

FACULTY OF LAW, THE UNIVERSITY OF HONG KONG
ASIAN INSTITUTE OF INTERNATIONAL FINANCIAL LAW

and

RGC Theme-based Research Scheme Project:
“Enhancing Hong Kong’s Future as a Leading International Financial Centre”

Seminar

**What Makes the Bonding Stick?
A Natural Experiment Involving the U.S.
Supreme Court and Cross-Listed Firms**

Professor Amir N. Licht

Radzyner School of Law

Wednesday, 10 July 2013

12:30-1:30 pm

**New Venue: Rooms 724-5, 7/F Cheng Yu Tung Tower
The University of Hong Kong**

On March 29, 2010, the U.S. Supreme Court signaled its intention to geographically limit the reach of the U.S. securities antifraud regime and thus differentially exclude U.S.-listed foreign firms from the ambit of formal U.S. antifraud enforcement. We exploit this legal surprise as a natural experiment to test the legal bonding hypothesis - namely, to assess firms’ ability to use other countries’ enforcement institutions as institutional substitutes and, more broadly, to assess the value of the U.S. legal enforcement mechanism. This event nonetheless was met with positive or indifferent market reactions using Brown-Warner, matched samples, and portfolio analyses. We also observe little change in the price premium for U.S.-traded equities, bid-ask spreads, or the proportion of U.S. trading volume. These results challenge the view of at least the U.S. civil liability regime, as currently designed, as a source of value for such firms and warrant closer examination of the operation of formal enforcement institutions.

Amir N. Licht is professor of law at Radzyner School of Law at the Interdisciplinary Center Herzliya (IDC), where he was also Dean of the Law School. He earned his LL.M. and S.J.D. from Harvard Law School and undergraduate degrees in law and economics from the Tel Aviv University. Licht’s research currently focuses on comparative corporate governance, psychological dimensions of governance, and international securities regulation. Licht teaches corporate law and securities regulation at IDC. He has served as an independent advisor to the Israeli Securities Authority and the Ministry of Justice on various issues relating to his academic work.

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