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Empirical evidence on the effects of delisting from the National Market System

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Abstract

This study analyzes empirical evidence related to changes in market value and liquidity characteristics of stocks, which are delisted from the National Market System (NMS) due to an elevation of NMS listing standards. Our results are thus relatively independent of the financial conditions of the firms prior to delisting. We document significant increase in bid-ask spreads and decrease in trading volume after delisting. A significant negative stock price reaction around the delisting announcement period is also observed. Both sets of findings suggest that delisting from NMS increases a firm's cost of capital by adversely affecting the liquidity of its stock. (JEL: G14)

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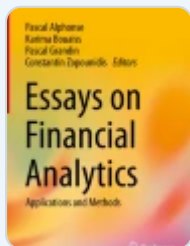
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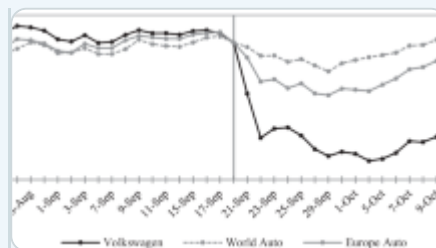
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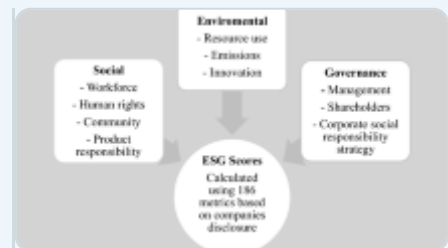
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