An Internet Appendix to "Foreign Institutional Ownership and the Global Convergence of Financial Reporting Practices"

This Appendix reports supplemental analyses for "Foreign Institutional Ownership and the Global Convergence of Financial Reporting Practices," with the content summarized as follows:

Definition Table:

Variable Name	Definition
$DIVIDEND_{t+1}$	An indicator variable that equals one if a firm pays a dividend in year *t+1*, and zero otherwise;
$POST2003\_TaxTreaty_t$	An indicator variable that equals one if a firm is domiciled in a country that has an eligible tax treaty with the U.S. under the JGTRRA Act of 2003 in year *t*, and zero otherwise;
$US\_OWN\_FLOAT_t$	Fraction of a firm's free-float held by U.S. mutual funds at the end of year *t*;
$CORR\_RET_t$	The cross-sectional average of Pearson correlation coefficients between a non-U.S. firm's annual stock returns and its U.S. industry peers' annual stock returns, calculated over year *t-4* to *t*;
$CORR\_CFO_t$	The cross-sectional average of Pearson correlation coefficients between a non-U.S. firm's cash flows and its U.S. industry peers' cash flows, calculated over year *t-4* to *t*;
$BETA_t$	Return co-movement, calculated over year *t-4* to *t* by regressing a non-U.S. firm's monthly stock returns on the Datastream U.S. market index returns;
$ASSETTURN_t$	Asset turnover, calculated as sales divided by total assets at the end of year *t*;
$FSALES_t$	Fraction of a firm's total sales to foreign countries in year *t*;
$OPCYCLE_t$	Operating cycle, calculated as the sum of accounts receivable and inventory over sales, multiplied by 360 days and scaled by 1,000 at the end of year *t*;
$SALES\_GR_{t-1\ to\ t}$	Sales growth, calculated as the increase in sales from year *t-1* to *t* scaled by sales in year *t-1*;
$INITIATION_t$	An indicator variable that equals one if a firm's U.S. mutual fund ownership changes from zero to positive in year *t*, and zero otherwise;
$\Delta COMP\_UK_{t\ to\ t+1}$	Change in *COMP_UK* from year *t* to *t+1*, in percentage points. *COMP_UK* is the measure of the reporting comparability between a non-U.K. firm and its U.K. industry peers, adapted from De Franco et al. [2011]. $\Delta COMP\_UK_{t\ to\ t+1}$ is $COMP\_UK_{t+1}$ minus $COMP\_UK_t$, where $COMP\_UK_t$ is estimated from year *t-4* to *t* and $COMP\_UK_{t+1}$ from year *t-3* to *t+1*;
UK_OWN_t	Fraction of a firm's shares held by U.K. mutual funds at the end of year *t*;
$NONUS\_OWN_t$	Fraction of a firm's shares held by non-U.S. foreign mutual funds at the end of year *t*;
US_BLKOWN_t ($US\_NONBLKOWN_t$)	Fraction of a firm's shares held by U.S. mutual funds that own 5% or more (less than 5%), at the end of year *t*;
US_LTOWN_t (US_STOWN_t)	Fraction of a firm's shares held by U.S. mutual funds who own the shares for one year or longer (less than one year), at the end of year *t*.

Table IA1 – Sample distribution by industry-year within emerging and developed markets

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Emerging Markets													
Basic Materials	291	311	340	424	601	670	696	720	750	788	817	839	7,247
Consumer Goods	453	487	556	670	898	1,021	1,081	1,119	1,156	1,228	1,260	1,189	11,118
Consumer Services	151	169	213	261	399	437	446	454	471	504	507	462	4,474
Financials	326	352	405	492	615	701	723	764	788	862	882	852	7,762
Health Care	54	57	74	99	174	200	212	229	240	261	275	274	2,149
Industrials	447	488	538	668	977	1,160	1,234	1,318	1,416	1,517	1,556	1,493	12,812
Oil & Gas	33	39	44	46	63	66	72	73	74	84	84	84	762
Technology	66	85	98	161	239	295	335	365	403	430	431	442	3,350
Telecommunications	23	34	33	44	43	54	59	59	60	60	59	53	581
Utilities	34	38	46	65	127	152	153	134	159	164	167	107	1,346
Total	1,878	2,060	2,347	2,930	4,136	4,756	5,011	5,235	5,517	5,898	6,038	5,795	51,601
Developed Markets													
Basic Materials	569	556	592	626	678	788	839	886	915	997	1,042	1,045	9,533
Consumer Goods	1,031	1,017	1,062	1,073	1,105	1,167	1,168	1,171	1,168	1,179	1,149	1,115	13,405
Consumer Services	729	772	819	879	932	1,044	1,077	1,061	1,051	1,070	1,082	1,065	11,581
Financials	986	973	964	999	1,045	1,136	1,177	1,230	1,250	1,278	1,307	1,294	13,639
Health Care	166	196	230	265	290	342	390	396	398	441	462	444	4,020
Industrials	1,756	1,742	1,817	1,886	1,945	2,042	2,110	2,130	2,133	2,122	2,169	2,124	23,976
Oil & Gas	113	117	139	163	205	249	270	286	301	335	369	377	2,924
Technology	262	299	381	456	584	802	880	896	911	899	900	835	8,105
Telecommunications	33	35	41	48	47	62	72	71	64	65	83	71	692
Utilities	60	63	60	59	97	127	133	105	104	99	93	51	1,051
Total	5,705	5,770	6,105	6,454	6,928	7,759	8,116	8,232	8,295	8,485	8,656	8,421	88,926

This table reports sample distribution by industry-year, separately for emerging and developed markets. Emerging and developed markets are identified using the MSCI Barra classifications. The sample period is between 1998 and 2009.

Table IA2 – Descriptive statistics for the main variables within the sample of U.S. firms

Variable	N	Mean	SD	5%	25%	Median	75%	95%
U.S. Industry Peers of Non-U.S. Firms								
$COMP\_US_{t+1}$	41,729	-13.65	6.615	-25.79	-16.56	-12.75	-8.956	-5.584
$\Delta COMP\_US_{t\ to\ t+1}$	41,729	-0.337	2.913	-4.208	-1.283	-0.213	0.588	3.411
US_OWN_t	41,729	0.177	0.138	0.005	0.049	0.157	0.280	0.422
$SIZE_t$	41,729	12.94	2.008	9.820	11.48	12.87	14.26	16.42
BM_t	41,729	0.690	0.677	0.126	0.323	0.531	0.825	1.741
ROA_t	41,729	0.020	0.144	-0.251	0.008	0.041	0.082	0.171
$RETVOL_t$	41,729	0.467	0.333	0.145	0.255	0.386	0.581	1.039
AGE_t	41,729	16.19	9.847	4.000	8.000	13.00	25.00	34.00
CH_t	41,729	0.245	0.214	0.004	0.069	0.191	0.367	0.679

This table reports the number of observations (N), mean, standard deviation (SD), 5th percentile (5%), 25th percentile (25%), median, 75th percentile (75%), and 95th percentile (95%) for the variables used in our primary analyses, for the sample from which we select U.S. industry peers in calculating the comparability to U.S. firms of non-U.S. firms. The variables include the adapted DKV measure of non-U.S. firms' reporting comparability to their U.S. industry peers (*COMP_US*), one-year change in comparability (*ΔCOMP_US*), U.S. mutual fund ownership (*US_OWN*), the logarithm of market capitalization (*SIZE*), book-to-market ratio (*BM*), return-on-assets ratio (*ROA*), stock return volatility (*RETVOL*), an indicator variable for cross-listing on a U.S. stock exchange (*ADR*), firm age (*AGE*), and closely held ownership (*CH*). Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. All continuous variables are winsorized at the top and bottom 1%.

Table IA3 – Correlation matrix of the main variables within emerging and developed markets

Pearson / Spearman	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Emerging Markets									
(1) $COMP\_US_{t+1}$		0.03*	0.22***	-0.06	0.09***	-0.29***	0.00	0.12***	0.01
(2) US_OWN_t	0.11***		0.31***	-0.09**	0.08***	-0.05**	0.12**	0.09**	-0.04
(3) $SIZE_t$	0.23***	0.56***		-0.38***	0.24***	-0.23***	0.28***	0.29***	0.02***
(4) BM_t	0.03*	-0.07	-0.41***		-0.08***	0.05***	-0.08***	0.03**	0.01*
(5) ROA_t	-0.07***	0.11***	0.23***	-0.24***		-0.21***	0.00	0.03*	0.07***
(6) $RETVOL_t$	-0.35***	-0.13***	-0.23***	-0.01	-0.17***		-0.02*	-0.15***	-0.03
(7) ADR_t	-0.01	0.12***	0.22***	-0.10***	0.02	-0.02		0.07***	-0.07***
(8) AGE_t	0.11***	0.28***	0.23***	0.12***	-0.05	-0.18***	0.05**		0.02*
(9) CH_t	0.01	0.06***	0.06***	0.03	0.07***	-0.05*	-0.06***	0.06*	
Pearson / Spearman	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Developed Markets									
(1) $COMP\_US_{t+1}$		0.05**	0.26***	0.01*	0.21***	-0.34***	0.00	0.17***	0.02
(2) US_OWN_t	-0.04*		0.33***	-0.10***	0.09**	-0.06*	0.11**	0.08**	-0.06**
(3) $SIZE_t$	0.16***	0.44***		-0.32***	0.26***	-0.26***	0.29***	0.36***	0.01**
(4) BM_t	-0.09*	-0.03**	-0.54***		-0.07	0.02*	-0.09***	0.02*	0.02*
(5) ROA_t	-0.18***	0.13***	0.22***	-0.25***		-0.29***	0.00	0.08*	0.08***
(6) $RETVOL_t$	-0.23***	-0.02*	-0.13***	0.02	-0.13**		-0.01	-0.17***	-0.01**
(7) ADR_t	-0.01	0.18***	0.21***	-0.07*	0.03	-0.06*		0.09***	-0.12***
(8) AGE_t	-0.10**	0.20***	-0.02	0.20***	-0.02**	0.01	0.00		-0.02
(9) CH_t	-0.04	0.13**	0.05**	0.05	0.09**	-0.04	0.02	0.10*	

This table reports the Pearson (Spearman) correlations between the measure of non-U.S. firms' reporting comparability to U.S. industry peers (*COMP_US*), U.S. mutual fund ownership (*US_OWN*), and controls, separately for emerging and developed markets. Controls include the logarithm of market capitalization (*SIZE*), book-to-market ratio (*BM*), return-on-assets ratio (*ROA*), stock return volatility (*RETVOL*), an indicator variable for cross-listing on a U.S. stock exchange (*ADR*), firm age (*AGE*), and closely held ownership (*CH*). Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. Pearson (Spearman) correlations are reported above (below) the main diagonal. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA4 – Robustness checks lagging U.S. ownership and controls by one more year

Panel A: Changes-on-levels specifications

	(1) Pooled Sample	(2) Developed Markets	(3)	(4)	(5) Emerging Markets	(6)
Dependent Variables	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US\_Q_{t\ to\ t+1}$	$\Delta COMP\_US\_AS_{t\ to\ t+1}$	$\Delta COMP\_US\_CFO_{t\ to\ t+1}$
US_OWN_{t-1}	**0.322**	**0.107**	**0.967***	**0.365***	**1.169****	**0.804****
	(0.293)	(0.349)	(0.544)	(0.213)	(0.578)	(0.370)
$SIZE_{t-1}$	0.010	-0.004	0.050***	0.023***	0.016	0.006
	(0.007)	(0.008)	(0.014)	(0.009)	(0.017)	(0.012)
BM_{t-1}	-0.391***	-0.338***	-0.419***	-0.049**	-0.452***	-0.254***
	(0.017)	(0.021)	(0.027)	(0.021)	(0.033)	(0.028)
ROA_{t-1}	0.175	0.068	0.934***	0.572***	1.476***	0.702***
	(0.126)	(0.143)	(0.285)	(0.198)	(0.338)	(0.230)
$RETVOL_{t-1}$	0.067	0.076	0.137*	0.216***	0.078	0.047
	(0.048)	(0.065)	(0.071)	(0.050)	(0.086)	(0.050)
ADR_{t-1}	-0.100*	-0.073	-0.141	-0.053	0.041	-0.137
	(0.053)	(0.061)	(0.107)	(0.067)	(0.131)	(0.087)
AGE_{t-1}	0.002	-0.001	0.026***	0.016***	0.029***	0.018***
	(0.001)	(0.001)	(0.004)	(0.002)	(0.004)	(0.003)
CH_{t-1}	0.021	-0.112**	0.094	-0.017	0.128	0.004
	(0.038)	(0.046)	(0.068)	(0.042)	(0.078)	(0.053)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
# of Obs.	130,340	82,182	48,158	27,789	36,097	34,543
Adjusted R^2	0.0786	0.0760	0.0895	0.1291	0.1334	0.0961

Table IA4 – Continued

Panel B: Changes-on-changes specifications

	(1)	(2)	(3)	(4)	(5)	(6)
	Pooled Sample	**Developed Markets**	**Emerging Markets**			
Dependent Variables	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US_{t\ to\ t+1}$	$\Delta COMP\_US\_Q_{t\ to\ t+1}$	$\Delta COMP\_US\_AS_{t\ to\ t+1}$	$\Delta COMP\_US\_CFO_{t\ to\ t+1}$
$\Delta US\_OWN_{t-2\ to\ t-1}$	**1.022*****	**0.606**	**1.639*****	**0.654*****	**1.668*****	**1.176*****
	(0.326)	(0.372)	(0.590)	(0.202)	(0.621)	(0.371)
$\Delta SIZE_{t-2\ to\ t-1}$	0.186***	0.180***	0.238***	0.099***	0.146***	0.180***
	(0.030)	(0.039)	(0.049)	(0.025)	(0.054)	(0.036)
$\Delta BM_{t-2\ to\ t-1}$	-0.011	0.017	-0.025	-0.067***	-0.165***	-0.043
	(0.029)	(0.038)	(0.042)	(0.025)	(0.045)	(0.038)
$\Delta ROA_{t-2\ to\ t-1}$	0.032	0.206	-0.739**	-0.224	-0.890**	-0.572**
	(0.141)	(0.158)	(0.320)	(0.166)	(0.404)	(0.244)
$\Delta RETVOL_{t-2\ to\ t-1}$	-0.247***	-0.284***	-0.209***	-0.016	-0.309***	-0.044
	(0.040)	(0.056)	(0.057)	(0.032)	(0.066)	(0.042)
$\Delta ADR_{t-2\ to\ t-1}$	0.314*	0.282	0.340	0.161	0.521	0.582
	(0.183)	(0.208)	(0.388)	(0.253)	(0.533)	(0.412)
$\Delta CH_{t-2\ to\ t-1}$	0.110	0.100	0.121	-0.065	-0.050	-0.097
	(0.072)	(0.089)	(0.122)	(0.069)	(0.131)	(0.093)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
# of Obs.	116,621	73,916	42,705	25,973	33,368	32,232
Adjusted R^2	0.0665	0.0690	0.0676	0.1305	0.1196	0.0885

Panel A [Panel B] of this table reports the ordinary least squares ("OLS") regression results on the relation between the *levels* of U.S. mutual fund ownership (*US_OWN*) in year *t-1* [the *changes* in U.S. mutual fund ownership from year *t-2* to *t-1*] and the subsequent *changes* in non-U.S. firms' reporting comparability to their U.S. industry peers from year *t* to *t+1*. We measure comparability using the adapted DKV measure (*COMP_US*) and three modified DKV measures (*COMP_US_Q*, *COMP_US_AS*, and *COMP_US_CFO*). Controls in Panel A [Panel B] include the levels of [changes in] the logarithm of market capitalization (*SIZE*), book-to-market ratio (*BM*), return-on-assets ratio (*ROA*), stock return volatility (*RETVOL*), an indicator variable for cross-listing on a U.S. stock exchange (*ADR*), firm age (*AGE*), and closely held ownership (*CH*). Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. The regression is estimated using the pooled sample of all non-U.S. firms in Column (1) of both panels, the developed markets subsample in Column (2), and the emerging markets subsample in Columns (3)-(6). We do not report coefficient estimates on intercepts, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA5 – Changes in emerging market firms' dividend policy surrounding JGTRRA

Dependent Variable	$DIVIDEND_{t+1}$
$POST2003\_TaxTreaty_t$	**-0.019**
	(0.012)
$Controls_t$	Yes
Year FE	Yes
Firm FE	Yes
# of Obs.	43,732
Adjusted R^2	0.6592

This table reports the OLS regression results examining the changes in emerging market firms' dividend policy (*DIVIDEND*) in year *t+1* using a sample from 2002 to 2005, the four years surrounding the JGTRRA Act of 2003. *POST2003_TaxTreaty* is a binary variable that denotes tax treaty eligibility in year *t*. We define controls as the control variables used in Table IA4 Panel A. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. We do not report coefficient estimates on intercepts, controls, year, and firm fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA6 – Comparability to U.S. firms and foreign analyst forecast properties, separately for emerging and developed markets

Emerging Markets	(1)	(2)	(3)
Dependent Variables	$ANALYST\_N\_F_{t+1}$	$ANALYST\_ERR\_F_{t+1}$	$ANALYST\_DISP\_F_{t+1}$
$COMP\_US_t$	**0.005*****	**-0.010*****	**-0.017*****
	(0.001)	(0.003)	(0.006)
$ISSUE_t$	0.021*	-0.070*	-0.075
	(0.012)	(0.039)	(0.065)
$LOSS_t$	0.042***	0.801***	0.815***
	(0.013)	(0.105)	(0.117)
$EVOL_t$	0.222***	0.923***	1.329*
	(0.071)	(0.343)	(0.689)
$TURNOVER_t$	-0.016***	-0.016**	-0.011
	(0.002)	(0.007)	(0.025)
$R\&D_t$	-0.408*	-0.407	-2.328**
	(0.236)	(0.591)	(1.134)
Standard Controls$_t$	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Country FE	Yes	Yes	Yes
# of Obs.	53,665	6,610	2,398
Adjusted R^2	0.3794	0.1496	0.1996
Developed Markets	(1)	(2)	(3)
Dependent Variables	$ANALYST\_N\_F_{t+1}$	$ANALYST\_ERR\_F_{t+1}$	$ANALYST\_DISP\_F_{t+1}$
$COMP\_US_t$	**0.006*****	**-0.010*****	**-0.021*****
	(0.001)	(0.002)	(0.005)
$ISSUE_t$	-0.055***	0.014	-0.013
	(0.009)	(0.018)	(0.034)
$LOSS_t$	0.064***	0.415***	0.871***
	(0.008)	(0.060)	(0.082)
$EVOL_t$	0.059*	0.697**	1.221**
	(0.034)	(0.305)	(0.504)
$TURNOVER_t$	0.044***	0.017	0.004
	(0.005)	(0.044)	(0.031)
$R\&D_t$	0.220**	-0.237	-0.834**
	(0.092)	(0.499)	(0.389)
Controls$_t$	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Country FE	Yes	Yes	Yes
# of Obs.	92,744	16,531	6,905
Adjusted R^2	0.4659	0.0943	0.2406

Top panel [bottom panel] of this table reports the OLS regression results on the relation between the levels of non-U.S. firms' reporting comparability to their U.S. industry peers (*COMP_US*) in year *t* and the levels of forecast properties of the foreign analysts following the firms in year *t+1*, using the emerging markets subsample [developed markets subsample]. The forecast properties are *ANALYST_N_F*, *ANALYST_ERR_F*, and *ANALYST_DISP _F*. We define controls as the control variables in Table IA4 Panel A, plus the levels of an indicator for a reporting loss (*LOSS*), an indicator for issuing debt or equity (*ISSUE*), the volatility of earnings (*EVOL*), stock turnover (*TURNOVER*), and R&D expenditures (*R&D*) in year *t*. Prefix *Δ* denotes

the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA7 – The effect of U.S. institutions on comparability to U.S. firms, using float-adjusted U.S. ownership and firm-years with positive U.S. ownership

	(1) Float-adjusted Ownership	(2) Positive U.S. ownership only
Dependent Variables	$\Delta COMP\_US_{t \text{ to } t+1}$	
$US\_OWN\_FLOAT_t$	**1.342*****	
	(0.474)	
US_OWN_t		**1.774*****
		(0.527)
$Controls_t$	Yes	Yes
Year FE	Yes	Yes
Industry FE	Yes	Yes
Country FE	Yes	Yes
# of Obs.	34,167	21,297
Adjusted R^2	0.1034	0.1221

This table reports the OLS regression results on the relation between the levels of U.S. mutual fund ownership (*US_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*) from year *t* to *t+1*. Column (1) uses the float-adjusted U.S. mutual fund ownership for emerging market firms with non-missing closely-held ownership in year *t* and Column (2) uses the emerging market firms with positive U.S. mutual fund ownership in year *t*. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA8 – Additional identification analyses controlling for firm fixed effects, economic similarity, earnings quality, and year-country fixed effects, and removing mandatory IFRS-adopting firm-years

	(1)	(2)	(3)	(4)	(5)
		Emerging Markets			Emerging Markets excluding Mandatory IFRS adopters
Dependent Variables			$\Delta COMP\_US_{t\ to\ t+1}$		
US_OWN_t	**2.486*****	**1.269****	**1.575****	**1.170****	**1.318****
	(0.803)	(0.503)	(0.666)	(0.486)	(0.551)
$CORR\_RET_t$		0.062			
		(0.109)			
$CORR\_CFO_t$		0.699***			
		(0.190)			
$BETA_t$		0.106***			
		(0.034)			
$ASSETTURN_t$		-0.122***			
		(0.034)			
$FSALES_t$		-0.239**			
		(0.098)			
$OPCYCLE_t$		0.401***	0.463***		
		(0.101)	(0.112)		
$\Delta AQ_{t\ to\ t+1}$			-3.500***		
			(0.483)		
$\Delta SMOOTH_{t\ to\ t+1}$			-0.167***		
			(0.063)		
$LOSS_t$			-0.434***		
			(0.076)		
$SALES\_GR_{t-1\ to\ t}$			0.117*		
			(0.063)		
$Controls_t$	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	No	Yes	Yes	Yes	Yes
Country FE	No	Yes	Yes	Yes	Yes
Firm FE	Yes	No	No	No	No
Country×Year FE	Yes	No	No	Yes	No
# of Obs.	51,601	36,409	35,490	51,601	47,273
Adjusted R^2	0.1373	0.1240	0.1192	0.1406	0.0975

This table reports the OLS regression results on the relation between the levels of U.S. mutual fund ownership (*US_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*) from year *t* to *t+1*. Column (1) replaces industry fixed effects with firm fixed effects. Column (2) includes six additional controls for economic similarity. Column (3) includes two controls for contemporaneous changes in earnings quality as well as three additional controls for the fundamental determinants of earnings quality. Column (4) controls for country-year fixed effects. Column (5) removes firm-years during which the IFRS adoption was mandatory. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as

indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, country, and firm fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA9 – Additional identification analyses controlling for lagged comparability and using change in comparability measured over longer horizons

Dependent Variables	(1) *ΔCOMP_US* *t to t+1*	(2) *ΔCOMP_US* *t to t+2*	(3) *ΔCOMP_US* *t to t+3*	(4) *ΔCOMP_US* *t to t+4*	(5) *ΔCOMP_US* *t to t+5*
US_OWN_t	**1.148*****	**2.126****	**2.959****	**4.843*****	**4.449****
	(0.409)	(1.001)	(1.421)	(1.806)	(2.255)
$COMP\_US_t$	-0.169***				
	(0.004)				
$Controls_t$	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes
# of Obs.	51,601	43,624	36,415	30,003	24,247
Adjusted R^2	0.1772	0.1277	0.1508	0.1695	0.1757

This table reports the OLS regression results on the relation between the levels of U.S. mutual fund ownership (*US_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*). The change in comparability is measured from year *t* to *t+n* in Column (*n*), with *n*=1, 2, 3, 4, and 5. Column (1) includes the level of comparability *COMP_US* in year *t* as an additional control. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA10 – The effect of U.S. ownership initiation on comparability to U.S. firms

Dependent Variables	(1) *ΔCOMP_US* *t to t+1*	(2) *ΔCOMP_US* *t to t+2*	(3) *ΔCOMP_US* *t to t+3*	(4) *ΔCOMP_US* *t to t+4*	(5) *ΔCOMP_US* *t to t+5*
$INITIATION_t$	**-0.031**	**0.073**	**0.410*****	**0.433****	**0.721*****
	(0.072)	(0.113)	(0.156)	(0.201)	(0.228)
ΔControls$_t$	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes
# of Obs.	48,490	40,722	33,662	27,376	21,707
Adjusted R^2	0.0730	0.0873	0.1066	0.1270	0.1467

This table reports the OLS regression results on the relation between the levels of U.S. mutual fund ownership (*US_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*). The change in comparability is measured from year *t* to *t*+*n* in Column (*n*), with *n*=1, 2, 3, 4, and 5. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA11 – The effect of U.K. institutions on comparability to U.K. firms

	(1)	(2)
Dependent Variables	$\Delta COMP\_UK_{t \text{ to } t+1}$	
UK_OWN_t	**0.241**	**1.417***
	(0.787)	(0.807)
$Controls_t$	Yes	Yes
Year FE	Yes	Yes
Industry FE	Yes	Yes
Country FE	Yes	Yes
# of Obs.	51,715	11,742
Adjusted R^2	0.0864	0.1468

This table reports the OLS regression results on the relation between the levels of U.K. mutual fund ownership (*UK_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.K. industry peers (*COMP_UK*) from year *t* to *t+1*. Column (1) uses the entire emerging markets subsample and Column (2) includes only the emerging market firms with positive U.K. mutual fund ownership in year *t*. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA12 – Cross-sectional analyses based on institutions' characteristics

Dependent Variables	(1) $\Delta COMP\_US_{t\ to\ t+1}$	(2) $\Delta COMP\_US_{t\ to\ t+1}$	(3) $\Delta COMP\_US_{t\ to\ t+1}$	(4) $\Delta COMP\_US_{t\ to\ t+1}$	(5) $\Delta COMP\_US_{t\ to\ t+1}$	(6) $\Delta COMP\_US_{t\ to\ t+1}$
US_OWN_t	**1.313*****					
	(0.501)					
$NONUS\_OWN_t$		**0.596**				
		(0.433)				
US_BLKOWN_t			**2.256*****			
			(0.725)			
$US\_NONBLKOWN_t$				**0.273**		
				(0.786)		
US_LTOWN_t					**1.596****	
					(0.626)	
US_STOWN_t						**0.996**
						(0.822)
P-value of the difference in coefficient estimates	***0.03***		***0.01***		***0.08***	
$Controls_t$	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
# of Obs.	51,601	51,601	51,601	51,601	51,601	51,601
Adjusted R^2	0.0941	0.0940	0.0942	0.0939	0.0941	0.0940

This table reports the OLS regression results on the relation between the levels of different types of foreign mutual fund ownership in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*) from year *t* to *t+1*. The different types of foreign mutual fund ownership include the ownership by foreign non-U.S. institutions (*NONUS_OWN*), by foreign blockholders (*US_BLKOWN*), by foreign non-blockholders (*US_NONBLKOWN*), by foreign long-term holders (*US_LTOWN*), and by foreign short-term holder (*US_STOWN*). We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper and the definition table at the beginning of this Internet Appendix. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table IA13 – Cross-sectional analyses based on countries' legal origin

	(1) Developed Common Law Countries	(2) Developed Code Law Countries	(3) Emerging Common Law Countries	(4) Emerging Code Law Countries
Dependent Variables		$\Delta COMP\_US_{t \text{ to } t+1}$		
US_OWN_t	**0.053**	**-0.289**	**-0.528**	**1.802*****
	(0.502)	(0.328)	(1.101)	(0.565)
$Controls_t$	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
# of Obs.	36,338	52,588	17,548	34,053
Adjusted R^2	0.0764	0.0990	0.1287	0.0782

This table reports the OLS regression results on the relation between the levels of U.S. mutual fund ownership (*US_OWN*) in year *t* and the subsequent changes in emerging market firms' reporting comparability to their U.S. industry peers (*COMP_US*) from year *t* to *t+1*. Column (1) uses the developed, common law markets, Column (2) uses the developed, code law markets, Column (3) uses the emerging, common law markets, and Column (4) uses the emerging, code law markets. We define controls as the control variables in Table IA4 Panel A. Prefix *Δ* denotes the change in a variable as indicated by its subscripts. Detailed variable definitions are in Appendix A of the paper. The sample period is between 1998 and 2009. We do not report coefficient estimates on intercepts, controls, year, industry, and country fixed effects for brevity. # of Obs. denotes the number of observations. We report standard errors, adjusted for heteroskedasticity and clustered by firm, in parentheses. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.