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Cross-listing is a process to access other stock exchange markets to collect the investments. The main advantage of cross-listing for the share-issuing companies is that due to the different business time zones, the companies have the opportunity to trade for more than the normal trading hours available. Therefore, more trading hours allow the companies to complete their ‘ right issue campaigns’ in a short time. Another main advantage of cross-listing is that the companies which are listed in different countries are in a position to collect funds in different currencies that reduce their translation and currency risk. Moreover, the list of foreign companies is available in the form of ‘ pool’ or ‘ a segment’, which creates ease for those investors who are interested in investing their funds in foreign companies. The main and most common disadvantage of cross-listing is that the rules and laws of foreign stock exchanges are often very strict for the companies. For example, the tax rates and the dividend policy of the other country can create problems for the company.
The main advantage of investing in companies via GRS is that it provides all the rights of a shareholder to the investors. Voting rights, discounted rate at right issue and the bonus shares are the examples of the rights associated with the owners of GRS and ordinary shareholders. The ADR is another way of investing in the foreign companies. However, the main advantage of ADR is that it reduces and in most of the cases it eliminates the expenses of trading and taxations. Moreover, all the dividends and gains are received by the shareholder in the form of a local currency. Moreover, the large financial institutes such as banks and broker houses purchase shares in bulk from foreign markets and sell them in the local markets. Therefore, on the financial basis, it is recommended to the investor to invest in the foreign markets via ADRs, because the ADRs are more secure and cost effective as compared to the GRSs. The saving of funds, ultimately increase the wealth of the shareholder, which is the ultimate goal of the companies listed at the stock markets.
The developed markets are more attractive to the investors because the risk element of the developed market is lower than the risk in developing markets. Moreover, as compared to the developing markets, it is difficult to manipulate the markets to gain the most of the trading shares of the market. Therefore, if the investor is investing in the developing markets, then it is very important for the investor to keep the wide pool of the investments to minimize the market and concentration risks. However, in case of developed markets, the concentration rate in the market has always been under control.
The first thing to consider before making an investment in a foreign market is to make sure that the foreign stock market is a developed market. This step will reduce the market risk for the investor and the credibility of the market will protect the investor. The second step is to locate the public limited and government companies trading in the market. If an investor invests in the government or public limited companies, then, the investments and the investor are more secure as compared to the private and limited companies. The third step is to invest in different companies and create a pool of investments to minimize the risk. Moreover, the investor must invest in other foreign markets, as well.