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# Thought Piece

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## Trading Places *Leveraging Your Profile, Globally, Through the World's Most Liquid Market*

By Art Samansky & Eric Samansky\*



Eric Samansky and Art Samansky (above), of The Samansky Group\*\*, revise a client's strategic communications plan.

There are many compelling business and public relations reasons for a Chinese company to seek a securities listing in the United States, starting with satisfying the stringent criteria which must be met by foreign and domestic issuers alike.

Satisfying these accounting, corporate governance, disclosure and other rules in the U.S. is often a benefit, especially to a foreign company not well-known in the U.S. or outside its headquarter-nation. Meeting the high standards gives the company added weight in the world's securities markets, and provides an additional comfort level to investors and future investors about the organization.

Other advantages of trading shares in the U.S. include widening worldwide name recognition; expanding liquidity, and possibly obtaining coverage by securities analysts which adds to investor knowledge and awareness of those shares; gaining entrée to a shareholder base among sophisticated and knowledgeable, active investors, both retail and institutional, in the world's most prestigious market; and being able to acquire a U.S. company in a share transaction, which often requires U.S. traded shares.

**Chinese Companies Largely Trade Through Three Major U.S. Markets**

Chinese company shares are largely traded through three key U.S. marketplaces:

- ▣ The New York Stock Exchange (NYSE), which hosts numerous domestic and international radio and television news organizations reporting live from its world-renowned trading floor throughout the trading day, thus offering potential public exposure to a listed company;
- ▣ The Nasdaq Stock Market (Nasdaq), another major U.S. marketplace with trading-hours media coverage; and,
- ▣ The American Stock Exchange (Amex), which regularly has pre-market opening coverage from its floor.

While there are other securities marketplaces in the U.S., such as the OTC Bulletin Board, and numerous regional exchanges, the NYSE, Nasdaq and Amex are the most widely known in the U.S. and the world.

In addition, when traded at the NYSE, Amex, or Nasdaq, a company's name is quoted on the "ticker tape" and on the marketplace's website, adding name recognition and investor awareness.

Lastly, as a company publicly traded in the U.S., media, both domestic and international, may be more willing to consider a story idea about the company and its products and services than that of a non-publicly traded company.

**Recognizing When "News" Is "News"**

Of course, the core issue always is whether the company story is newsworthy and of broad interest. Not every company announcement meets those criteria.

Thus, a company should select an experienced public affairs organization which will assist its personnel in determining news value, training executives to tell the story, and identifying the appropriate reporters about specific subjects.

Similarly, even before the listing takes place, a Chinese company, as any other company, must carefully select an astute investment banker to help navigate the offering in the U.S., help select the appropriate marketplace for the listing, and assist in planning the actual listing in concert with the public affairs organization. (For more information about the differences among the various marketplaces in the U.S. please visit their websites: [www.nyse.com](http://www.nyse.com); [www.nasdaq.com](http://www.nasdaq.com); [www.amex.com](http://www.amex.com); [www.otcbb.com](http://www.otcbb.com)).

The public affairs and investment banking firms also usually work tandem with the marketplace to help plan the listing ceremonies, which generally include a series of attention-getting events on the first day of trading.

But, after the listing ceremonies have ended, to be successful, a company must continuously nurture the trading program in the U.S.

### **Strategic Communications Plan Helps Support A Listing**

For example, to properly support and leverage the listing, a Chinese, or any other company, domestic or foreign, should develop a well-crafted, multi-year strategic communications plan, including components from advertising and marketing to investor relations and media relations.

That plan will ensure there is an on-going and active investor relations program which includes informational mailings to investors, including annual reports in English; regularly scheduled senior management in-person meetings with institutional investors; meetings with the “specialist” firm if listed on the NYSE or Amex; participation in investor conferences; and making management accessible to analysts and journalists on a timely basis.

Accessibility is important during good times and the announcement of good news. It’s even more important when the news is less positive or even negative. A well-structured plan anticipates those needs and incorporates training of executives to deal with the events.

Critical to the effort, too, is issuance of financial data, on a closely adhered to regular schedule; timely, accurate filings with regulators; data transparency, and swift and wide announcement of material information and news; and, a user-friendly, regularly updated website which can be accessed by investors, analysts, media and regulators, including information about products, services, executive speeches, and press releases, and other material.

### **Late Or Incorrect Data Create Investor Concern**

Failure in any of these broad areas usually causes investors and other observers to become concerned or suspicious of company announcements, and the company itself, with the obvious potentially negative ramifications for the share price. Late or incorrect financial data especially often spells major and swift negative media and analyst coverage for a company, creating serious perception problems which often takes years to repair.

## Trading Places (continued)

Lastly, a Chinese company should have in place knowledgeable, English-fluent personnel in the U.S. available to answer at least basic questions from all audiences during the U.S. trading day, coupled with the ability to reach senior management to obtain timely and accurate response to more difficult or complex questions.

These representatives are usually best composed of a full-time company staff person and a U.S.-based consultant familiar with the media and financial communities.

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\*\* The Samansky Group is an affiliate of AC Capital Consulting Group, assisting the latter in the development and implementation of communication strategies for China-based companies looking to list on international stock exchanges.