

# Investment restrictions and the cross-border flow of information: Some empirical evidence

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## Abstract

We examine market responses to earnings announcements in Singapore and Thailand, where shares restricted to local investors trade alongside otherwise identical shares available to foreigners. Our evidence is consistent with foreigners having superior information-processing ability, rather than locals having pre-announcement private information. A small sample of Thai data that identifies trader nationality shows reduced foreign trading in the pre-announcement period and increased buying afterwards, suggesting that foreigners rely on their information-processing skills rather than pre-announcement information.

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## 1. Introduction

How significant are barriers to international portfolio investment? Explicit barriers take a variety of forms: legal and regulatory controls on capital flows, restrictions on repatriation of dividends and capital, taxes, settlement and custody costs, and expectations about future changes in barriers. The extent to which these barriers effectively segment national capital markets is relevant to a variety of financial management problems.

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