types of securities are the most common ways for foreign companies to access the London stock market.

4.1.1 Listing Requirements for Shares

International companies can either apply for a primary listing or a secondary listing in London; the latter if the company is already listed in its country of origin. In both cases, companies can gain advantages of a full listing for its shares in London, however must meet the listing requirements set by UKLA (UK Listing Authority) before a listing can be granted.

According to UKLA, a company listed in London Stock Exchange needs to have professional advisors. First of all, the company must have a UKLA approved sponsor, like an investment bank, a stockbroker, a law firm or other financial adviser. The company should also have a corporate broker, who represents the company to private and institutional investors and advise the company on market conditions and on potential level of demand from the investment community for the company's shares. The corporate broker should act as the tie of the company, its adviser and the UKLA (http://www.londonstockexchange.com/about/pdfs/first/english/shares.pdf, 2001-10-15).

The financial requirements set by UKLA include that the company's equity capitalisation listed on its home exchange of the country of incorporate should be in excess of £700, 000 (around US$1.15 Million) and at least twenty-five per cent of its shares should normally be held by persons not connected with the company.

The prospectus is another essential part of the listing process, which is required according to the UKLA's listing rules, and has a critical impact on the success of floatation. Basically, the prospectus provides potential investors with information on the company and its securities so that they can make the educated decisions on the shares.

The requirements of financial information for share listing are the most rigorous ones among the several ways of flotation. For a company, one precondition for granting approval to a listing is that the UKLA must be satisfied with the accounts and financial statements, which are supposed to be prepared in accordance with UK or US Generally Accepted Accounting Principles (GAAP) or International Accounting Standards (IAS). However, if the company uses different standards, the UKLA set additional requirements regarding this issue.

Companies applying for a listing must have a three-year trading record. However, possibility for exception exists since the UKLA allows certain specialist companies, such as scientific research-based companies and innovative high growth companies, to list without a three-year trading record providing certain additional criteria are met. The financial information for at least three years till the end of the latest audited financial period, which should be included in a comparative table or an accountants' report, should include profit and loss accounts, balance sheets, cash flow statements, accounting policies and notes to the accountants' report or comparative table.

A company is not required to provide pro forma financial information and profit forecasts in its prospectus. But, if a company is required to include the profit forecast in its prospectus according to the regulation in the country where the company has its primary listing, the company should confirm to the London Stock Exchange in writing that the statement has been properly complied with the accounting policies normally adopted by the company and that it has been made after careful enquiry.

Another area of importance concerns restricted shares. Generally, all shares of a class admitted to listing must be freely transferable. However, a company is permitted to have another class of shares not listed on the UKLA and restricted to nationals of the company's country of origin, which should be clarified in the prospectus.

Concerning mutual recognition, in certain occasions a "qualifying document" can be approved by the UKLA, yet a competent authority in another European Union member state must approve it. In order for a company to qualify for a London listing through mutual recognition, a company must meet certain criteria stated by the UKLA (http://www.londonstockexchange.com/about/pdfs /first/english/shares.pdf, 2001-10-25), for instance the company needs to have its registered office in another EU member state; or it should be listed on an overseas stock exchange; or if this is not the case as above stated, it must be regarded by UKLA as a company of international standing and repute to be approved a listing. An overseas company must also apply for listing of the same securities on an exchange in another EU member state at the same time as or within a short interval (usually three months) of its application to the UKLA. The qualifying document should be approved by the relevant competent authority or must have been approved during the three months prior to the company's application to the UKLA by a competent authority in another member state as a prospectus draw up, complying with the Public Directive at the time of a public offer in that member state. Moreover, some certain additional information, specific to the UK market, must be included in the qualifying document if the company wants to be mutual recognised.

There are continuing obligations in the UKLA's listing requirements for a company to adhere on a going basis once the company is listed in London, in order to protect the investor's interests. The aim of these obligations is to make sure that all potentially price-sensitive information or news about a company, which might have an impact on its share price or the trading in its shares, is released to the market without delay. International companies with a primary listing in London are expected to comply with detailed requirements similar to those required of UK companies. A company with a secondary listing, as studied in this thesis, is expected to disclose all new developments that may cause considerable price movements in its listed securities. It should ensure that any information announced on its domestic exchange, or any other exchange, is informed at the same time to the UKLA.

4.1.2 Listing Fees for Shares

The costs of listing shares contain two parts: the first part includes the application and admission fees and an annual fee for the applying and admission for trading in London and the second part arises for the services of the London Stock Exchange and the professional advisers. For an international company the application and admission fees, as well as annual fees, are required by the UKLA. With regard to the application and admission fees, issuers of the equity securities (including certificates representing shares), incorporated outside the United Kingdom, should pay a one-off fee of £3, 000 the first time an application for trading is made, and also a fee for admission to trade on the London Stock Exchange should be calculated as below stated:

- Locate the market capitalisation band of the securities to be admitted in column (1).
- Round up the market capitalisation of the issue to the nearest £1 Million.
- Multiply any additional amount over the "greater than" figure by the corresponding figure in column (2).

- Add the result of this calculation to the maximum fee in the previous market capitalisation band in column (3).

(1)		**(2)**	**(3)**	
Market Capitalisation (£ Million)		**Increment per Million (£)**	**Maximum Increment (£)**	**Maximum Fee (£)**
Greater than	Less than			
0	2	-	-	-
2	10	250,00	2, 000	2, 000
10	50	150,00	6, 000	8, 000
50	250	100,00	20, 000	28, 000
250	500	50,00	12, 500	40, 500
500	2, 000	12,50	18, 750	59, 250
2, 000	10, 000	6,25	50, 000	109, 250
10, 000		-	-	109, 250

Table 4.1: Initial Fees for Shares on London Stock Exchange
Source: http://www.londonstockexchange.com, 2001-10-25

The London Stock Exchange states some examples to explain how to calculate the fees. If one assumes that an international company whose market capitalisation of securities to be admitted is £152 Million, the application and admission fees would be:

Application Fee for a New Company:	£3, 000
Admission Fee:	
First £50 Million	£8, 000
Next £102 Million @ £100 per Million	£10, 200
Total admission fee	**£18, 200**

To determine the annual fees, an international company should calculate based on the following scale:

- Take the nominal value of the company's securities as at April 1.
- Round up the nominal value to the nearest £1 Million
- Locate the nominal value band of the securities in the table below and the corresponding annual fee.

Nominal Value of Securities (£ Million)	**Fee (£)**
Up to	
5	nil
10	700
25	1, 740
50	2, 430
75	3, 130
100	3, 800
150	5, 170
200	5, 880
250	6, 560
500	7, 260
750	7, 950
1, 000	8, 630
1, 500	9, 325
2, 000	10, 000
Over 2, 000	10, 700

Table 4.2: Annual Fees for Shares on London Stock Exchange
Source: http://www.londonstockexchange.com, 2001-10-25

In the case of equity securities not having a specified nominal value, the charge will be calculated on the basis of the value of those securities in the issuer's accounts.

Annual fees are charged according to the twelve months from April 1 and are invoiced in the first week of April each year. New applicants need to pay a pro-rata annual fee. To calculate the fee, one should take the number of calendar days, including the date of admission up to and including March 31, divide this by 365 and multiply the product by the annual fee derived from the above table. Also, international companies can find useful examples to illustrate how to calculate the annual fee in the published brochure of admission and annual fees by London Stock Exchange (http://www.londonstockexchange.com/about/pdfs %2Flist%5Fprices%2Epdf, 2001-10-24). Suppose the nominal value of equity securities of an international company is £212 Million, then according to the above table, the fee band equals to "up to £250 Million", thus the total annual fee this company supposed to pay is £6, 560.

4.1.3 Listing Requirements for Depositary Receipts

The UKLA's listing requirements for depositary receipts are less demanding than those for shares, because institutional investors, who have more knowledge and experiences in the market and the securities, are the ones who commonly buy the depositary receipts. However, a wider range of investors including private investors, which requiring a higher degree of regulatory protection, usually buys the equity shares (http://www.londonstockexchange.co m/about/pdfs/first/english/receipts.pdf, 2001-10-21).

Every company applying for the listing of its depositary receipts in London is advised by a listing agent that in most cases is an investment or merchant bank, stockbroker, accountancy, law firm or other financial adviser. The listing agent must be qualified and authorised by UK or European regulators to participate in securities issues.

The trading record should be at least three years for a company to qualify for a London listing for its depositary receipts. An issuer should be able to present independently audited accounts for the most recent years. If a company wants to be listed on London Stock Exchange, the market value of the depositary receipts should be at least around £700, 000, and twenty-five per cent of the depositary receipts (not twenty-five per cent of the company's shares) should be held widely by persons not connected with the company. These requirements are quite similar with those of listing shares. However, in case of listing depositary receipts, a lower percentage (held by public which exclude those holders related to the company) may be acceptable if the UKLA agrees that the market would still operate properly. The requirements of the prospectus for listing of depositary receipts are similar to those for listing of shares. The main differences are as follows (http://www.londonstockexchange.com/about/pdfs/first/english/receipts.pdf, 2001-10-21):

- Regarding the general information about the issuer and its capital, the prospectus for listing shares should contain the information of the names of persons with an interest in three per cent or more of the issuer's capital; but in the prospectus for listing depositary receipts only the names of the persons who have interest in twenty per cent or more of the issuer's capital are to be disclosed.
- Concerning the information on the company's results and financial position, since the listing requirement of financial information reporting for shares is stricter than that for depositary receipts, correspondingly in the prospectus for listing depositary receipts the issuer does not need to prepare the financial information in accordance with IAS, UK or US GAAP or to disclose the consolidated financial results.
- Given the characteristic of the depositary receipts, which shows the ownership of the equity shares for listing depositary receipts, not only the information on the shares to which the depositary receipts are related but also the information about depositary and depositary receipts should be included in the prospectus according to the UKLA's listing rules.

The continuing obligations for listing depositary receipts are similar as those for listing shares. UKLA sets out in its listing rules a number of continuing obligations, which a company must fulfil on an ongoing basis once it is listed. Among those obligations, the public announcements are required to make in some occasions according to the relevant rules set by UKLA. If a company has listed on more than one exchange, special procedures should be applied to ensure that announcements are made simultaneously to all exchanges on which the company is listed.

4.1.4 Fees for Depositary Receipts

The cost of listing depositary receipts includes the listing charges for depositary receipts and other fees for the services of the London Stock Exchange and professional advisers, the sponsor, any other financial adviser, accountants, lawyers and the public relations agencies. The application and admission fees for listing depositary receipts is calculated, as stated in the publication by London Stock Exchange (http://www.londonstockexchange.com/about/pdfs%2Flist%5Fprices%2Epdf, 2001-10-25), using the same method of calculating those of listing equity shares which stated above, but the scale on which the calculation are supposed to be based is different from that of listing shares. The scale is as the following table suggest (http://www.londonstockexchange.com/about/pdfs/first/english/receipts.pdf, 2001-10-25):

(1)		**(2)**	**(3)**	
Market Capitalisation (£M)		**Increment per Million (£)**	**Minimum Fee (£)**	**Maximum Fee (£)**
Greater than	Less than			
0	50	80	2, 000	4, 000
50	100	40	4, 000	6, 000
100	150	20	6, 000	7, 000
150		-	7, 000	7, 000

Table 4.3: Initial Fees for Depositary Receipts on London Stock Exchange
Source: http://londonstockexchange.com, 2001-10-25

When it comes to the annual fees, the international companies should pay a flat annual fee of £2, 500. For new applicants, a pro-rata annual fee is payable. In order to calculate this fee, take the number of calendar days, including the date of admission up to and including March 31, divide this by 365 and multiply the product by £2, 500.

4.2 The Nasdaq Stock Market

Not all stock markets are the same, nor are all appropriate for all kinds of companies. Nasdaq is the American main electronic stock market; screen based, and has been a forefront of innovation during the last years operating in an efficient, highly competitive electronic trading environment. Nasdaq's market structure allows multiple market participants to trade stocks through a sophisticated computer network linking buyers and sellers from around the world. Together, these participants help ensure transparency and liquidity for a company's stock, while maintaining an orderly market and functioning under tight regulatory controls. Nasdaq is the fastest growing major stock market in the world and is the home to over half of the companies traded on the primary US markets (http://www.nasdaq.com/about/about_nasdaq_long.stm#mission, 2001-09-19).

In contrast to traditional floor-based stock markets, Nasdaq has no single specialist through which transactions pass. Nasdaq market participants is approximately 1, 000 and includes market makers, order entry firms and alternative trading systems.

4.2.1 Listing Options

For companies entering the US market there are two alternative ways to get listed, through American Depositary Receipts (ADRs) or ordinary stocks.

ADRs are used when the company decides to list already existing stocks and are mostly traded by institutional investors. A company can decide to issue ADRs in conjunction with a US offering, or just have its ADRs quoted in the US. Each ADR represents ownership of a number of stocks in an underlying non-US company and may freely be traded in the US without delivery of the actual stocks it represents.

ADRs are certificates typically issued by US banks and deposited in a custodian bank in the company's original country. ADRs began trading in the 1920s to offer American investors a way to invest in foreign securities and to provide the non-US companies with the possibility to enter the US markets. Almost all ADRs of today are so called "sponsored". This means that the company issuing the ADRs has a contractual agreement to issue ADRs in the US market. ADRs are beneficial in the sense that they are convenient for investors to handle, meaning that the investors can trade ADRs in the US without the expense and the difficulty of having to transfer the underlying stocks from the company's home country. The settlement with ADRs has a time span of three days, and dividends issued by the company are automatically converted into dollars and therefore paid through the depositary bank. All ADRs are required to be registered with the Security Exchange Commission (SEC), which is the chief regulatory authority for the US stock markets.

The other alternative for non-US companies to get listed is through ordinary stocks. This way of listing is primarily used by companies bypassing their home market, meaning that they list their stocks directly on the US market, which is considered to be the equivalent of going public. This way of acting is most common when a company and their global adviser feel that a public offering would receive a better valuation in the United States compared to its home country, consequently making a US market an attractive alternative.

The way foreign companies choose to get listed depends on the underlying reasons for their listing approaches. If the company has already gone public on its home stock market it may seek a secondary offering and can therefore choose to issue new stock or simply list existing stocks. In general, the final decision is dependent on the underlying company's motives. If the primary reason is to raise capital, the company will in most cases choose to issue new stocks. If the main motive on the other hand is to enhance employee benefits, the entering company will most likely decide to list existing stocks.

4.2.2 Listing Requirements

Initially when a non-US company wants to get listed in the US market, it must first register with the SEC. This is in most cases conducted through a filing of the form 20-F registration statement. In some cases, when the company wants to offer securities for sale, also another form (F-1) is required. However, the 20-F form is the minimal requirement from SEC's point of view. The 20-F form is a comprehensive report of the company's business activity and financial results. Before the company's registration statement becomes effective, the SEC must give its approval.

The US reporting systems can be considered to be very different from those used in other regions worldwide. This applies to accounting principles, tax treatments as well as the level of detail the companies are required to disclose. For instance, the US has higher level of requirements on segmental information, and both operational and geographical figures are required. The SEC is yet aware of and recognises that different regulatory approaches prevail in non-US markets. Consequently, they have modified the requirements in order to attract foreign companies. Therefore, one can notice that foreign companies merely need to disclose an aggregated sum for all executive officers and directors, while US companies have to provide details of individual executive compensation packages. When the companies are listed on a US market, they have to continue by filling out form 20-F every year, within six months from their years-end. Non-US companies also have to file a form, the 6-K, with the SEC on interim basis. Quarterly reports are not required for most of the listed companies.

Both the SEC and National Association of Securities Dealers (NASD) will review the registration document of a company offering stocks for sale to the public. The prospectus is the only document that the issuers may distribute about the offering according to US law. This document should serve as both disclosure document, as well as selling document. The accounting and the narrative section in this has to be very clear, accurate and complete, since the company, its corporate officers and members of the board of directors are absolutely liable for any misstatement or omission of information in the registration document, thereby it is of great importance for the company to co-operate with experts within the different fields. Lawyers take responsibility for drafting and the narrative accountants, as well as preparing the financial statements and investment bankers supply the underwriting details. It is therefore of great importance for the companies to be forthcoming and honest in providing information to these professionals. The process leading up to a public offering is very much the same for both non-US and US companies, where much time is dedicated in creating a prospectus, which delivers a truthful and beneficial picture of the company. The Nasdaq Stock Market includes the Nasdaq National Market and the Nasdaq SmallCap Market, where the listing requirements of the two markets are different. In our study we have focused on the Nasdaq National Market, since all Swedish companies listed on Nasdaq are listed in this market. Below the Initial Listing requirements are stated:

Nasdaq National Market Requirements

	Initial Listing Standards		
Requirements	**One**	**Two**	**Three**
Stockholder's Equity (A)	$15 Million	$30 Million	N/A
Market Capitalisation(B) (C) Total assets Total revenue	N/A N/A N/A	N/A N/A N/A	$75 Million or $75 Million and $75 Million
Pre-tax Income (D) (In the latest fiscal year or two of last three fiscal years)	$1 Million	N/A	N/A
Public Float (Shares) (E)	1.1 Million	1.1 Million	1.1 Million
Operating History	N/A	2 years	N/A
Market Value of Public Float	$8 Million	$18 Million	$20 Million
Minimum Bid Price (C)	$5	$5	$5
Shareholders (Round-lot holders) (F)	400	400	400
Market Makers (G)	3	3	4
Corporate Governance	Yes	Yes	Yes

Table 4.4: Initial Listing Standards on Nasdaq National Market
Source: http://www.nasdaq.com/about/nnm1.stm, 2001-11-15

For a company who wants to maintain its listing, it must meet at least one of the requirements under the Continued Listing requirements (http://www.nasdaq .com/about/nnm1.stm, 2001-11-05). The requirements are shown below:

Nasdaq National Market Requirements

	Continued Listing Standards	
Requirements	**One**	**Two**
Stockholder's Equity (A)	$10 Million	N/A
Market Capitalisation (B)(C) Total Assets Total Revenue	N/A N/A N/A	$50 Million or $50 Million and $50 Million
Pre-tax Income (D) (In the latest fiscal year or two of last three fiscal years)	N/A	N/A
Public Float (shares) (E)	750, 000	1.1 Million
Operating History	N/A	N/A
Market Value of Public Float	$5 Million	$15 Million
Minimum Bid Price (C)	$1	$3
Shareholders (Round-lot holders) (F)	400	400
Market Makers (G)	2	4
Corporate Governance	Yes	Yes

Table 4.5: Continued Listing Standards on Nasdaq National Market
Source: http://www.nasdaq.com/about/nnm1.stm, 2001-11-15

SEC approved some changes to the old Nasdaq Listing standards, effective on June 29 2001, and the explanation for these are stated below:

(A) Issuers may qualify for initial listing under these new equity standards immediately. Issuers listed as of June 29 year 2001 may qualify for continued listing under either the new minimum $10 Million stockholders' equity standard or the old minimum $4 Million net tangible asset standard until November 1 in the year 2002. By that time, however, all such issuers must meet the minimum stockholders' equity requirement and cannot continue to qualify under the old net tangible assets standards.

(B) For initial listing under standard three or continued listing under standard two, a company must satisfy one of the following: (1) the market capitalisation requirement or (2) the total assets and the total revenue requirement.
(C) Seasoned issuers must meet the market capitalisation requirement and the bid price requirement for ninety consecutive trading days prior to applying for listing.
(D) Excluding extraordinary and non-recurring items.
(E) Public float is defined as total shares outstanding less any shares held by officers, directors, or beneficial owners of ten per cent or more.
(F) Round lot holders are holders of 100 shares or more.
(G) An Electronic Communications Network (ECN) is not considered an active Market Maker.

The most time consuming part for many non-US companies is to bring the financial statements, included in the registration documentation, in line with what is required by US GAAP. Some companies may already have adopted these principles, for the convenience of their US investors and analysts, rather than for regulatory purposes. This will eliminate some difficulties in the process of being listed in a US market. However, companies who have not yet done this, have to be prepared to present audited summaries of past, as well as current figures.

4.2.3 Listing Fees

Companies must pay entry fees and annual fees in order to get and to maintain their listings on the Nasdaq National Market. The entry fee is set based on the company's total shares outstanding (TSO) for all classes of stock and includes $5, 000 one-time listing fee (which includes a $1, 000 non-refundable processing fee). Total entry fees paid by a company for all classes of securities listed on the National Market, regardless of the date listed, shall not exceed $95, 000 (including the $5, 000 listing fee).

Annual fees (except ADRs) are based on the company's TSO for all classes of stock listed on the National Market, as reported in the company's latest filing on record with Nasdaq at year end. In the first year of listing, the company's annual fee will be prorated based on the date of listing. Annual maximum is based on the number of shares outstanding. The fees are payable according to the following scale (http://www.nasdaq.com/about/FeeStruc.stm#National, 2001-11-05):

Total Shares Outstanding (TSO)	**Entry Fees (A)**	**Annual Fees (B)**
Up to 1 Million	$29, 525	$10, 710
1+ Million to 2 Million	$33, 750	$10, 960
2+ Million to 3 Million	$43, 750	$11, 210
3+ Million to 4 Million	$48, 750	$11, 460
4+ Million to 5 Million	$55, 000	$11, 710
5+ Million to 6 Million	$58, 725	$11, 960
6+ Million to 7 Million	$61, 875	$12, 210
7+ Million to 8 Million	$64, 375	$12, 460
8+ Million to 9 Million	$67, 875	$12, 710
9+ Million to 10 Million	$70, 625	$12, 960
10+ Million to 11 Million	$73, 875	$17, 255
11+ Million to 12 Million	$76, 625	$17, 505
12+ Million to 13 Million	$79, 875	$17, 755
13+ Million to 14 Million	$82, 000	$18, 005
14+ Million to 15 Million	$83, 500	$18, 255
15+ Million to 16 Million	$85, 500	$18, 505
16+ Million to 20 Million	$90, 000	$18, 755
20+ Million to 25 Million	$90, 000	$22, 795
25+ Million to 50 Million	$90, 000	$26, 625
50+ Million to 75 Million	$90, 000	$32, 625
75+ Million to 100 Million	$90, 000	$43, 125
Over 100 Million	$90, 000	$50, 000

Table 4.6: Entry and Annual Fees on Nasdaq National Market
Source: http://www.nasdaq.com/about/nnm1.stm, 2001-11-15

(A) Entry fees apply to domestic, foreign issues, and ADRs, and do not include one-time initial charges of $5, 000.
(B) Annual fees for non-US companies, which trade in the form of ordinary shares, are based on the shares issued and outstanding in the US. There is a

separate fee schedule for ADR annual fees. For a company phasing up to the National Market from SmallCap, Nasdaq will apply a credit towards the balance of the company's new annual fee based on the annual fee already paid (http://www.nasdaq.com/about/FeeStruc.stm#National, 2001-11-05).

4.3 The New York Stock Exchange

During the last decades the interdependence of national economies has been intensified. Nowadays, the companies are global actors operating in a global economy trading, manufacturing and investing across time zones, continents and political boundaries. In this process, the New York Stock Exchange plays a vital role, since it tries to contribute to this growing independence by facilitating the global capital raising and capital allocating process. It also tries to encourage savings and investments and offers investors from all over the world the opportunity to share in the growth of both American and foreign companies. The NYSE started its development more than two hundred years ago, in 1792. Growth and innovation have signified the centuries after and until today the NYSE remains one of the world's foremost securities marketplace. During its years in business the market place's commitment to issuers and investors has been known as unwavering, and its persistent application of the latest technology has allowed it to maintain a level of market quality and service that is by many considered to be unparalleled (http://www.nyse.com, 2001-09-24).

The NYSE is one of the most important and influential securities markets in the world. The NYSE shows great proof of how the world's financial markets have become increasingly less parochial. Back in the old days the companies seemed to seek the best investment alternative in its country of origin, yet today it seeks the most attractive alternative no matter where the opportunity exists. The international capital flows have become increasingly international, and signified by globalisation.

The NYSE has had a great continuing addition of foreign stocks during the last decades. This development is influenced by many factors, for instance the stunning growth of the Asian economies. All the time, the interest from the foreign companies concerning the NYSE is increasing, which can be observed especially among British, Canadian and European companies. The market value of foreign stocks is increasing each day, and current trends seem to favour additional listings from both Asian and European countries. As the market move towards globalisation and internationalisation and as the trading turns into twenty-four hours activity, it seems likely that the NYSE will increase its percentage of foreign share trading even more in the future (Teweles & Bradley, 1987).

4.3.1 Listing Requirements

In order to go public on the NYSE, a company has to fulfil probably the world's most stringent standards of size, earnings, share ownership, share distribution and corporate governance. Besides, other conditions should be taken into consideration, such as certain criteria regarding to outside directors and the more.

A New York Stock Exchange listing is recognised by many as a proof of strength and leadership of a company and foreign shares have been welcomed to the NYSE (http://www.nyse.com/international/international.html, 2001-09-24). For the foreign companies, alternate listing standards are set, which gives recognition to the differences in international business conditions. Besides relative size conditions, foreign shares are often in bearer format, making it difficult to ascertain the diffusion of ownership the Exchange requires. In such cases, the Exchange will accept an attestation by a member organisation that a liquid market exists for the shares. The alternate listing standards are designed to enable major non-US companies to get their shares listed on the NYSE. The principal criteria focus on worldwide rather than US distribution of an overseas company's shares. The standards should be applied where there is a broad and liquid market for a company's shares in its home country. Non-US corporations can elect to qualify for listing under either the alternate listing standards for non-US corporations or the NYSE's domestic listing criteria, however has to meet all set criteria. In this thesis the focus is set on the non-US standards, since this is often the case for foreign companies. The alternate listing standards for non-US companies are as stated below:

LISTING REQUIREMENTS

Round-lot Holders (A) (Number of holders of a unit of trading generally 100 shares)	5,000 worldwide
Public Shares (B)	2.5 Million worldwide
Public Market Value (B, C)	$100 Million worldwide
Minimum Quantitative Standards: Financial Criteria *Earnings*	
Pre-tax Income Aggregate for the last three years	$100 Million
together with… Minimum in each of the two most recent years	$25 Million
or: Operating Cash Flow For companies with Market Capitalisation* (*Worldwide) not less than $500 and Revenues (in most recent twelve months) of $100 Million.	
Aggregate "Cash Flow" for last three years (E)	$100 Million
together with… Minimum in each of the two most recent years	$25 Million
or: Global Market Capitalisation and	$1 Billion* (*Worldwide)
Revenue (most recent fiscal year)	$100 Million

Table 4.7: NYSE Listing Requirements for non-US Companies

Source: http://www.nyse.com/international/international.html, 2001-11-15

Explanations for terms used are stated at the NYSEs homepage (http://www.nyse.com/international/international.html, 2001-10-25):

(A) The number of beneficial holders of stock held in "street name" will be considered in addition to the holders of record. The Exchange will make any necessary check of such holdings that are in the name of Exchange member organisations.
(B) In connection with initial public offerings, the NYSE will accept an undertaking from the company's underwriter to ensure that the offering will meet or exceed the NYSE's standards.
(C) If a company either has a significant concentration of stock or changing market forces have adversely impacted the public market value of a company that otherwise would qualify for an Exchange listing, such that its public market value is no more than ten percent below the minimum, the Exchange will consider stockholders' equity of $60 Million or $100 Million, as applicable, as an alternate measure of size.
(E) Represents net cash provided by operating activities excluding the changes in working capital or in operating assets and liabilities, as adjusted for various items as defined in the NYSE Listed Company Manual.

Foreign shares, with exception of Canadian ones, are likely to be listed, as mentioned in the Nasdaq-part, in the form of ADRs or American Depository Shares to assure ready negotiable, regularly the case for Swedish companies. If actual shares are to be listed, the NYSE requires that such shares have the transferability. Dividend distribution rights and general characteristics equal to the ADRs (http://www.nasdaq.com, 2001-10-24).

4.3.2 Listing Procedures

Assuming a company meets or exceeds all the NYSE standards, the first step for the company to take in order to list is to apply for the confidential review of its eligibility by NYSE. This review cost the company nothing, however this does not reflect a commitment to list. To facilitate a confidential review of eligibility, companies should submit their corporate charter and bylaws and a draft prospectus or registration statement, including financial statements (Blowers et al, 1999).

After the NYSE have completed the review, the company receives verbal and written communications from the NYSE relating its eligibility clearance and any conditions that would need to be complemented in order to grant its listing. The listing candidate, the company, may file an original listing application at any time within six month period following the receiving of the eligibility clearance from NYSE (ibid).

When recognising receipt of all critical documentation from the company, NYSE authorization of listing and certification to the SEC of such authorization takes place. Normally, the company's securities are admitted to trading on completion of this process (ibid).

4.3.3 Listing Fees

In the NYSE there are a number of different fees, covering all areas, such as transactions fees, listing fees, facility and equipment fees, regulatory fees, system processing fees, market data fees and other membership fees (http://www.nyse.com/pdfs/facility_fees.pdf, 2001-10-23). In connection to the US listing for a non-US company there are original and continuing fees associated. The fees are based either on the number of ordinary shares or the number of ADRs or similar securities issued and outstanding in the United States (http://www.nyse.com/international/international.html, 2001-11-15).

SCHEDULE OF ORIGINAL LISTING FEES

Original Fee	**$36, 800**
plus	
Per Shares or ADRs Issued:	*Per Million:*
1st and 2nd Million	$14, 750
3rd and 4th Million	$7, 400
5th and up to 300 Million	$3, 500
In excess of 300 Million	$1, 900
Minimum Fee	$150, 000
Maximum Fee	$250,000

Table 4.8: Schedule of Original Listing Fees in NYSE
Source: http://www.nyse.com/international/international.html, 2001-11-15

At the NYSE home page a useful example is stated (http://www.nyse.com/international/international.html, 2001-10-20). ADRs of a non-US company are to be listed and traded on the NYSE. Currently there are 8.5 Million ADRs issued and outstanding in the US. The NYSE would levy its initial listing fee based on these 8.5 Million ADRs as follows: The original fee will be $36, 800. To this amount $29, 500 for the 1st and 2nd Million should be added, plus $14, 800 for the 3rd and 4th Million and $15, 750 for the 5th to the 8,5th Million. The fee for this non-US company will therefore be $96, 850, so the company therefore has to pay the minimum fee $150, 000.

When the company is listed on the market, it has to pay an annual fee based on the number of ADRs or shares issued; the schedule for this is stated below (http://www.nyse.com/international/international.html, 2001-11-15):

SCHEDULE OF CONTINUING ANNUAL FEES

Per Shares or ADRs Rates:	*Per Million:*
1st and 2nd Million	$1, 650
In excess of 2 Million	$ 830
Minimum Fees for Shares or ADRs Issued:	*Per Million:*
Up to 50	$35, 000
50+ to 100	$48, 410
100+ to 200	$64, 580
200+	$80, 440
Maximum Annual Fee	$500, 000

Table 4.9: Schedule of Continuing Annual Fees in NYSE
Source: http://www.nyse.com/international/international.html, 2001-11-15

4.4 Analysis of General Differences between the Stock Markets

Nowadays there exist lots of stock markets around the world; of course not all the markets are the same. Markets vary by structures and organisations, as well as trading mechanisms. Also, they are different from each other in the sense that the regulatory requirements set by the different authorities and stock exchanges vary. Selecting a stock market for a company undergoing its secondary listing in a foreign stock market is crucial for the company's whole business strategy. The company entering a new market is urged to understand the selected stock market in order to choose the right market to meet their needs and make their stocks attractive to the investors.

In our study, we have described the general regulatory requirements set by the different stock exchanges London Stock Exchange, the Nasdaq market and the New York Stock Exchange. It is our belief that this provides our readers with a general picture of the listing requirements to begin trading and maintenance standards to continue trading of the three stock markets. Our focus in this thesis to some extent covers the requirements set by each stock market where the companies are organised and the shares are traded. In order to give our readers a general understanding of the regulations of these three markets we summarise some of the differences between these markets concerning regulations in the sections below.

4.4.1 Market Structure

Among these three stock markets, obviously the New York Stock Exchange and the Nasdaq market are more similar in the regulatory requirements, since both of them operate under the governing of the rules of SEC in the US. However, there are still differences between the two markets since both of the New York Stock Exchange and National Association of Securities Dealers (NASD) are self-regulatory organisations (SRO). The basic structure of these two markets is different. The NYSE is one of the national securities exchanges in the US, it is an ”auction” market, which means the pricing of transactions between brokers acting on behalf of buyers and sellers, is determined in direct contacts on the exchange floor. However, as the world’s first and the largest electronic market, Nasdaq is a dealer market and is not limited to a single and physical trading floor, rather it is a boundless market where the trading in a company’s stock can be executed through the computer and telecommunication networks. The London Stock Exchange in this regard, is about the same as the New York Stock Exchange.

4.4.2 The Listing/Quotation Process

In order to list securities on an American national securities exchange or procure a quotation in Nasdaq, a non-US issuer must submit an SRO listing application, pay a fee and meet certain SRO eligibility criteria. Because of the prestigious status of SEC as an regulatory authority for the stock market in the US and the close interrelationship of the SRO listing and SEC registration process, staff of the SROs like New York Stock Exchange and Nasdaq and the SEC have developed various informal mechanisms for exchanging relevant information on a prospective registrant. This means that the foreign issuers who are seeking to be listed on NYSE or Nasdaq should first apply to NYSE staff, and after their applications are approved by the NYSE Listing Committee, a NYSE certification to this effect will be sent to the SEC to expedite the agency’s registration process. Without the final approval for trading by SEC, the registration statement cannot become effective (Brancato, 1996). With respect to London Stock Exchange, the listing process is similar for a foreign issuer. A two-stage admission process applies to companies who want to have their securities admitted to the Exchange's markets for listed securities. The securities need to be admitted to the Official List by UKLA, a division of the Financial Services Authority and also be admitted to trading by the Exchange. Once both processes are completed, the securities are officially listed on the Exchange.

4.4.3 Listing Eligibility Standards

The listing eligibility standards, in other words the conditions for listing, are different between the three stock markets studied. The standards of NYSE, according to our opinion, are somewhat more restrictive than those of the other two markets.

The NYSE has the special standards and procedures for listing securities of foreign issuers. Non-US companies may select to qualify for listing under either the alternate listing standards or the NYSE's domestic listing criteria. However, at least to date, the NASD and the UKLA have essentially identical standards to the foreign and domestic issuers.

As we can see from the listing standards for non-US companies in 4.3.1, the NYSE relies strictly on numerical tests to determine whether a foreign company is qualified for listing. Among the standards, for example, the company should have a minimum of 5, 000 holders of hundred or more shares worldwide and must have a minimum of 2.5 Million shares publicly held across the world with a market value of at least $100 Million. There are more financial criteria for the company to fulfil, concerning earnings and cash flow and the like for the last three years.

For an international company who wants its shares or depositary receipts listed on London Stock Exchange, the market value of the shares or depositary receipts in public hands should be at least £700, 000 (around US$1.15 Million) and at least twenty-five per cent of its shares or depositary receipts (listing depositary receipts) should be held by persons not connected with the company.

To make an initial listing on Nasdaq, a foreign company must have a minimum of 1.1 Million publicly held shares worldwide and at least three registered market makers for the shares or ADRs for which listing is sought. The minimum bid price for a listed security is $5.00. There are more standards about the total assets and total capital according to Nasdaq. However, we will not go any deeper into numerical differences.

4.4.4 Continuing Obligations

To maintain a listing on a stock market, a company must adhere to continuing obligations set by the different stock markets. In the US, companies should agree to comply with disclosure standards and various corporate governance requirements specified by New York Stock Exchange and Nasdaq. Neither of them have special standards for foreign companies, while they do provide waivers or modifications at a foreign company's request concerning certain obligations. Usually foreign companies make such requests when the US rules differ from or conflict with their home country laws or practices.

It is said that the US accounting and disclosure standards is the most stringent part for foreign companies to meet when seeking access to the US capital market. The main accounting issue involves the need to reconcile home country accounting standards with US GAAP. Moreover, the financial reporting should, for example, include audited financial statements and segmental information on operational and geographical respectively. An issuer must also file SRO and publish quarterly earnings reports. These documents could sometimes be waived for foreign issuers to some extent according to the SEC rules. In short, the SEC is the final arbiter on substantive financial reporting issues. Finally, specified information that can reasonably be expected to have a material effect on the market for the company's securities must be disclosed (Brancato, 1996).
Indeed, to attract more foreign issuers to US capital markets, the SEC has already adopted a series of initiatives designed to simplify the reporting process for foreign companies. For instance, the SEC's April 1994 ruling recognising

as authoritative the IAS pertaining to cash flow is regarded as an important event. This step is of significance towards the direction of international harmonisation and mutual recognition (Brancato, 1996).

The financial information requirements of UKLA are actually less restrictive comparing to those of SEC. Generally the UKLA requires a issuer to have a three-year trading record, and to present audited accounts for the last three years. The financial information submitted to the UKLA must be prepared and audited according to UK or US GAAP or IAS. In the UKLA's listing rules, there is no relevant part about corporate governance, but this is not the case for the US stock markets. According to the US rules all listed companies, both foreign and domestic, are subjected to certain standards of corporate governance. The Nasdaq rules are generally less harsh than those of NYSE.

4.4.5 Listing Fees

Foreign companies must pay fees to grant the listing in these three stock markets. One can find how to calculate the different payable fees set by different authorities in the previous parts in our thesis. Indeed, there are a number of different fees covering many areas, but in relation to the listing fees for the foreign issuers, not including the fees arise for the services of professional advisers, we found that at least to date the original listing fees an international company should pay in order to list its securities on NYSE are higher than they otherwise would be if it seeks listing on the Nasdaq market or London Stock Exchange.

We have compared the regulation differences between the three stock markets in general; the regulations we referred to are the latest version according to each market. In today's world, all the stock exchanges continue to compete for listing from which they derive revenue. Accordingly, the listing standards are constantly being revised to reflect competitive conditions and changes in the market places around the world.

5 EMPIRICAL RESULTS

5.1 Biacore International

Biacore is Swedish biological technology company, leader in the field of biomolecular interaction analysis worldwide. Its core products are used to detect and monitor biomolecular binding. The Biacore system is mostly used in the drug discovery industry, life science and food analysis markets (Biacore International, 2000).

Biacore was listed on Stockholm Stock Exchange and on the Nasdaq National Market in November 1996 (http://www.biacore.com/company/about.shtml, 2001-10-31).

5.1.1 Foreign Trade of the Share

The share has to a greater extent been traded in Stockholm than in the US stock market, also the liquidity is better in Stockholm. The Nasdaq listing cannot be considered a great success for the company, in the sense that the company has not got a large degree of trade with the share in the US.

Only small blocks of shares are traded in the Nasdaq market, as the large blocks are traded in the company’s primary stock market Stockholm. Yet, according to Jan Isoz at the Investor Relations’ Department, it is beneficial to have a valuation in dollar and be present at that market.

5.1.2 Motives and Barriers

The motives as to why the company choose Nasdaq as their secondary stock market, was that the company was previously owned by the former American company Pharmacia Upjohn. Pharmacia Upjohn sold the company, yet kept about forty per cent of the shares.

Biacore was to become a public company and was as a result introduced on the Stockholm Stock Exchange. Due to the fact that the company was in the biotech line of business, the owners also considered that it should be strategically correct to be introduced in the Nasdaq market since this line of business was more fairly valued in that market, than in the Swedish stock market. The company was of the opinion that it could get a better valuation if listed on the US stock market. The main motive was that the company had a wish to attract American investors.

Another consideration behind the decision was that a listing on the US market would benefit the company in future US acquisitions, since the company would then have the possibility to make the acquisition with own shares.

Also, recruitment of qualified personnel may have been a valid motive, since the company had a need for qualified employees in the US. The US is the company's main market, where more than forty per cent of total sales are generated.

There were not any discussions on the subject that the Stockholm Stock Exchange was not sufficient for Biacore, since the reason for secondary listing in the Nasdaq market was that the company wanted to attract foreign investors, primarily Americans, to the company. The opinion was that a listing in the US market would facilitate this process, as the company hereby became closer to the American investors. It expressed the international business of the company.

The company did not notice any large barriers when entering Nasdaq, according to Isoz; the listing procedure did not have any insurmountable difficulties, however it cost a great deal of money. Much of the work needed to be completed in Nasdaq also had to be done for the Stockholm Stock Exchange, but some extra demands from the US market such as prospectus and road shows are stated; which are time consuming and costly, but as mentioned not insurmountable.

Many consider the process to translate accounts into US GAAP a barrier, however not Biacore, since it is more a question of costs, as the procedure is complicated the company needs help from both internal auditors and external professionals. Another area is that the standard of profit and loss may differ between the two approaches, i.e. Anglo-American and Continental Accounting, which are widely known by market actors, this is why it is not considered a complication from the company's point of view according to Jan Isoz.

In short, Biacore did not consider the US requirements a barrier. It was time consuming and costly, but not a barrier since the owner had resources to help the company and to contact the right people. Even if it is complicated and there was no knowledge on the issue internally, it is possible to get assistance from external professionals. In Isoz's opinion, the basic demands can be considered the same in Sweden and the US.

5.1.3 Timing

The timing for introduction to the stock market was right as such, if speaking in general terms. Pharmacia Upjohn, which was the name of Pharmacia by that time, had pharmaceutical as its core area and therefore sold all other areas in the company, in which Biacore was included. Biacore was profitable and Pharmacia Upjohn also considered the company to be ready for an introduction to the stock exchange, it seemed as the listing was a natural step in the company's development.

5.1.4 Changes

The great difference occurred in the IPO, in the transition from being a private company to being a public company. Suddenly the information flow has to be carefully considered and the internal information decreased to a large extent. When a company goes public, there is a different attitude in the company when the company cannot say anything of market affecting nature without publishing it. The company has to apply totally different information routines internally. One has to be very careful about what one says, since what is said internally can just as well go public. All in all, there have not been any specific changes in the company especially connected to the Nasdaq listing.

5.1.5 Benefits vs. Costs

Afterwards, the company has not received the trade/result expected. The respondent is not sure that the benefits are or was larger than the costs. Maybe if considering the psychological factor that the company is a foreign company that is listed in the Nasdaq and have therefore been thoroughly inspected, and investors and others are aware of that; but to compare that to the costs that are not insignificant, it is hard to say if it is worth it. It is doubtful, according to Isoz, but when the decision was taken there was not much of a choice, since the management had taken the decision.

Biacore International is a solid company and it was never a major concern whether the company could handle the costs by that time or in the future, because the company could and still can afford it. However, some money could have been saved if not entering the Nasdaq market, both concerning once-for-all costs and continuous costs, since the company would have had a decrease in administrative costs in the case of a avoidance of the foreign secondary listing.

5.1.6 Outcome

The valuation motive, which was considered a major reason for the listing in Nasdaq, has not had the development that the company wished for. Since the trading with the stock in the US is minor, and has been all the time, the value set might not be as expected. The company's previous belief that the valuation of the company would be better with a listing in the US market has been proved to be mistaken.

It may be an advantage for the company to be represented in the US market, however great the costs, although if the company at the time of the secondary listing would have known what they know today they might not have gone there. There are large listing costs in the US market as well as costs for preparing the accounts according to the US GAAP on annual basis, costs that do not cease.

Nevertheless, today the company receives great interest from US investors. Whether the listing in the Nasdaq market triggers this development is hard to tell, but these investors seem to trade in Stockholm, even if this is hard to see since investment companies in various countries register the stocks. Last year, when the stock's performance was good as a result of a number of happenings (as beneficial results and development of new techniques), also shares owned by foreign investors increased substantially, from eight per cent to more than twenty per cent of total number of shares. How much of this derives from US is hard to tell due to registrations in investment companies. To sum up, the foreign interest in the company is probably not a result from the listing on the Nasdaq market, yet to the global market arena that the company has.

5.1.7 Future

In the long run, the possibility that the US listing may be beneficial cannot be excluded, if the company is to make acquisitions or other investments in the US. Isoz states, that even if the company does not need capital at the moment, what the future brings is not easy to predict.

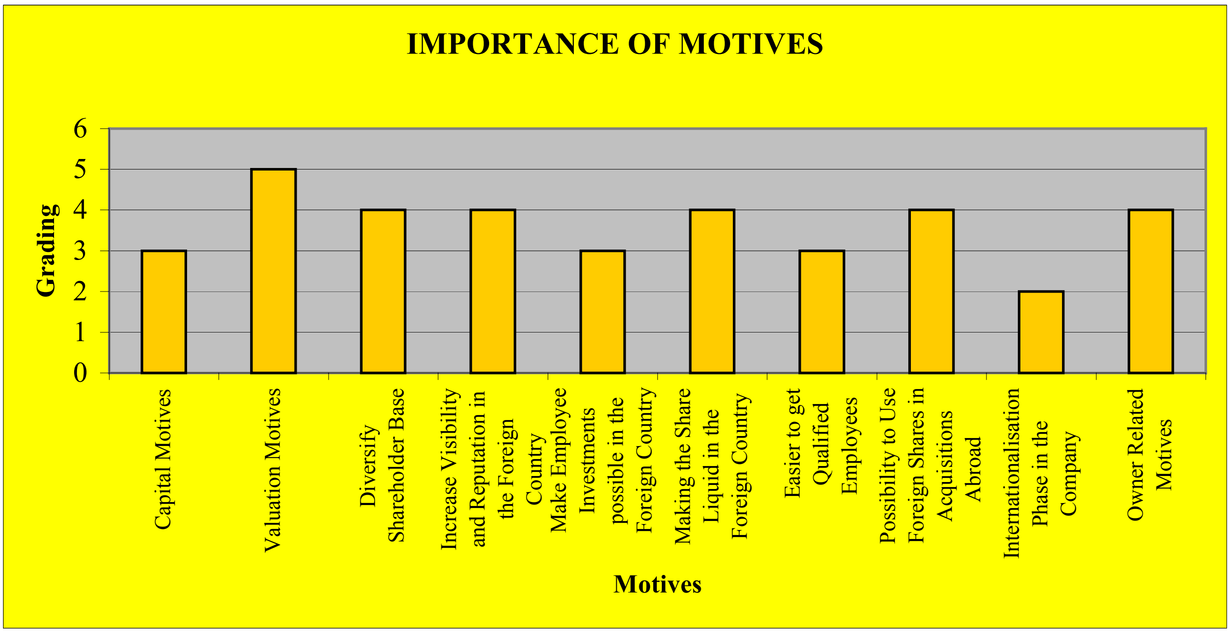


Table 5.1: Biacore's Motives

5.2 Biora

Biora is a Swedish biotechnology company that develops, manufactures and markets pharmaceutical products for dentists and dental hygienists. The company's unique and core products are Emdogain and the improved product Emdogain Gel, which have competitive positions since there is no substitute for these products in this field at the moment (Biora AB, 2000).

Biora was listed on both the Stockholm Stock Exchange and the Nasdaq in February 1997 (ibid). The company rejects the information given by Stockholm

Stock Exchange's document in section 3.2.1 that the company is also unofficial listed on the London Stock Exchange.

5.2.1 Foreign Trade of the Share

The trade can be considered to reflect the ownership of the company. The trade is large on the Stockholm Stock Exchange and much smaller on Nasdaq. Almost ninety-five per cent of the trade is conducted at the Stockholm Stock Exchange, meaning only a small part is traded in the secondary market. Within the US, the ownership is spread among many investors and not concentrated to a few.

5.2.2 Motives and Barriers

Since the initial listing at the Stockholm Stock Exchange and the listing at the Nasdaq were at about the same time, the motives for the two were to a large extent identical. The company was in need for introducing its product into various markets, especially focusing on the US market and some larger European markets. To be able to establish a marketing and sales organisation in the company the company had a capital need. The US is an important market to the company, representing fifty per cent of Biora's total sales.

Consequently, the two major reasons for the secondary listing were to attract US investors and to get some PR for the company in its key markets. The product that the company has is very unique, so it was important to establish an awareness of the product. Another reason may have been that the company wanted to be listed in the foreign market to increase the potential to make mergers and acquisitions with shares in the US.

Also, the Nasdaq is considered to be a hi-technology market, concerning both biotechnology and IT-companies. In 1997, many of the American biotechnology companies were listed at the Nasdaq market, this is why the Nasdaq was a prestigious choice of stock market for the company.

The Stockholm Stock Exchange could have been sufficient for the company based on what we know today. However, initially about twenty per cent of the capital was raised in the US and there was a belief that it was good to have a balance between US investors and Swedish investors, and probably still is. The balance between private and institutional owners is important for the company, as the geographic spread of the shares. It may be doubtful whether the capital that could have been raised only in Sweden would have been sufficient, yet now the company could have the benefits of reaching a second market also.

5.2.3 Timing

The reason for the timing of the secondary listing was that the company was in a need for capital for a new product since the company had an approval for their product. The listings in the two markets took place almost simultaneously, both in February 1997. The Nasdaq listing, was even conducted a few days before the primary listing in the Stockholm Stock Exchange. The timing for the secondary listing was just to be as close as possible to the primary listing, since the company was in need of capital. However, it is hard to say whether the timing was right or not. The company needed capital and from that perspective it was good according to Johansson.

5.2.4 Changes

The large change in Biora due to the secondary listing is the management change, resulting from difficulties to live up to expectations from the Stockholm Stock Exchange and the Nasdaq market. Many of the IT companies and the biotech companies have lost share value during the last year, yet Biora lost share value before that, due to the fact that the company could not live up to set expectations. Therefore, there have been changes in the management of the company, due to expectation difficulties from the US and the Stockholm Stock Exchange.

5.2.5 Benefits vs. Costs

When the company had the listing the motive was to get new investors. At that time, the listing was probably beneficial. Today, Biora has three to four per cent of total shares being held by US investors and it can be questioned whether it is worthwhile. The US market is an essential market for Biora and it is hard for Johansson to say how the future of the listing will look.

The costs for being listed in the US market are extensive. The company has a fee that it is obliged to pay annually, but also has to have liability insurance, legal consultants and investors' relations consultants. Most of the costs are fixed costs, making it less important how many shareholders the company has in the Nasdaq market. Some costs are related to number of shareholders, yet most of the costs arise from the F-20 form, information disclosure duties and translations of accounts.

The costs are high and therefore maybe not acceptable for a small company as Biora. However, the company work as hard as possible to keep these costs down, even if it is hard since the company has to depend on legal advice etc. to a large extent. The costs as such are really not acceptable according to Johansson, but not possible to take away either.

5.2.6 Outcome

According to Johansson, the listing was quite well perceived and no real barriers noticed. The regulations set by the US stock market are costly and time-consuming, and therefore also caused some changes in the company. One result from this complication was that when the company had another issue of shares in 2001 to ensure an adequate capital base for the company the offer was restricted to Sweden, since an issue of new shares in the US may have resulted in that the company had to make a new prospectus for the US market, which is a time-consuming process. Therefore, the company turned to institutional and large private investors, hereby avoiding the prospectus issue.

It is good for the company to be listed at the US stock market, for instance of PR reasons. Being at Nasdaq is considered prestige as investors and others know that the company has to fulfil many requirements to be listed, this is why it is considered a quality brand. Johansson claims that it is of great importance when going into the US stock market, to look into underlying reasons and the aim of that, since it is very costly for the company and when the company is listed it is considered hard to get delisted.

Johansson claims that if the company had to take the same decision today as it did in 1997, the decision could just as well have been not to get listed. It is recognised as difficult to get delisted, which is why the company tries to take the advantage of being in that market as far as possible without devoting too many resources. Despite these stated difficulties, the Nasdaq market is considered a prestigious market for the company to be listed in.

5.2.7 Future

It is hard to say what the future of the listing will look like and it is depending on the split between the trade in the Nasdaq and in the Stockholm Stock Exchange. The situation may be that the company try to get delisted if possible. At the moment, the company has the existing listing in the Nasdaq and work as hard as possible to take advantage of that.

If there will be more US investors in the future the company may have to increase their efforts in the Nasdaq, if not the company will continue to focus on Stockholm Stock Exchange. As the situation is today, the company will not go into any other foreign stock markets. However, if the company were to seek new stock markets in the future, which are not the plans at the moment according to Johansson, the case may be that the company goes into partnership with other companies, and therefore the choice would be where the other companies are listed.

If the company wants to increase the trading in the US in the future, it would need a large investment (road shows and other PR activities) to get the trade going and to get a wider awareness of the company, which is why Johansson does not consider this to be a realistic alternative.

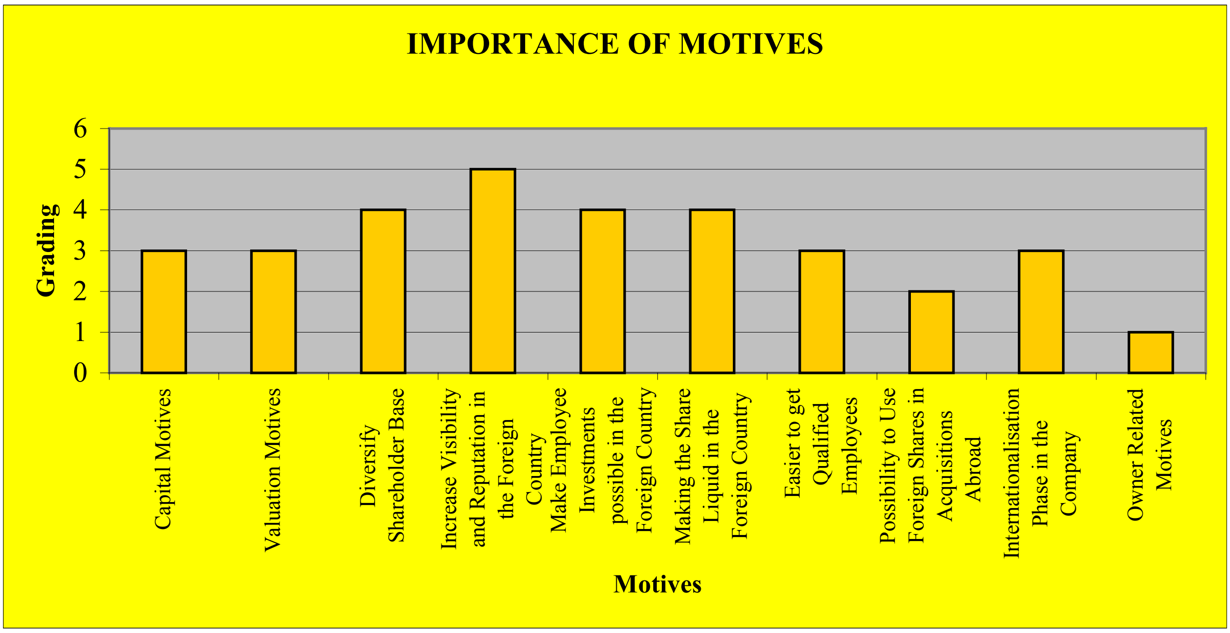


Table 5.2: Biora's Motives

5.3 Cardo

Cardo is an international engineering group with headquarters located in Malmö, Sweden. Its lines of business include doors, pumps and rail-vehicle brake systems. It is one of the world's largest manufacturers of industrial doors and Europe's leading supplier of dock loading equipment. Cardo is the market leader in the service of these mentioned products and one of Europe's largest manufacturers of residential garage doors. The main market for Cardo's products is Western Europe, but the company has subsidiaries dispersed in about thirty countries worldwide.

The Cardo share is listed on the Stockholm Exchange's A-list and also unofficially listed on Nasdaq and on the London Stock Exchange (Cardo AB, 2000).

Cardo's predecessor was the company Investment AB Cardo, which was acquired by another Swedish company called Incentive. They then decided to put the "new" Cardo back on the stock exchange, which was conducted in 1995. At that time, there was also a portal listing done in London and an unofficial ADR listing in the US. The seller took the decision, since they wanted to go public in London or at least wanted it to be a possibility for investors to buy shares also in that market place. The same reasons were valid for the unofficial listing in the US.

The company has an unofficial listing in London and a portal listing in the US. The reason for this was partly that if a company goes for an official listing in e.g., London, the accounts etc. have to be prepared according to standards set by the specific exchange. This is a process, which is costly, and the company was not really sure that these "listings" would add anything to the company, since the company was small in comparison to others and had mostly attracted Swedish investors who trade in Stockholm Stock Exchange anyway. Therefore, the selling company who thought that they could generate a better price if being listed in London took the decision.

5.3.1 Foreign Trade of the Share

Today, foreign investors hold about three or four per cent of company's shares. This figure has been as high as twenty-five per cent, yet the company has a very small free float of shares. Ten institutions hold seventy per cent of the shares, where there are not very many shares to get hold of, which is why the interest from foreigners is limited.

In the US there is almost no real interest for the company's shares. In London there is some trading, however not comparable with the trade in Stockholm where the company has the majority of its trade.

Even if the company today has its unofficial listings in London and Nasdaq, the major part of the trade takes place in Stockholm. Most of the trading is done through institutions in Sweden, rather than in London or the US. The reason is hard to tell. It may be that the major investors have their sources in different countries and if they want to have shares in those countries they simply go through those according to Axeheim. Today's global investors do not need to have the trading in London where they are physically located; they are acting globally on the different stock exchanges.

5.3.2 Motives and Barriers

If a company has a lot of activities in a foreign country there might be an interest for the share in that country, due to fact that employees can have the opportunity to trade shares of the company that they work in. If this is the case and the company only had a listing in Sweden, it would be much more difficult with currencies and transactions etc. Yet, this is not the case in Cardo. There is also a valuation motive, however not valid for Cardo according to Axeheim, since the company gets the attention and the valuation needed in the Stockholm Stock Exchange. From a valuation point of view, one might argue that the stocks are higher valued in the Nasdaq market than in the Stockholm Stock Exchange, but Axeheim is of the belief that the situation is changing.

The abroad listing for Cardo took place at about the same time as the IPO in the Stockholm Stock Exchange, therefore the motives probably were the same for the two listings. In Cardo's case, London and the US were the markets that had most foreign companies listed. Also, the companies who helped the seller of Cardo knew the London market and its investors better than they knew other markets, in the sense they influenced the decision. At that point the reason for the choice was that Cardo could get a better valuation in the London Stock Exchange.

The unofficial listing in the US did not turn out as expected. The reason according to Axeheim was probably that the company was too small and did not attract interest from investors in the stock at that time. The two primary motives for the listings were to get a better valuation and to provide easy access for the investors. It was probably not a matter of the Stockholm stock market not being sufficient for the company, but instead getting the best possible valuation of the company from the selling company's point of view.

5.3.3 Timing

Cardo AB was going to be reintroduced in the stock market at the time for the secondary unofficial listings, since the company, which took over the ”old” Cardo, had made a promise to the shareholders of the "old" Cardo that the "new" Cardo would be introduced to the stock market, so that the investors would be able to buy shares. Basically, it was due to that promise that the IPO and the secondary listing took place. The owners knew that they had to go public with the "new" Cardo, the question was just where. The decision was Stockholm, London and the US. Actually, there was no real timing issue for Cardo.

5.3.4 Changes

There have not been any great changes, since the company only have unofficial and portal listings. However, one change is that company representatives go to London to meet investors since there is an interest for the company in the London stock market partly due to the listing; whether this would have been the situation anyhow will remain unanswered. This lack of changes may be explained by that the listing is unofficial, meaning that the company do not have to fulfil all requirements set by the stock exchanges in London and New York.

5.3.5 Outcome

According to Axeheim no real barriers were noticed, probably because the listing is unofficial. Cardo's listing in London is considered more successful than the listing in the US. In New York not much happened, but in London there was a large interest and that market made up about twenty per cent at that time, which was fairly good.

At the time for the London listing the company probably achieved the expected results, since it created an interest for the share and the company as such. Concerning the US, it was really not a success and was not meant to be, since the company is not really present in the US market. The market is not interested in the share, since it does not have a story to tell, as many other companies.

5.3.6 Future

From what the company can see today, the company will not have an official listing in the future. If the company were to go into an official listing in the future, the stock exchange would probably not be in London Stock Exchange or Nasdaq, yet e.g., Frankfurt where the company has a lot of activities.

In the future the company may go for a withdrawal from the US stock market, yet today there are no costs for the listing as to why this action has not already been taken. If costs for the listing had been present, the company would possibly have withdrawn earlier from the US market. With the structure that the company has today the company will probably not stay in the US market. London is hard for Axeheim to decide upon, but he does not see any reason for the company to withdraw the listing today, since there is some trade in London. If the company would seek listing in another stock exchange in the future, that would probably take place in central Europe, yet there are no plans for the time being. Axeheim cannot see whether this will be necessary for the company.

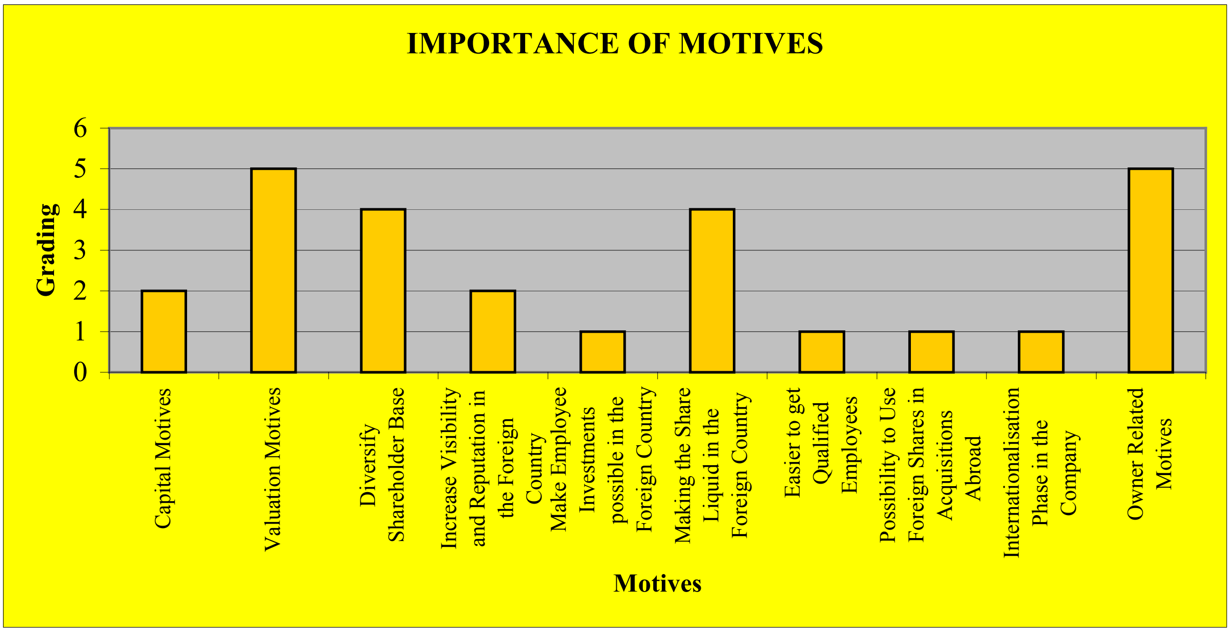


Table 5.3: Cardo's Motives

6 ANALYSIS

6.1 Motives for Abroad Listing

In the studies conducted it has been realised that the motives stated in the thesis from a theoretical perspective is also valid in practice. All motives were more or less valid for the companies' foreign secondary listing and none of the companies has made any efforts to add any more motives, even if they have had the possibility to do so.

It has been observed that it is hard when discussing secondary listings to identify and generalise one single motive for all companies, since the motives are in correlation with each other. Some companies have a well worked out strategy as pusher in their foreign listings, as others basically find it important to be listed on an international market. When companies are preparing a secondary listing in another country rather than its country of origin, the circumstances are different; therefore some motives are different from the IPO. Companies entering the international arena through a foreign listing should, according to our opinion, be large in size and need to have large interest in the foreign market as well as many potential investors, to be able to benefit from the secondary listing. The companies need substantial capital resources to be able to conduct all the road shows etc. requested from e.g., the NYSE.

When studying the results received from the questionnaire, one can see that the two most important motives for the companies are valuation motives (according to two companies) and to increase visibility and reputation in the foreign country (according to one company). It may be mentioned in connection with this, that during the personal interviews all respondents have agreed upon the fact that a foreign listing, especially in the US, is a quality brand. All companies consider the motive to diversify shareholder base important to the same extent, as well as making the share liquid.

The capital motive is not as important as one could think, except for in Biora's case, and is graded at the lower level in the spectrum of importance for the companies, when introduced on the foreign secondary stock market. None of the companies motivate the listing with an internationalisation phase, however this has been the case for some of the other companies we have had a more informal contact with.

Even if not evident in the questionnaire, it seems common that the decision of entering a foreign secondary market is owner related, as for instance Biacore who were owned by Pharmacia Upjohn and for Swedish Match owned by Volvo when entering Nasdaq. Some of the companies, with whom we have informal discussions, have claimed that the reasons were strictly owner related, a motive that is verified by two companies in our study. The owners of the companies have either been in the foreign market themselves, or simply wanted the company to be represented in the foreign market, especially the Nasdaq market since it is considered a high tech market. This will benefit the company, since if the company is listed in a market where many other companies in the same line of business are trading their shares, consequently the valuation will probably be more advantageous and fair. That the valuation between the different markets differs is a conclusion that many former studies have found, among those studies conducted by Roy C. Smith (Noyelle, 1989).

All in all, if the company is in a range of business that is specific and does not get the full attention of the local stock market, it is probably good for the company to go to a market where the company will get special attention and through that a fairer valuation.

6.2 Trade of the Shares

All respondents interviewed have verified that the trading of the companies' shares have in terms of percentage of total trading volume been low, maybe even below five per cent of total trade. The trading volume of the companies' shares was yet higher in the initial phase of the companies' foreign listings, but have decreased over time, according to our opinion maybe due to the increased internationalisation. Today's trading is considered to be international, which means that investors have the possibility to buy and sell shares globally through sources in the companies' countries of origin.

Even if the trade is not so active, the respondents do not in real terms consider stepping out from the market. For Cardo, who only have unofficial listings this is not really an issue, since they do not have any substantial costs for their listings. Yet, during the interview we got an indication that the respondents did not consider the benefits to be larger than the costs, making us feel like some of the respondents had the opinion that the company should choose to delist from the foreign market in the future, if possible. However, the delisting process is considered complicated and companies are a bit frightened of starting the process, but if one starts, others might follow. The companies should deliberate what actions to take, as this is an important decision for them.

The phenomenon seen with the low volume of trade of the shares in the foreign market can be considered an unfavourable circular path, since with a low liquidity investors will be reluctant to buy the company's shares, as they cannot sell these shares with ease when they wish to. The poor liquidity is then self-generated, and continuously stays at a low level within the companies. One solution to this problem for the companies is to try to increase the trading volume of the stocks in the foreign countries. In order to achieve this goal much effort is needed, as e.g., road shows, also referred to as a "dog-and-pony show", through which the institutional investors and industry analysts and the like get an opportunity to meet the company's management team and ask questions. This is a good chance for the company to enhance the corporate image and improve the performance of its shares in the foreign country. However, this would result in very large costs for the companies. Companies should weigh all the benefits and costs before taking action.

Some of the companies stated that they do not have any foreign investors and therefore the trade volume is low in the foreign markets, which we do not think is the case. It must be taken into consideration that it is difficult for the companies to see the foreign investors hidden behind the banks' identity, as well as the registrations in the investment banks. Miller & Upton (1989) stated that investors rather invest in their countries of origin instead of acting on the international arena, which we do not think is the case anymore.

6.3 Timing

Before the interviews, we thought the issue of timing was crucial. In deciding whether the timing is right to go to the foreign market, we assume that companies normally need to consider several questions as if the market conditions are right and if the market condition is beneficial for the company. However, we did not get the results expected.

The majority of the companies interviewed and discussed with cannot explain the choice of timing in real economical terms, since many other reasons probably have had important influence on the companies' decisions. However, in the case of Biora, the choice of timing was that the company was in need for capital in its strive to introduce a new product to the US market. In many cases it seems, as the companies' timing was to some extent haphazard. One can say that the timing might not have been based on certain economic grounds, yet just the situation as such and the time for the secondary listing, except for Biora.

According to the respondents, all companies seem to be of the opinion that they would benefit from a foreign listing and that the timing could be right from the companies' point of view at that time. The timing often seems to be owner and management related, and the motives for the timing might not have been explained properly to the personnel working in the company. One gets the opinion that the company did not have any real economic aspects as primary reasons concerning the timing, however since all the companies are economic units and public companies, of course the aspect has been considered. Nevertheless, it may not have had a decisive influence on the issue evident to the respondents.

We have seen that Biora was in need for capital to be able to promote a new product. In this specific case, the timing issue was probably carefully considered before the decision was taken, as the company was in an expansive phase and had large costs due to the introduction of the new product. The reason for this is that a listing in a foreign market is both time-consuming and expensive. If the company did not get the expected result at that time, the situation could have been very tough for the company, since the company was in an extremely sensitive development phase, therefore the decision upon the listing was critical. However, these valid grounds have not been addressed to us from other companies.

6.4 Benefits vs. Costs

The fact that many parties do not consider the costs for the secondary listings being justified by the benefits, stated in theory by for instance Teweles & Bradley (1987), is verified by our empirical studies. Our belief is that it may be easier for the larger companies, not included in the study, to see the benefits from a foreign secondary listing.

We see from the interviews that the ideal trade performances of the companies' shares have not been achieved. The respondents and others agree upon this matter to be the case for most companies having a foreign listing. Most of the trade of companies' shares is completed in the country of origin, meaning Stockholm Stock Exchange, and the trading volumes in the foreign markets are below five per cent.

There is consensus among the companies that through their foreign listing, especially for those in the US market, the companies increased their visibility. The interested parties within different groups are all aware of the fact that the companies have to fulfil many requirements to be listed in the foreign stock markets, and this is treated with respect.

Some companies' respondents seem to have difficulties in answering the question whether the benefits are larger than the costs. The question might not have a yes or no answer, yet it is a matter of discussions. To Göran Axeheim at Cardo, this question did not seem difficult to answer, since Cardo's listings at the foreign stock markets are unofficial and do not result in large costs for the company, which is why the benefits are larger than the costs.

When discussing with respondents, we got the idea that the companies do not consider the costs to be acceptable, partly due to the fact that our respondents are representing quite small companies in the foreign markets compared to other huge international companies. However, they believe that a delisting is a more complicated, costly and time-consuming procedure than staying in the foreign stock markets.

6.5 Outcome

Today's investors trade on an international basis, where they buy stocks in the companies' countries of origin, through investment banks and other institutions. Due to the low volumes of trade, the majority of the companies do not consider their foreign listings a success, probably partly limited by their companies' size, since the answer to this would probably have been different if they would have been larger international companies, who could make use of the listing to a larger extent.

However, the companies listed in the US market seem to think that they have achieved some kind of reputation and PR as a result from their foreign listing. Since the valuation motive is important for companies entering the international arena, one can assume that this aim has not been achieved since the stocks are not traded to such a large extent as wished, meaning that the wished value has not been generated. However, companies have experienced a decrease in the trading volume in the foreign countries during the past years partly, according to our opinion, due to the worldwide globalisation trend. It should be added, that none of the respondents interviewed considered the Stockholm Stock Exchange insufficient for their company, consequently this was not the major concern for the decision.

The respondents claimed that they did not have any large complications concerning the listing. We question these statements since a foreign listing is considered a difficult and lengthy process for a company and many changes should occur. An explanation to this indication may be that the respondents did not have the proper knowledge and information concerning this issue.

6.6 Future

Some analysts warn that a foreign listing is not a one-way ticket to a higher share price and easier access to capital (Chalmers, 1999), which we definitely agree upon. The respondents do not believe that any delistings for the companies are of current interest, one can however get an indication that it is on their minds, yet not considered public information.

What will happen with the listings in the future is hard for the respondents to predict; but the future trend seems to be that the US market will be less attractive to enter as a foreign market. Instead, the European markets, as Frankfurt, and the markets especially in Eastern Europe, will become more important when Swedish companies think of entering foreign stock markets.

6.7 Barriers in the Abroad Listing Process

In the study some indications have been given that there are no barriers when the companies have entered the foreign stock markets. According to our opinion, this is probably not the case, yet this may be the opinions of our respondents and not the whole company's opinion, that is why this could be a very interesting topic for further studies.

The other possible answer, is that all companies have worked close together with professional advisers during the foreign listing process, who have taken care of all the barriers, a possible reason to why the companies themselves have not met these difficulties: they have been protected. All companies have considered the co-operation with the professional advisers a crucial part in the foreign listing journey, since these professional advisers have the relevant knowledge that the companies lack. However, the respondents agree upon the fact that the process was, and still is, time-consuming and costly.

6.8 Comparison with Previous Study

In our study we have not to the same extent been able to state a few primary motives, as in the study made on listings in the Stockholm Stock Exchange by Axelsson & Gullmarstrand (2000), however we have generated some valuable implications. The question is whether the results from these studies are individual, since we only conducted interviews with a small selection of companies listed abroad. The case may be that it is hard to generalise in a study conducted like this, and the result may not have been the same if Axelsson & Gullmarstrand conducted their study today.

However, Axelsson & Gullmarstrand found that the motive to increase visibility and reputation had a large impact on the respondents' decisions. All companies that we have studied have on some occasion stated this as crucial. This implicates that there is not always economical reasoning behind the decisions; sometimes there are more "soft " underlying reasons. Personnel and recruitment motives have also been perceived as an important motive in both studies, together with acquisitions with own shares. Since the companies seeking abroad listing are in a new situation, it is of great importance for the companies to have qualified personnel who are familiar with, and have an understanding of, the new foreign market. This is considered an important motive for the companies who have established a market for their products or services in the foreign country where they seek a secondary listing. For personnel it is considered coveted to be employed by an internationally listed company, as well as a company only listed in their market of origin, as stated by Axelsson & Gullmarstrand (2000), a statement which we agree upon. As underlined by Axelsson & Gullmarstrand (2000), the company's power of attraction is increased by a stock market listing.

The motive concerning the possibility to use shares in acquisitions, has not been apprehended as important in the secondary listing as in the IPO. Only one of the companies talked upon this matter and discussed the issue to any great extent in the personal interview. The reason for this is probably due to the limitation of companies, since the companies selected are middle-sized companies.

The capital motive has shown to be important to about the same degree in both the IPO and the secondary listing, if based on the assumption on Axelsson & Gullmarstrand's study as well as our own study. For large companies mergers and acquisitions are critical to their business strategies, however the companies interviewed in our study are smaller in size and therefore the capital motive is far more important than the motive for potential acquisitions.

As Axelsson & Gullmarstrand, we have got the impression that secondary listings, as well as the IPOs, are regularly based on the reason that the listing primarily benefits the owners, in our cases the parent companies, rather than the company itself. The listings have in many cases been a question of policy.

All in all, we have found some differences in our study in comparison with Axelsson & Gullmarstrand (2000). However, theses differences are in many cases insignificant, but often due to the fact that we do not have the same scope in the studies. The difference in the selection is that we have studied fewer companies. Also, we studied foreign secondary listings and we made the study about two years later, in a different economic situation.

7 CONCLUSIONS

Much of the theoretical framework stated in this thesis has been verified in practice. The main motives for the foreign listings in secondary countries are hard to generalise, partly due to the limited number of respondents in this study. However, the primary contribution in this thesis is that we have identified four motives that the companies interviewed have agreed upon are the most relevant ones, which are the valuation motive, to diversify shareholder base, to make the share liquid in the foreign country and to increase visibility and reputation, with no internal order. Through that we can confirm the validity of Axelsson's and Gullmarstrand's study (2000). The visibility and reputation motive as well as the valuation motive are motives that have been stressed and verified in the empirical materials. The capital motive is surprisingly not included among the four most important motives and is not considered as important as implicated in the pre-study conducted; however the importance should not be fully excluded since many companies we have talked to have included it in their discussions.

The majority of companies have mentioned that they generate a certain reputation when having a secondary listing in a foreign stock market, since they have the capability to strive to meet the stringent entry and maintenance standards of, for instance, the Nasdaq market, both in terms of financial standards and of corporate governance requirements. The listings have already distinguished the companies as quality investments for investors and all companies seem to agree upon the quality branding received from the foreign listings.

Through listing on a foreign market, especially those prestigious stock markets, the businesses and activities of a company can receive more coverage in the press in that country, thus widening the awareness of the company and their products to attract more customers and investors. However, for the small companies which are studied in this thesis, the foreign listings are not as fruitful as those of large companies in terms of increasing visibility and reputation and no company believes that it attracts many investors in the foreign country where its securities are listed.

What has been observed in our study is that none of the companies have actually had any large trading volumes in the foreign secondary markets. The majority of the companies' trade (more than about ninety per cent) is traded in Stockholm. In times of saving, the costs for the foreign secondary listing may not be defendable. Since only very small part of stocks are really traded in the foreign markets, and consequently the real volumes are in the home market, the companies can be international by staying in that market only. Another consequence resulting from thin trade, is that the valuation of the company in the foreign market may not be fair, therefore the foreign investors and the company itself still have to rely on the valuation in Stockholm Stock Exchange and the valuation motive set by the company is to no use.

We believe that the role of the secondary foreign listings is to some extent consumed. The listings will continue in the future, however the growth of it may not be as fast as in former years. Even if the companies today want to go international and be global, this can possibly be accomplished in their home country, since most markets today are global along with the fascinating developments of information technology and emerging number of institutional investors. About ten years ago, this may not have been the case, however today everything has changed. The costs are large for a medium–sized Swedish company, which make delisting a potential option for some companies. This trend is however yet not seen among the Swedish companies in the foreign markets – but may be the future trend. Also, the companies seek stock markets other than the US, the UK or central Europe to a larger extent. In the future the companies may seek markets in Eastern Europe, as a result from those countries' development.

We are of the opinion that if the major motive behind the secondary listing for a company is to raise capital, which is a motive often generally considered, the company should consider the secondary listing in a foreign country twice. Even if one could state that the company can just as well go to a market place abroad to raise capital, as well as to Sweden, one must remember that the foreign listing requires an extra amount of work and is time consuming and expensive for the company. The advantage is that the company enters a new market, but on the other hand it is not beneficial to be in a secondary market without due cause. If the company simply seeks capital and is not sure about how they can benefit from the foreign stock market, the company should bide its time. If the company is not qualified in size and maturity, the company can just as well raise the capital through issuing new shares in the Stockholm Stock Exchange, its country of origin.

One used to see the benefits for a company entering a foreign secondary market, however these benefits have decreased to a large extent and now the reasons are not as evident as before; a statement that can be confirmed by the trade performances in the foreign countries and by our empirical findings. This fact results in that companies have difficulties to live up to expectation and in the future less foreign listings will take place, probably due to unfavourable trade and the globalisation at hand. Nevertheless, it is hard to foresee the future as the economic environment is changeable, which could put substantial impact on the foreign listings.

In the study we have found that the respondents have not really perceived any barriers, not even concerning the regulatory requirements, a finding that we question to a great extent. Markets, as the US market, are difficult markets to enter, where the companies should have seen some barriers, however superable. Since none of the companies have stated any, we assume that the problems met during the foreign listings have been taken care of by external professionals, therefore these difficulties have been bridged by the professional advise received during the secondary listing process.

Supporting what has been mentioned earlier, when conducting this study we have found empirical indications assuming that the globalisation and the secondary listings possibly cannot work together. In the past, when the market was not as international and globalised as today, a secondary listing was of great importance for the companies, partly shown by the fact that the trade was larger in the initial phase for the companies studied, than in the later years. If there is a high degree of globalisation, as today, it is not as useful to have a secondary listing, since the investors seek investments internationally, e.g., the companies' country of origin, through representatives, as investment banks etc., which may be a reason for the decrease in secondary listings.

8 SUGGESTIONS FOR FURTHER INVESTIGATIONS

The thesis work has been very interesting and enriching. We have during our study found that the international arena has many areas to discuss and debate and many interesting theses can be written on the subject. Today's state of the markets is gloomy, a situation that will probably change in the future, and the efforts and activities towards internationalisation of the stock markets will continue.

One further study on the subject is to look into a certain line of business to observe if the motives known are in accordance with the ones we have stated when studying a certain line of business. It is important to keep in mind that even if the companies have a certain public motive, there can be underlying ones just as important as those publicly stated. It may also be interesting to have a larger selection of companies than in this thesis, to verify or falsify the motives stated in this work.

Another approach may be to look at companies from other countries and see what their motives are in comparison to those of Swedish companies. Also, it may be interesting to study companies who have their secondary listing in Sweden and the primary in a foreign country, as e.g., Astra.

Furthermore, we propose for further studies to examine if there exists any differences in motives for a company when seeking their primary and secondary listing, which was an issue to some extent discussed in the thesis, but could be developed by further studies.

In our thesis we have found that the companies did not consider any barriers or noticed any large changes due to the secondary listings. We think that these statements are probably not really reliable, which is why we would like to see someone studying these subjects through more in-depth investigations.

Concerning the regulations set by different stock exchanges, we only provided our readers with some general information on the topic in our study. One possible further study could be to investigate how the stock markets modify their requirements and standards in order to attract more issuers worldwide, at the same time as they must protect the investors and capital markets in their homelands, as well as enhance their competitiveness.

We would also like to propose further investigation of the relation between globalisation and secondary listings if it is the case that these cannot work together, as well as compare the performance of a company’s shares between the domestic and the foreign stock market. It would also be interesting to see a study of delisting costs.

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APPENDIX 1

Questionnaire on Motives for Secondary Listings

Company:……………………………………………………………
Name of Respondent:………………………………………………..
Respondent's Position:……………………………………………
Foreign Stock Market:…………………………………………….

Please show to what extent the motives stated mattered to the company.

	No Importance				Very Important
	1	2	3	4	5
1. Capital Motives	( )	( )	( )	( )	( )
2. Valuation Motives	( )	( )	( )	( )	( )
3. Diversify Shareholder Base	( )	( )	( )	( )	( )
4. Increase Visibility and Reputation in the Foreign Country	( )	( )	( )	( )	( )
5. Make Employee Investments possible in the Foreign Country	( )	( )	( )	( )	( )
6. Making the Share Liquid in the Foreign Country	( )	( )	( )	( )	( )
7. Easier to get Qualified Employees	( )	( )	( )	( )	( )
8. Possibility to Use Foreign Shares in Acquisitions Abroad	( )	( )	( )	( )	( )
9. Internationalisation Phase in the Company	( )	( )	( )	( )	( )
10. Owner Related Motives	( )	( )	( )	( )	( )