

**THE EFFECT OF THE SARBANES-OXLEY ACT AND CD&A RULE ON COMPENSATION STRUCTURE
AND HEDGING DECISION OF CROSS-LISTED FIRMS**

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ABSTRACT

This study explores possible effects of seeking to impose rules on cross-listing firms that are already subject to equivalent or superior measures under their domestic regime. We expect that cross-listed firms (particularly when they are located in English legal origin countries) will alter the performance-based compensation to fixed compensation awarded to corporate executives under increased regulation scrutiny by SOX and CD&A Rule. Moreover, SOX enhanced transparency and disclosure of derivatives use may lower cross-listed firms' incentives to hedge, particularly for firms located in English legal origin countries with stronger country-level governance.

Keywords: *Compensation; Hedging; Sarbanes-Oxley Act*