A Survey of Management Views on Exchange Listing

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Abstract

This study examines management's motives for listing and not listing on a national stock exchange and compares the findings with prior research. The results show that managers perceive the general motives for listing as both economic and noneconomic; the importance of the motives for exchange listing has changed since 1981 among AMEX but not among NYSE companies; managers perceive that exchange listing has declined in prestige over the last decade; and the major reasons companies remain on the over-the-counter (OTC) market show little change since 1981.

Introduction

Every year many corporations decide whether to seek exchange listing or to remain unlisted. In their deliberations, corporate decision makers face several real differences in the markets available to trade stocks. For example, the OTC market and the national exchanges have different trading regimes (i.e., market makers versus specialists), listing requirements, costs and restrictions, and sizes. Recent trends suggest a decline in the appeal of exchange listing and significant growth in the NASDAQ system of the OTC market.

Several reasons account for the increased popularity of NASDAQ including increased visibility, institutional participation, and analyst initial public offer (IPO) coverage. Perhaps the most significant recent development is the NASDAQ National Market System (NMS) introduced in 1982. The NMS offers such benefits as real time transaction reporting, increased information availability to investors and issuers, automatic marginability, and exemption from Blue Sky registration requirements in some states.

In view of the dramatic changes and growth in the NASDAQ market, managers may have changed their views toward exchange listing during the 1980s. This research has four major objectives: to compare the behavioral attitudes of managers to the findings of previous research; to examine empirically managers' motives for exchange listing and their reasons for electing not to list; to determine whether managers have changed their views since the

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introduction of the NMS; and to investigate the dynamics of the listing decision. This study investigates several areas not previously reported in the literature including an examination of the specific reasons for exchange listing and the internal dynamics of the listing process. Thus, the findings provide new insights about exchange listing.

Literature Review

Few academic studies examine the motivations to list or to remain on an exchange once listed. Baker and Pettit [1] survey all newly listed companies on the New York Stock Exchange (NYSE) and American Stock Exchange (AMEX) from 1975 to 1980 and a random sample of OTC companies. The two reasons most often cited by managers for exchange listing are added visibility and prestige.

Freedman and Rosenbaum [7] study how managers of exchange-listed companies perceive the NMS compared with the major exchanges. Their evidence suggests that managers of listed companies perceive the exchanges as superior to the NMS in providing added prestige, visibility, and price stability, in lowering the cost of equity capital, and in a stock's improving liquidity. Freedman and Rosenbaum [7, p. 29] also find "the managements of NYSE and AMEX listed companies perceive the NASDAQ market in a favorable light in relationship to the exchanges in terms of cost, continuity of trading, and success at attracting and retaining both high-growth and high-technology stocks."

Several studies [5, 15, 18, 19] examine the effects of listing on a firm's value. The evidence shows that a firm's common stock prices (or returns) respond positively to news of a listing announcement but decline immediately following listing on an exchange. Among the explanations for the positive abnormal returns associated with news of the listing are expectations of increased liquidity and managerial signaling. The empirical results [3, 4, 9, 11, 12, 13, 14, 18] are mixed on the relationship between listing and increased liquidity. Regarding the managerial signaling explanation, Ying, Lewellen, Schlarbaum, and Lease [20] suggest that listing may signal management's confidence in the future prospects of the firm. Grammatikos and Papaioannou [10] show that the price gains accompanying NYSE listing announcements may have positive signaling value, but only for firms with low or volatile earnings performance before listing.

Other studies examine the notion that exchange listing provides certain economic benefits to a company. For example, research shows that exchange listing does not provide more efficient pricing for a company's stock [8, 19], reduce its systematic risk [6, 17], or lower its cost of equity capital [2, 16].

Survey Methodology

The study uses three distinct groups to obtain managers' opinions about exchange listing: companies that newly listed on the NYSE from 1985 to mid-1987, those that listed on the AMEX between 1982 and mid-1987, and NMS companies eligible for listing on the NYSE or AMEX as of August 31, 1987.[1] After dropping limited partnerships and investment companies, the sample contained 608 companies consisting of 200 NYSE, 209 AMEX, and 199 NMS companies.

The survey's total response rate was 46.7 percent (284 firms). The response rate for each of the three groups was 46.5 percent of NYSE (93 firms), 44.5 percent for AMEX (93 firms), and 49.2 percent for NMS (98 firms). About 70 percent of the respondents from both the NYSE and AMEX companies said they were involved in their firms' exchange listing decisions. Slightly over 60 percent of the NMS respondents said they participated in their companies' decisions not to seek exchange listing.[2] Most respondents held finance positions within their companies, such as CFO, treasurer, or vice president of finance. The distribution of the respondents' lines of business was similar across the listed and unlisted groups. The most often cited industries were manufacturing, service, and financial.[3]

The chief financial officer (CFO) of each company was mailed a pretested questionnaire in October 1987 to gather their opinions on listing.[4] Both a

[1]To have similar sample sizes of NYSE and AMEX companies, a longer time period for AMEX companies than NYSE companies was used. Because the sample periods for NYSE- and AMEX-listed stocks differ, the AMEX responses from 1982-1984 were statistically tested and compared to those from 1985-1987 to determine if extending the sample period biased the results. The results show similar responses between managers of firms that listed on the AMEX during these two periods.

[2]The results were analyzed by eliminating the responses from those respondents who were not involved in the listing decision process (i.e., restricted sample). Because there were only minor differences between the full sample and the restricted sample, only the results of the full sample are shown.

[3]The general motives for listing were analyzed by industry type. The results show that the relative importance attached to the reasons for listing differ among industries. A sample of the respondents from the manufacturing, service, and financial firms also were examined on six characteristics: stockholders' equity, pretax income, total common shares outstanding, market value of total common shares outstanding, percentage of shares held by officers and controlling shareholders, and percentage of shares held by institutions. These results are available on request.

[4]The questionnaire was mailed on October 16, 1987: thus, managers responded after Black Monday (October 19, 1987) until mid-December.

reminder postcard and a second questionnaire were sent to nonrespondents the following month. This step was taken to increase the response rate and thereby reduce potential nonresponse bias. A code number was used to identify respondents and to avoid duplicate responses.

There were two separate questionnaires: one for the NYSE and AMEX companies and another for the NMS companies. The questionnaire sent to listed companies had four parts. Part I elicited managers' opinions on 17 closed-end issues about exchange listing. Respondents gave their judgments by choosing one number on a seven point scale: -3 = strongly disagree, -2 = moderately disagree, -1 = slightly disagree, 0 = no opinion, +1 = slightly agree, +2 = moderately agree, and +3 = strongly agree.

Part II contained two questions involving the motives for exchange listing. Respondents selected from a list of eight choices their firm's primary and secondary general motivations for exchange listing. They also indicated their firms' specific motivations from a list of ten choices. Part III had six questions on the dynamics of exchange listings, and Part IV was a respondent profile.

The questionnaire sent to NMS companies had three parts. Part I had the same 17 closed-end questions about exchange listing as contained in the questionnaire sent to listed firms. Part II asked the respondents to select from a list of 11 items the primary and secondary reasons that their companies had not sought exchange listing. Part III was a respondent profile.

For Part I of both questionnaires, the frequency distribution, mean score, and standard deviation were calculated for each of the 17 listing issues. The mean scores were ranked from highest to lowest for the NYSE, AMEX, and NMS groups to determine the relative importance of each statement. Spearman rank correlation coefficients were computed between the NYSE-AMEX, NYSE-NMS, and AMEX-NMS groups to test the relationship between the rankings of the groups on the 17 closed-end statements. Chi-square tests also were done on each closed-end statement to determine whether significant differences existed among the three groups of respondents. To do the chi-square test, the seven point scale was collapsed into three intervals to reduce the problem of inadequate cell size.[5]

Although the timing of the survey may have influenced the respondents' views of exchange listing, the nature and extent of this impact, if any, is uncertain. In the authors' judgment, the survey's validity was not compromised by its post-Black Monday timing.

[5]The first interval contained -3 = strongly disagree and -2 = moderately disagree responses; the second interval had -1 = slightly disagree, 0 = no opinion and +1 = slight agree responses; and the third interval consisted of +2 = moderately agree and +3 = strongly agree responses.

In Part II of the questionnaire for listed companies, percentage responses were computed for the primary and secondary general motivations for exchange listing. These motives were ranked after combining the percentages for the primary and secondary general motives. Part II of the NASDAQ/NMS questionnaire, which included the primary and secondary reasons for not listing on an exchange, used the same procedure.

Results and Analysis

The survey sought managers' general opinions on certain exchange listing issues. Table 1 presents the rank, mean, standard deviation, percentage of no opinion responses, and the chi-square probability for each of the 17 closed-end statements (identified later by "S") for the three groups.

Clearly the key items are visibility (S3), prestige (S6), and marketability (S7). Items S5, S2, and S11 seem to be redundant with respect to visibility, prestige, and marketability. The respondents agree that listing increases a company's visibility, enhances its prestige, and improves the marketability of its stock. The ranking on these three issues is similar to the 1981 ranking reported by Baker and Pettit [1]. These results suggest that firms, both listed and NMS, view liquidity and marketability as different issues.

The high ranking of the statement "listing increases a company's visibility" (S3) deserves special attention. Much of the visibility of an issue stems from how much coverage it receives in the newspaper quotation. *The Wall Street Journal* and many other newspapers accord the same quotation treatment to the three major markets -- NYSE, AMEX, and NMS. Newspaper quotations of stocks trading on other markets, such as regional exchanges and NASDAQ's national list and supplemental list, contain less information. Pink sheet stocks have no quotations in the newspapers. Moreover, newspapers do not report all regional and NASDAQ stock quotes. Thus, the major difference in visibility through quotation is between the three major markets and the alternatives.

For most of the remaining statements (S14, S1, S9, S15, S16, S8, S12, S10, S13, and S17), it is difficult to attach much practical significance to the results because they do not vary significantly from "no opinion." The only exception is that listing has declined in prestige over the past ten years (S12). This statement received the highest level of agreement by the NMS respondents.

There is a high correlation between the ranking of NYSE and AMEX managers' responses to the 17 closed-end statements. The rankings vary between listed and unlisted companies.[6] In general, the respondents from NMS

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[6]Between members of the NYSE-AMEX, NYSE-NMS, and AMEX-NMS groups, the Spearman rank correlation coefficients on the 17 statements are .97, .44, and .45, respectively. The correlation coefficient for NYSE-AMEX is

companies exhibit a lower level of agreement on all statements. These results are consistent with what one would expect from two groups where one chose to list and the other did not list. Managers of NYSE and AMEX companies are more likely to agree with each other on various listing aspects than with managers of NASDAQ/NMS companies. This finding supports the notion that the responding managers hold beliefs that are consistent with their companies' decisions to list or to remain unlisted.

Chi-square tests including the NYSE, AMEX, and NMS groups reveal significant differences in the responses to individual statements. Table 1 shows that chi-square tests differ in 16 of the 17 statements at the .01 level. The exception is stock prices, on average, decline in value immediately following exchange listing (S17). These differences suggest that managers from NMS companies perceive exchange listing as less beneficial than do managers from listed companies.

Table 2 summarizes the primary and secondary general motives for listing on the NYSE and AMEX. Only 57 of the 93 NYSE respondents and about 60 of the 93 AMEX respondents gave their primary and secondary motives. After combining the percentage responses for the primary and secondary general motives, the three most highly ranked motives for NYSE listing are visibility, prestige, and liquidity/marketability. The three most highly ranked motives for AMEX listing are liquidity/marketability, stock price stability, and future financing alternatives. Thus, liquidity/marketability is the only motive ranked among the top three by both the NYSE and AMEX respondents. Although previous empirical research reports mixed findings on the relationship between liquidity and listing, many survey respondents expect listing to improve liquidity/marketability.[7]

Table 2 also shows a shift in the importance attributed to the general motives of listing for AMEX companies, but not for NYSE companies, when compared with results provided by Baker and Pettit [1]. In the Baker and Pettit study, the most highly ranked motives by respondents from AMEX companies were visibility and prestige. These motives fell to fourth and fifth place, respectively, in the current study. Since the introduction of the NMS, the AMEX has declined as a major marketplace. This change may explain the

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significant at the .01 level, using a two-tail test. The coefficients for the listed/unlisted groups are not significant at the .05 level.

[7]The rankings between the NYSE and AMEX respondents on the eight general motives for listing are not significant at the .05 level, based on a Spearman's rank correlation coefficient of .62. Thus, the importance attached to the general motives for listing differs between NYSE and AMEX managers.

perception that the AMEX no longer conveys the same level of visibility and prestige as it did in 1981.

Table 3 presents the specific motivations for exchange listing. Respondents checked all applicable responses from a list of ten specific motivations. The NYSE and AMEX companies share two specific motives among their top three choices. These motives are greater acceptability of listed paper when making acquisitions for stock and tighter quotation spreads.[8]

Table 4 gives the responses of the NMS group on the primary and secondary reasons for not seeking listing on either the NYSE or AMEX. Only 65 of the 98 respondents gave primary reasons and 62 respondents gave secondary reasons for not seeking exchange listing. The most highly ranked reason for not listing is the view that the costs exceed the benefits of listing. Apparently, the respondents recognize that listing results in added costs because of fee requirements imposed by the exchanges.

The next most highly ranked reason for not listing is a preference for the multiple market maker system to a single specialist. The high ranking of multiple market makers is not surprising because this system is at the heart of the NMS. Others perceive no advantage to exchange listing. The ranking of the most important motives for not seeking exchange listing show little change from those reported by Baker and Pettit [1].

According to the National Association of Securities Dealers, Inc., all the firms surveyed met the financial requirements for AMEX or NYSE listing. Yet some respondents did not perceive their firms as eligible for listing. A firm may be eligible for AMEX listing but ineligible for NYSE listing because of its more stringent requirements. Whether this influenced the respondents in answering the questionnaire is unclear. The overall impact, if any, is slight because only 13 respondents said the failure to meet listing requirements was their primary reason for not seeking exchange listing.

The survey asked managers of listed firms to give their views on several other aspects of listing. One of these areas concerned the question "What were the internal dynamics of getting your company to decide to list?" The responses vary because of the open-ended nature of this question. The most common scenario is that after an individual, generally inside the firm, proposed listing, senior management examined the subject. There is little discussion of the use of either quantitative or qualitative techniques in the listing decision. The motives discussed before, such as the prestige of NYSE listing, reflect the impetus for the proposal to seek exchange listing. For example, one respondent described the listing decision making process as follows:

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[8]The rankings between the NYSE and AMEX respondents on the ten specific motives for listing differ at the .05 level of significance, based on a Spearman's rank correlation coefficient of .68.

The board of directors believed image value justified considering listing and asked the CFO to arrange presentations by NYSE and AMEX. After presentation, the directors asked the CFO and investment bankers' opinions and decided to list on the NYSE.

The survey asked the respondents to indicate whose input counted most in the listing decision. The choices provided were the board of directors, president/CEO, chief financial officer, investment banker, or other. Most NYSE and AMEX respondents (53.1 percent and 53.9 percent, respectively) said the president/CEO is the most important party in the listing decision. The next most important party is the board of directors for NYSE companies (23.4 percent) and the investment banker for AMEX companies (22.4 percent). One explanation for the influence of the investment banker on companies listing on the AMEX may stem from the number of these firms seeking either initial public offerings or secondary offerings.

Another area concerned the major reason for not seeking listing earlier. The reason cited most often by both NYSE and AMEX companies is that they did not qualify for listing because they were too small, too new, or not publicly held.

The responses vary to the question "Do you think that your stock is more fairly valued now that it is listed?" Of the NYSE respondents, 39.8 percent answered yes, 31.3 percent no, and 28.9 percent no opinion. The AMEX responses are similar: 37.2 percent answered yes, 37.2 percent no, and 25.6 percent no opinion. These findings show no clear consensus among managers about whether listing is something of value.

In response to the question, "In retrospect, are you pleased that you listed?" 85.4 percent of the NYSE respondents and 80.9 percent of the AMEX respondents answered yes. When asked "Were your firm's expectations about listing met?" 84.1 percent of the NYSE respondents and 76.4 percent of the AMEX respondents said yes. In those cases where listing did not meet the firms expectations, the respondents cite a lack of stock support by the specialist and no significant increases in visibility, liquidity or marketability, price stability, and value of their stock. In summary, managers of NYSE-listed companies express slightly more satisfaction with the listing decision than their counterparts on the AMEX.

Conclusions

Before presenting the conclusions, the study's limitations should be recognized. First, survey research has potential nonresponse bias, but the high response rate lessens this bias. Second, the study surveys only one manager per company. The financial manager often plays an important role in listing, but the listing decision includes other persons. Finally, the questionnaire has a limited scope.

Nevertheless, the results of the survey lead to several conclusions. First, managers perceive the general motives for listing as both economic and noneconomic in nature. Thus, academic research [2, 6, 8, 18, 19, 22] that dispels the notion that exchange listing provides certain economic benefits to a company does not appear to have influenced the views of many respondents.

Second, the relative importance of the motives for exchange listing has changed since 1981 among AMEX companies, but not among NYSE companies. For example, both visibility and prestige have declined as motives for listing among recently listed AMEX companies. This view appears consistent with the declining position of the AMEX as a leading equity market.

Third, managers perceive that exchange listing has declined in prestige over the last decade. One explanation for this change may be the prominence gained by the NMS since its introduction in 1982.

Finally, the major reasons companies remain on the OTC market show little change since 1981. Managers perceive that the benefits of listing do not outweigh the costs. Furthermore, they prefer the competitive multiple, market maker system to the specialist system on exchanges. These reasons explain why the NASDAQ market is the preferred market for many companies that easily could move to one of the exchanges.

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Table 1
Management Opinions of Exchange Listing

Statement		Market[a]	Rank[b]	Mean[c]	Standard Deviation	% No Opinion	Chi-Square Probability[d]
S3	Listing increases a company's visibility	NYSE	1 (2)	2.24	0.77	0.00	
		AMEX	1 (1)	2.05	0.95	1.08	.0001
		NMS	2 (1.5)	1.21	1.58	8.25	
S6	Listing enhances a corporation's prestige	NYSE	2 (1)	1.89	0.98	2.22	
		AMEX	2 (2)	1.66	0.98	2.17	.0011
		NMS	3 (1.5)	0.71	1.41	10.42	
S7	Listing improves the marketability of the firm's stock	NYSE	3 (3)	1.61	1.20	4.35	
		AMEX	3 (3)	1.46	1.29	6.45	.0001
		NMS	6	0.07	1.63	12.50	
S5	Listing increases institutional investment in a corporation's stock	NYSE	4	1.55	1.30	9.78	
		AMEX	5	1.17	1.35	16.13	.0001
		NMS	8	0.04	1.70	10.42	
S2	Listing eases a firm's task of obtaining future external financing	NYSE	5	1.37	1.35	5.44	
		AMEX	4	1.20	1.26	11.83	.0001
		NMS	5	0.10	1.95	9.28	
S11	Listing increases investor interest in a company's stock	NYSE	6	1.18	1.07	7.61	
		AMEX	7	0.96	1.05	15.05	.0001
		NMS	7	0.04	1.52	16.84	

Table 1 (continued)
Management Opinions of Exchange Listing

Statement		Market[a]	Rank[b]	Mean[c]	Standard Deviation	% No Opinion	Chi-Square Probability[d]
S4	Listing provides a more efficient marketplace than the NASDAQ market for a firm's stock	NYSE	7	1.13	1.56	16.48	
		AMEX	6	0.99	1.66	19.36	.0001
		NMS	17	-1.17	1.65	10.42	
S14	Listing increases the liquidity of a firm's stock	NYSE	8	0.97	1.28	11.11	
		AMEX	8	0.79	1.49	16.85	.0008
		NMS	9	0.01	1.55	15.63	
S1	Exchange listing conveys positive information about a firm's future prospects	NYSE	9	0.89	1.50	8.70	
		AMEX	10	0.66	1.51	15.05	.0001
		NMS	10	-0.15	2.00	13.40	
S9	Listing generates a greater amount of news coverage than if a company's stock had remained unlisted	NYSE	10	0.66	1.42	19.57	
		AMEX	13	0.54	1.55	22.58	.0004
		NMS	11	-0.33	1.67	14.58	
S15	Listing results in more competitive stock pricing	NYSE	11	0.64	1.33	19.10	
		AMEX	11	0.63	1.46	27.47	.0001
		NMS	13	-0.48	1.57	20.83	

Table 1 (continued)
Management Opinions of Exchange Listing

Statement		Market[a]	Rank[b]	Mean[c]	Standard Deviation	% No Opinion	Chi-Square Probability[d]
S16	Prices of listed securities are relatively more stable than if the same securities were unlisted	NYSE	12	0.45	1.58	11.36	
		AMEX	9	0.77	1.47	16.67	.0001
		NMS	14	-0.50	1.57	21.88	
S8	Listing reduces the market's perceived risk of a company's stock	NYSE	13	0.37	1.45	18.49	
		AMEX	14	0.48	1.38	17.20	.0050
		NMS	12	-0.36	1.67	16.67	
S12	Listing has declined in prestige over the past ten years	NYSE	14	0.56	1.36	21.11	
		AMEX	12	0.62	1.37	27.47	.0001
		NMS	1	1.44	1.41	4.17	
S10	Listing reduces a firm's cost of equity capital	NYSE	15	-0.01	1.44	16.30	
		AMEX	15	-0.17	1.32	33.33	.0031
		NMS	16	-0.85	1.49	23.96	
S13	Listing occurs primarily for noneconomic reasons	NYSE	16	-0.24	1.60	10.00	
		AMEX	16	-0.35	1.45	17.58	.0089
		NMS	4	0.51	1.70	16.67	

Table 1 (continued)
Management Opinions of Exchange Listing

Statement		Market[a]	Rank[b]	Mean[c]	Standard Deviation	% No Opinion	Chi-Square Probability[d]
S17	Stock prices, on average, decline in value immediately following exchange listing	NYSE	17	-0.66	1.29	28.74	.6892
		AMEX	17	-0.43	1.24	40.66	
		NMS	15	-0.56	1.17	53.13	

[a] The sample size is NYSE (N = 93), AMEX (n = 93), and NMS (n = 98)

[b] The number in parentheses is the rank of the three statements with the highest level of agreement in 1981 as reported by Baker and Pettit [1]. In 1981 OTC firms ranked the statement "listing widens the geographic spread of the corporation's stockholders" as third

[c] The mean is based on the level of disagreement/agreement where: -3 = strongly disagree, -2 = moderately disagree, -1 = slightly disagree, 0 = no opinion, +1 = slightly agree, +2 = moderately agree, and +3 = strongly agree

[d] Over 20 percent of the cells had expected counts less than five on S3, S6, and S17. Thus, the chi-square may not be a valid test

Table 2
General Motives of Exchange Listing for NYSE and AMEX Companies

General Motives	Primary[a]	Secondary[a]	Rank[b]
		NYSE	
General Motives	(n = 57)	(n = 57)	
Improve visibility	19.3%	15.8%	1 (1)[c]
Value prestige of exchange listing	17.5	15.8	2 (2)
Improve liquidity/marketability	15.8	15.8	3 (4)
Improve future financing financing alternatives	22.8	7.0	4 (3)
Provide a more stable environment for our stock	10.5	10.5	5 (5)
Strengthen company image	5.3	14.0	6
Qualify for institutional holders	1.8	17.5	7
Other	7.0	3.5	8
		AMEX	
General Motives	(n = 61)	(n = 60)	
Improve visibility	13.1%	15.0%	4 (1)[c]
Value prestige of exchange listing	4.9	11.7	5 (2)
Improve liquidity/marketability	27.9	21.7	1 (4)
Improve future financing alternatives	18.0	16.7	3 (3)
Provide a more stable environment for our stock	23.0	18.3	2 (5)
Strengthen company image	8.2	8.3	6
Qualify for institutional holders	0.0	6.7	7
Other	4.9	1.7	8

a Column percentages may not add to 100 due to rounding

b Rank is based on the combined percentages of primary and secondary general motives for exchange listing

c The number in parentheses is the rank of the five most important motives in 1981 for exchange listing as reported by Baker and Pettit [1]

Table 3
Specific Motives of Exchange Listing by NYSE and AMEX Companies

Specific Motives	Percent of Total Sample Responding NYSE[a] (n = 93)	Rank	AMEX[a] (n = 93)	Rank
Improved access to audiences of retail brokers and portfolio managers	48.4%	1	32.3%	5
Greater acceptability of listed paper when making acquisitions for stock	45.2	2	39.8	2
Tighter quotation spreads	39.8	3	45.2	1
More analyst research coverage	39.7	4	30.1	7
Better monitoring of trading	25.8	5	30.1	7
Easier to obtain a clearer picture of what is going on from one specialist than from many market makers	24.7	6	35.5	3
Better newspaper stock table coverage	23.7	7	30.1	7
Exemption from Blue Sky registration	21.5	8	34.4	4
Less price erosion before secondary offerings	11.8	9	16.1	9
Restrictions on short selling	7.5	10	6.5	10

[a] The sum of the percentages in the columns exceeds 100 due to multiple responses

Table 4
Primary and Secondard Reasons for NMS Companies Not Seeking Exchange Listing

Reasons	Primary[a] (n = 65)	Secondary[a] (n = 62)	Rank[b]
Costs exceed the benefits of listing	24.62%	30.65%	1 (2)[c]
Multiple market maker system preferred to a single specialist	20.00	17.74	2 (1)
No advantage to exchange listing	23.08	12.90	3 (3)
Do not meet listing requirements	20.00	4.84	4
NASDAQ exemplifies the future direction of the securities markets	3.08	12.90	5
Restrictive regulations on the exchanges	0.00	9.67	6
Efficiency of trading on the NASDAQ market	6.15	1.61	7
Other	1.54	4.84	8
Greater computerization of the NASDAQ market	0.00	4.84	9
Continuity of trading on the NASDAQ market	1.54	0.00	10
Superior liquidity on the NASDAQ market	0.00	0.00	11

[a] The sum of the percentages in the columns may not add to 100 due to rounding

[b] Rank is based on the combined percentages of primary and secondary reasons for not seeking exchange listing

[c] The number in parentheses is the rank of the three most important motives in 1981 for not seeking exchange listing as reported by Baker and Pettit [1]