

Going-Private Decisions and the Sarbanes-Oxley Act of 2002: A Cross-Country Analysis

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Abstract

This article investigates whether the passage and the implementation of the Sarbanes-Oxley Act of 2002 (SOX) drove firms out of the public capital market. To control for other factors affecting exit decisions, we examine the post-SOX change in the propensity of American public targets to be bought by private acquirers rather than public ones with the corresponding change for foreign public targets, which were outside the purview of SOX. Our findings are consistent with the hypothesis that SOX induced small firms to exit the public capital market during the year following its enactment. In contrast, SOX appears to have had little effect on the going-private propensities of larger firms. (*JEL* G30, G34, G38, K22)

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