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THE DISILLUSION REGARDING THE INFLUENCE OF THE ANGLO-SAXON LEGAL SYSTEM VERSUS THE FRANCO-SAXON LEGAL SYSTEM ON THE CORPORATE SHAREHOLDINGS STRUCTURE

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ABSTRACT

Research on ownership has shown that the legal system explains the ownership concentration in the world. In the Anglo-Saxon countries, and among them the United States of America and Great Britain, regulations are strong and protecting minority shareholders. As a result, the company's capital will be dispersed. However, in countries with a Franco-Saxon legal system, regulations concerning stock ownership are weaker, making expropriation easier. Consequently, firms' ownership will be concentrated in these countries. This article suggests that regulations do not influence the distribution of ownership in Canadian companies. Also, results show that ownership structure of companies in Quebec is similar to the other companies in the rest of Canada. Even though, the two groups of companies are operating in two different legal systems, when comparing them, their results are very similar.

KEYWORDS: Anglo-Saxon Legal System, Franco-Saxon Legal System, Expropriation, Ownership

INTRODUCTION

According to finance theory, a rational investor must diversify his risk by investing in several stocks. Furthermore, according to the capital market described by the CAPM (capital asset pricing model) or the APT (arbitrage pricing theory), the stockholders own portfolio stakes and market portfolio. As a result, ownership of a company will be dispersed. However, the distribution of ownership, based on separation of ownership and control leads to additional agency costs.

The aim of several researches about a separation of ownership and control is to find the optimal mix that will maximize the performance of organizations. Berle and Means (1932), reported that the separation of ownership and control contribute to the conflict between stockholders and managers who aims differ from the maximising of the firms value.

Today, there are three basic understandings concerning the link between performance and the ownership structure: The thesis of converging interests, the thesis of neutrality and the thesis of entrenchment. According to the first thesis, proposed by Berle and Means and developed by Jensen and Meckling (1976), the higher the share of capital held by the managers, the higher the chance those managers will stick to the traditional goal of maximizing stockholders value. Demsetz (1983) suggested the neutrality thesis. He thinks that the maximisation of profits depend from the way that the firms are explored and the influence of their environment pressure. As a result, according to this thesis, all structures are equivalent. The third thesis states that the managers cannot be controlled and can choose to fulfill other goals than the maximising of the firm value.

Following an empirical study realized by Morck, Shleifer and Vishny (1988), they reach the conclusion that according to the region where the company is located, and the proportion of capital owned by the managers, the effect of convergence of interests takes over the entrenchment effect and vice versa.

Fama and Jensen consider the organisations as a set of contracts and are affected by the principle of natural selection. Surviving organisational forms are the ones that are capable of minimizing agency costs when interests of stockholders and managers diverge.

In order to limit these agency costs, financial theory studies several control mechanisms capable to limit manager's opportunism. They researched ways to align management interests with those of the stockholders. The main objective of their study is to find out how to limit management opportunistic behaviour. The existence of a control system is necessary for the survival, the development and the protection of investor's interests. These mechanisms are constituted by external and internal factors. The external parameters cover the market of goods and services, the market for qualified managers and the capital market. The internal control includes hierarchy, mutual auditing, and the board of directors. However, the available systems for controlling the opportunism of non-owners managers are limited; Managers expertise and information asymmetry makes any control mechanism inefficient.

The presence of a major stockholder, whose wealth depends highly on the performance, is an obstacle to managers. An owner of a controlling majority stake will be able to negotiate and efficiently curb the opportunistic behaviour of management.

Recent studies suggest that the Berle and mean's (1932) model of widely dispersed ownership is not common. Furthermore, the structure of ownership changes from a country to another. It is more concentrated in certain countries than others where ownership is more dispersed.

Laporta, Lopez-de-Silanes and Shleifer (1999) examined the structure of ownership in 27 countries. Their study documented the means to enhance control used by the controlling owners. In particular, they reported the use of dual-class shares, pyramids and cross-holdings to achieve control. The results of their study show different concentrations and distribution patterns in the structure of capital, when comparing different countries. According to this study, the suggested structure of ownership described by Berle and Means is valid only in the USA.

Laporta, Lopez-de-Silanes and Shleifer show that the ultimate stockholders control a higher share of capital compared to their ownership rights because they are managing and controlling the company through pyramids. Firms are not controlled by experts and professionals but by owners that do not have necessarily the same interests with the minority shareholders. These managers-owners seems to be the only ones that enjoy dominant control over the companies and can expropriate minority shareholders easily.

Laporta, Lopez-de-Silanes and Shleifer have shown that ownership is dependent from the political and legal system prevailing in each country: Ownership is dispersed and capital is atomized in the countries where the legal system is strong with a good protection of minority shareholders interests. However, when the legal system is weak, ignoring the minority shareholders interest, the structure of ownership will be concentrated in the hands of a few families which generally control the majority of companies operates in those countries. Gadhoum, Lang and Leslie Young (2001) have confirmed the impact of the legal and political system on ownership structure. They have shown that, in the Anglo-Saxon[1] countries, the political system protects the interests of minority shareholders and that situation explains the higher dispersion of ownership. In the Franco-Saxon countries, the structure of ownership is concentrated and inter-links among the companies are very complex. The hypothesis cannot be confirmed when considering ownership distribution in Canada. Although it's an Anglo-Saxon country and having a strong relationship with the USA, ownership structure in Canada is similar to France. Therefore, it is considered to be a "Franco-Saxon" country. Canada is a puzzle for these authors because it's a mix of Anglo-Saxon and Franco-Saxon community. As a result, it is difficult to explain ownership structure by analysing its legal system alone.

This analysis allowed us to question the impact of Quebec, the most important Canada's Francophone province, on the ownership distribution in Canada. So we have to compare Quebec with the rest of the country. Companies in Quebec are influenced by the French legal system, so their ownership distribution is like than in the Franco-Saxon country characterised with a high concentration.

In this article we will try to confirm the work of Gadhoum, Lang and Leslie by analysing the company's ownership in Quebec and comparing it with firm's ownership in the other provinces of Canada. So we are using the same sample of Canadian companies and dividing it into two groups: Quebec and the rest of Canada. The characteristics and the structure of capital of each group were analysed in order to determine if there is some difference between companies in Quebec and in the rest of Canada. The aim is to study and compare the structure of ownership of each group. It will also show how Quebec can influence the ownership results found in Canada.

LITERATURE REVIEW

Berle and Means (1932) showed that the structure of ownership in the USA is dispersed; companies' capital is owned by many small investors. This image of ownership structure was tested by several other studies in USA and in the rest of the world. Holderness and Sheehan (1988) showed that hundreds of US companies have at least one major stockholder[2]. Holderness, Kroszner and Sheehan (1998) found that ownership of US managers is higher than when Berle and Means completed their study. Other studies done on many rich countries show a significant concentration in ownership structure: In Germany, (Franks and Mayer 1994, Gorton and Shmid 1996), in Japan (Prowse 1992, Berglof and Perotti 1994) and in Italy (Barca 1995).

La Porta, Lopez-De-Silanes and Shleifer (1999) studied ownership structure in 27 countries. They concluded that ownership structure is concentrated and families control the majority of companies: 73% of companies managers are from the controlling family and 78.7% have one major stockholder. Results of their study show that concentration is not the same in all the world countries. The picture that is proposed by Berle and Means in USA does not reflect the situation in the other countries of the world. It seems that the model of Berle and Means is applicable only in USA. Shareholders control a higher proportion of capital compared with their ownership stake. This situation is due to the means of enhancing control used by the ultimate owners of firms. Generally, those companies are not controlled by expert managers but by

[1]USA, Great Britain, Venezuela.

[2] According to these authors, the definition of a major shareholder whose control is more than 51% of the votes of a company.

owners who do not always have the same interests as the minority shareholders. These owner-managers seem to have a dominant decision, the authority and the interest to expropriate minor stockholders.

In order to explain ownership distribution in the world, La Porta, Lopez-De-Silanes and Shleifer (1999) have classified countries in two groups. The first one is the common law countries with a strong legal system that protects the interests of minority shareholders. Consequently, this legal system prevents concentration and the stockholders are not interested to possess a large portion of capital since they cannot benefit from opportunistic strategies. The major investor of the firm cannot increase his wealth on the behalf of minority shareholders. The second group is the common law countries, where the system does not protect the minority interests and encouraging major stockholders to expropriate minority shareholders. So the ownership structure will be concentrated. Agency costs in these countries are not between managers and dispersed shareholders but between controlling owners and minorities shareholders since widely-held corporations are not common. According to La Porta, agency costs cannot be eliminated unless the legal system is radically modified by giving more rights to minority shareholders, limiting the use of multiple vote shares and pyramidal structure of governance.

Claessens and Al (2000) have studied the structure of capital of 2980 companies in Eastern Asia. They have found that two thirds of firms (2/3) are controlled by one major stockholder who manages alone his company. They have noticed that 10 of the largest families, in Indonesia and the Philippines, control more that half of the assets of these companies (57.7% et 52.5% respectively).

Faccio and Lang (2000) have analyzed ownership structure of 3740 companies in 5 European countries. They discovered that ownership structure in Europe is concentrated and a few families[3] control 43.9% of firms.

In Canada, since the 1889, legislation over the issue of ownership concentration is developing and growing in the parliamentary debates. Myers (1914) noted that less than 50 individuals control the third of Canada's wealth. « The Royal Commission on Price Spreads » (1935) published a study on the issue of ownership concentration and it concluded that Canadian capital is far to be dispersed.

Rao and Leeshing (1995) and Gadhoum (1995, 1999, 2000) have identified some of the characteristics of Canadian companies. They have showed that the majority of companies are controlled directly or indirectly by at least one major shareholder, that owns more than 50% of the votes rights, and 20% of their shares are owned by insider.

In Canada, the concentration of ownership is high in controlled family companies and companies that are part of a group. Gadhoum (1995) shows that ownership structure of Canadian firms has some similarities with Japanese big group (Keiretsu) characterised with a complex relationships and managed by a few persons from the controlling families. Gadhoum, Lang and Leslie Young (2001) have shown that the legal system prevailing in each country can explain ownership distribution. The authors have made the distinction between the Anglo-Saxon countries and the Franco-Saxon countries. In USA and UK, the structure of ownership is more dispersed but in France, the ownership is concentrated in the hands of a few families. The study of Gadhoum, Lang and Leslie Young (2001) has shown that ownership structure of

[3] In order to calculate ownership and control, they have taken into consideration direct and indirect ownership, the use of multiple voting shares and many ownership structures like pyramidal structures, cross-holdings and reciprocal holdings.

Canadian companies is closer to French companies than to USA and UK firms. This situation leads these authors to classify Canada in the Franco-Saxon group. This slightly surprising result is explained by the impact of the Quebec companies influenced by the French legal system.

RESEARCH HYPOTHESIS

Until now we have showed how ownership concentration in the world is far from being close to the picture described by Berle and Means (1932). The companies with dispersed ownership are scarce. It is more frequent to see one major shareholder controlling firms. La Porta, Lopez-De-Silanes and Shleifer (1999), explained ownership distribution in the world as being related to the prevailing regulations in each country. In the countries where the legal system is strong protecting the interests of minority shareholders, investors seek diversification by investing small amounts in various companies in order to reduce risk of their portfolio. While in the countries where the legal system is weak, investors hold a large stake in companies in order to control firms effectively and increase their wealth by expropriating minority shareholders.

Gadhoum, Lang and Leslie (2001) contributed to the literature studying of corporate governance by examining firms ownership structure in several countries in the world. The results of their analysis showed that the structure of ownership in the Anglo-Saxon countries is different that in the Franco-Saxon countries. In the USA and UK firms, shareholders don't hold a large block of stock, however in France ownership is concentrated in the hands of few stockholders. The authors have shown that the Anglo-Saxon legal system does not encourage detaining large stake in firms, and Major shareholders cannot expropriate minority stockholders whose interests are protected by efficient political and legal system.

Having the same characteristics as the USA, the Canadian legal system is strong and protects the interests of minorities. However, the results of the Canadian firm's ownership are closer to the Franco-Saxon companies than Anglo-Saxon firms.

Gadhoum, Lang and Leslie (2001) have noted that in Canada, 25% of the largest companies are widely held compared to 80% in the USA and 25% in France. This situation permitted to investigate the influence of companies in Quebec on the structure of ownership in Canada. Quebec is the only francophone province in Canada, which leads us to assume that the culture of its firms resembles more to France with a concentrated ownership structure.

Taking into consideration the economic and political importance of Quebec in Canada, we are lead to assume that results found by the authors are exclusive to the Quebec firms.

In this article we will compare the structure of ownership in Quebec with the rest of Canada. Our first aim is to test the influence of the legal system in the ownership structure of Canadian companies; Quebec firms operate in the Franco-Saxon legal system, so ownership concentration will be high and stockholders own large stake of voting rights. In the rest of Canada the distribution of ownership is similar to the Anglo-Saxon countries with dispersed ownership. Our second objective is to verify if ownership structure in Quebec is similar to the Franco-Saxon countries. Therefore, we will compare the ownership distribution of the Quebec firms with the French firms.

RESEARCH METHODOLOGY

We have used "stock guide 1996" to collect the name of 1120 Canadian companies. Canada does not have an electronic database that deals with control and ownership. Therefore, we have used three major sources of information to collect data:

- The financial Post (FP) " Survey of Industrials" and "Survey of Mines and Energy Resources" 1996.
- "*Liens de parenté entre sociétés"* (LP – links among companies) for the year 1996.
- Stock guide database,"corporate profile" section published in 1996.

The collected data was treated in two steps:

At the First Stage: Information was crosschecked over the three sources used to identify the major shareholders and their stake of control and ownership. Discrepancy of a maximum of 3% is accepted to keep the measuring of ownership and voting power. In case of contradicting sources the information was treated in phase two.

Phase two: At this stage we have reconciled differences under sources bye complementary information from the firm's annual reports and web site. If after double-checking information data is still unsatisfactory, we only kept and used the information of FP. When we constructed our database, we have followed the methodology used by Gadhoum, Lang and Leslie (2001) and La porta, Lopez-De-Silanes and Andrei Shleifer (1999). We divided this sample into two groups according to the company city. We ended up with two databases. One included a sample of 151 companies for Quebec. The other database had 833 companies for the rest of Canada[4]. Data collection was made in two stages: We started by identifying the owners, and then we checked stake by calculating their voting right and their ownership rights.

We have imposed two restrictions to our sample: we have excluded the firms affiliated to foreign companies[5] and the companies with anonymous shareholders, because we cannot identify their ownership.

We have traced back the ownership for every company. We only kept shareholders who control at least 5% of voting rights. In many cases the controlling shareholders are corporate entities or financial institutions. In this case, we identified their owners until we encounter an individual shareholders or a company.

The ultimate shareholder differs from major shareholders because part of his controlling power is indirect. Furthermore, a major shareholder can be controlled but the ultimate shareholder cannot be controlled by another entity because he is on the top upper end of a controlling chain of firms.

If the controlling shareholder is a unlisted company, then we consider the company to be family[6] controlled (with the exception of companies controlled by unlisted financial institutions). Finally, we have not distinguished among

[4] We have excluded from our sample the companies that did not have a headquarters location. From the initially selected 1120 companies 984 were held for this analysis.

[5] A company is considered to be foreign if the foreign entity (company, financial institution, individual) owns over 50% of voting rights in this company.

[6] This choice is made because we cannot identify the owners of unlisted companies. We note that this procedure alters our ownership measurements.

individuals and families in the study of ownership. Following previous studies, we look at shareholders who control over 10% and 20% of vote.

The definition of ownership and control is related to cash flow and voting rights respectively. These two measures may differ because of the use of dual-class shares, pyramiding structure, and cross-holdings; if a shareholder holds dual-class shares, he will be able to control a larger stake than what he owns. We define a pyramid as an entity (a family or a company) that holds voting rights of one corporation, which in turn owns another corporation, and so on. For instance, if a family controls 20% of company X, witch control 15% of another company Y, then we should say that the family have 3% (we calculate it by multiplying both ratios, 20%*15%) of the ownership rights and 15% (The minimum between the two voting rights, Min(20%.15%)) of the control rights of the company Y.

If in addition, the same family controls directly 5% of the voting rights of firm Y, we will have cross-holdings. Then the family owns 8% (the sum of the products of the ownership stakes along the two chains (3%+5%)) and control 20% of firm Y (the weakest links along the two chains of voting rights (15%+5%))[7].

By defining the ultimate shareholders, we distinguish between two levels of control. The controlling shareholder is considered an ultimate owner at 10%, if he owns over 10% of the total voting rights, and he is also considered to be ultimate at 20% if he owns over 20% of total voting rights. If a company has two shareholders : one of them owns 15% and the other owns 25% of voting rights, we consider that the company has two ultimate owners at a 10% cut-off level of control and only one at 20% cut-off level. If on the other hand there is not a shareholder who owns over 20% of voting rights, then we would say that the company is widely held at 20%.

As a result we have classified two categories of firms ; the ones that widely held and the other with at least one ultimate owner (holding directly or indirectly 10% or 20% of voting rights).

The classification of ultimate shareholders is divided into 5 categories: 1- Families or individuals, 2- the state, 3- a widely held financial institution, 4- a widely held corporation, or 5- a miscellaneous investors (a charity, a voting trust, a cooperative, a minority foreign investor …). The variables used in our study and their definitions are listed in the table 1.

Findings

Our sample includes 984 Canadian companies of which 151 from Quebec and the other 833 companies are from the rest of Canada. Our definition of ownership and control is related to the ownership right and voting rights held by the ultimate owners.

In section one, we will analyze the collected data and we will answer the question: "who controls firms in Quebec and in the rest of Canada?" We will use the methodology of La porta, Lopez-De-Silanes and Andrei Shleifer (1999). We will find out if the company have ultimate owners at the two levels of control of 10% and 20%. Finally, we classify these ultimate owners in the categories stated previously (family, financial institutions, widely held corporations, state, or miscellaneous)

7 A family is considered as an ultimate shareholder of company Y in both cases.

Our results showed that only 16.91% and 18.19% of firms are widely held in Quebec and in the rest of Canada. Families control 60.29% of firms in Quebec and 55.89% in the rest of Canada, at the 10 percent level. This proportion is at 38.27% in the USA, 38.3% In Eastern Asian and 54.24% in Europe. These results show that there a few families control the majority of firms in Canada. This finding confirms the results of Faccio and Lang (2000) and La porta, Lopez-De-Silanes and Andrei Shleifer (1999). The control of families over US companies is less important where dispersed ownership is high.

The separation of control and ownership contribute to the agency problems between shareholders and managers in widely held firms. In the companies with a concentrated ownership, agency costs oppose major to minor shareholders. Separation of ownership and control is higher when the ultimate owners use dual-class shares, pyramids and a cross-holding. In our study we look and identify these means to achieve separation in Quebec and Canada: The use of a dual class shares in Quebec is equal to 16.30% while it is 15.75% in the rest of Canada.

Pyramids are used to gain control of 31.85% of firms in Quebec and 34.11% in the rest of Canada. Cross holdings is equal to 9.63% in Quebec and 7.23% in the rest of Canada. Our study is organised in this way: In the first stage, we analyzed the distribution of ownership of companies in Quebec and the rest of Canada. Then, we studied the size effect on ownership distribution. Later, we will describe the means to achieve separation; the aim of this analysis is to identify the power of majority shareholders to expropriate minority shareholders. At a later stage we will study the role of the second ultimate owner in controlling the opportunistic strategies of the first ultimate owner of Companies in Quebec and in the rest of Canada. Finally, we will summarize our findings by concluding this paper.

The Distribution of the Ultimate Ownership in Quebec and in The Rest of Canada

The distribution of ownership and the identification of the nature of the ultimate owners are shown in table 2 according to the two levels of control. We noted that 16.91% (35.29%) of the companies in Quebec are widely held compared to 18.19% (36.52) in the rest of Canada at 10% (20%). This concentration in Quebec and the rest of Canada is very high. The student test does not show a significant difference between ownership distribution in Quebec and the rest of Canada.

Gadhoum, Lang and Leslie (2001) found that the companies in USA have a dispersed ownership. In Canada, Our results are very close to the ones found by Faccio and Lang (2000) for the Eastern Asia and in Western Europe firms. These authors reported that 19.75% of firms in Eastern Asia and 15.13% in Western Europe are widely held.

Families represent the highest category of ultimate owners. They control around 60.29% and 55.89% of firms in Quebec and in the rest of Canada, respectively at 10% cut off. The percentage jumps to 43.38 and 41.27%, when we consider a 20% level of control for Quebec and the rest of Canada respectively. Our results are so close to the findings of Faccio and Lang (2000) for the ratios in European firms (54.24% (43.88%) at 10% cat off (20%)). La porta, Lopez-De-Silanes and Andrei Shleifer have found that families control 20% of US companies.

In our sample, widely held financial institution control 15.44% (6.56%) of firms in Quebec at 10% (20%) cut off. In the rest of Canada we find a similar result, widely held financial institutions control only 17.70% of firms, at 10% cut off. Financial institutions control 13.31% of firms voting rights in Quebec and 15.29% in the rest of Canada. Financial institutions play a minor role in the control of Quebec and the rest of Canada firms. In UK, financial institutions control

32.64% of companies (Faccio and Lang 2000).

State controls 4.41% (2.21%) of companies in Quebec and 4.13% (1.55%) of the companies in the rest of Canada, at 10% (20%) cut off. Faccio and Lang (2000) have found the same results for France with a ratio of 5.17% at 10% and 5.11% at 20% cut off. In UK, the state control only 0.19% (0.09%) of the companies at 10% (20%) cut off.

The Canadian political authorities' intervention is frequent aiming to regulate markets and to control the national economic aggregates. However, in UK and USA intervention is less frequent.

Widely held corporation represent an important class of ultimate owners in Quebec and in the rest of Canada compared to USA. Widely held corporations control 11.76% of Quebec firms and 11.85% of the rest of Canada firms, against 4.46% in USA, at a 10% cut-off.

This first analysis shows that the structure of ownership in Canada is very concentrated and families own the majority of companies. The major shareholder wins the control in front of the other owners, so this situation allows him to expropriate easily the minority shareholders. Therefore, ownership distribution in Quebec is similar to the rest of Canada. There is no significant difference if we apply the test of *student* to compare the results among the different groups of our study.

In the USA and in UK, families control also a great number of companies but the concentration of ownership is less important than in Canada. Ownership of companies is more dispersed and we not observe a detention of a large control bloc.

In France, Faccio and Lang (1999) found that 6.26% (14.00%) of companies are widely held and families control 70.44% (64.83%) of firms at a 10% (20%) cut-off.

Results found in Quebec and rest of Canada, are different than those of France and USA. Even though Canada is considered to be an Anglo-Saxon country, its company's ownership distribution is more concentrated than in the Anglo-Saxon countries. Furthermore ownership structure in Quebec is different that in France. According to student test, the difference between ownership in France and in Quebec is significant. We can conclude that the legal system does not explain ownership distribution in Canada.

Size Effect Impact on Concentration

Demsetz and Lehn (1985) showed that the size of the company is inversely related to concentration. The ratio of capital-stock necessary for an effective control decreases when the size of the company increases. As a result, when the shareholders are individuals with less resources and higher diversification needs than those of companies, we expect a negative relationship between the size of the company and concentration. We have used the mean of total assets (calculated from the data found in « stock guide » and in « worldscope »). We have divided the sample of companies in 4 groups: the large ones, the medium sized companies, the small and the smallest ones. The results can be checked in table three.

Consist with previous studies, we have found that the size of companies influence concentration. The proportion of widely held firms is higher for large companies and smallest for the small ones at 10% and 20% cut-off level. In Quebec, 32.14% of the large companies and only 8.70% of the smaller ones are widely held.

Also, we find that the family controlled firms decrease when the firms size increase. 32.14% and 46.43% for the largest companies in Quebec and the rest of Canada respectively are family controlled. Then family controlled 78.26% and 65.38% of the smaller companies of the sample, in Quebec and the rest of Canada, respectively.

Our results for Quebec and the rest of Canada are the same; according to the *student test* the different is not significant. The only difference noticed is for the state control; the Government controls 14.29% of the large companies in Quebec and only 4.29% in the rest of Canada.

Ownership distribution in Quebec and in the rest of Canada stays alike even if we classify our sample of companies according to their size.

Means To Achieve Separation of Ownership and Control

This section deals with the mechanisms used to achieve separation between ownership and control. All the mechanisms that affect the separation of control from ownership like dual-class shares, non-voting shares, pyramidal shareholding, cross holdings, reciprocal holding, and family manager are summarised in table 4. In conformity with the prevailing studies, we noted that the degree of deviation of one share-one vote with the use of multiple voting shares and non-voting shares is generally small in Quebec and in the rest of Canada. We find that only 16.30% (16.30%) and 5.93% (7.36%) of the companies in Quebec (in the rest of Canada) use respectively, dual class shares and non-voting shares.

The ratio of votes O=20%C allow us to detect the effects of the use of different types of shares influencing separation of ownership and control. This ratio measures the minimal proportion of ownership rights necessary to control 20% of voting rights in each company. We found a ratio of 18.28% in Quebec and a ratio of 18.32% for the rest of Canada. This ratio is equal to 19.19% for UK and 19.32 for USA.

Agency problems between minority shareholders and majority shareholders are caused by the separation of ownership and control in the concentrated firms. This separation is strong in Canada. Pyramids are used by 31.85% of firms in Quebec and 9.63% of the ultimate owners use the cross holdings to control firms. In the rest of Canada, pyramids and cross-holdings are used respectively, to gain control of 34.11% and 7.23% of listed companies

Our results for Quebec and the rest of Canada are significantly higher than in USA where the pyramids and cross holdings are used only in 8.52% and 1.15% of listed firms[8]. In France, the use of pyramids and cross-holdings is less important than in Canada. Faccio and Lang (1999) reported that pyramids and cross-holdings are used in 17.75% and 2.99% in France respectively.

A shareholder can reinforce its position in the company, if he is the only ultimate owner of the firm or if he manages directly his company. In our study, we have noted that 39.71% of the companies in Quebec have more than one ultimate owner and in 84.48% (81.03%) of family controlled firms, manager is from a controlled family at 10% (20%) cut-off level. In the rest of Canada, 36.90% of the companies have more that one ultimate owner and 75.47% (72.64%) of family controlled firms are managed by one of their member. There is no significant difference in the way that families control firms in Quebec and the rest of Canada; generally, families do not like to delegate management because they are the founders of the company.

[8] According to Gadhoum, Lang and Leslie (2001)

In Quebec and the rest of Canada, the majority of listed firms are controlled by only one ultimate owner. The role of the other shareholders does not exist, and then expropriation of the minorities is easier. At this point, there is no significant difference between Quebec and the rest of Canada.

The ultimate owners use the means to achieve separation to gain control and expropriate minority shareholders. The legal system in Anglo-Saxon countries protecting the interests of minority shareholders and discourage expropriation does not explain the behaviour of the ultimate ownership in Quebec and the rest of Canada; According to the results found by Faccio and Lang (2000), Gadhoum, Lang and Leslie (2001), we noticed that the use of separation means in Canada is higher than the USA and UK. At this level, the difference is very significant.

Separation of Ownership and Control and Means of Expropriation

In the previous section, we have showed how the use of pyramids, crossed and reciprocal participation and multiple voting shares contribute to the separation between ownership and control. Table 5 explains in detail this separation. We have divided our sample in 3 groups: Family owned companies, state owned firms, and firms controlled by widely held financial institutions. Our aim is to know who every type of ultimate owner uses means to achieve separation in order to expropriate minority shareholders.

We reported the use of pyramid in 37.93% (42.01%) of family owned companies, 0% (58.33%) of state controlled companies and 46.15% (50%) of the companies controlled by widely held financial institutions in Quebec (in the rest of Canada). The behaviour of the three groups seems to be similar, and we cannot confirm the use of means of separation in a group of companies compared to the others. At this stage, the ultimate owner's nature does not explain the use of means to achieve separation.

The previous method is limited in analysing the behaviour of the different types of ultimate owners. The existence of a second ultimate owner in 33.33% of a state controlled companies and 53.85% of companies controlled by widely held financial institutions in Quebec influence the strategic decisions inside the company. This second ultimate owner is, in most of cases, a family. So, the Results found explain the behaviour of state and financial institutions and families too. Families found in the chain of control influence the behaviour and the strategic decisions of the other shareholders in the company.

Table 6 explains in detail the expropriation strategies used by every type of ultimate owners alone. Results show that the use of pyramids, and the cross-holdings is highest in the family owned compared to the other types of firms ; When pyramidal structure is present, 69.77% (64.02%) of the companies are family controlled, 23.26% (23.86%) are controlled by widely held financial institutions, 9.30% (11.74%) are controlled by widely held firms and 6.98% (5.68%) are state controlled in Quebec (in the rest of Canada) at 10% cut-off level of control. At 20% level, families are always the most type of ultimate owners using means to achieve separation between ownership and control.

We noticed that a second ultimate stockholder is more present, in Quebec and in the rest of Canada, when separation means are used; we report that approximately half of the firms using pyramids have more than one ultimate owner at 10% cut off level. The second stockholder is present when the first one uses separation means (pyramids and cross-holdings) in order to fight against opportunistic strategies leading toS expropriations.

At a 20% level, the presence of a second stockholder goes down drastically to reach a ratio of 21.05% and 16.20% of the companies using pyramids in Quebec and in the rest of Canada respectively. At this level of control, the first shareholder gains more control compared to the rest of shareholders by using additional means to achieve separation, so the second ultimate owner will be prevent from using his control power and will, and in the end will be expropriated. We report that the first ultimate owner using pyramidal ownership has 39.03% (42.63%) of voting rights with only 27.03% (31.88%) of ownership rights in Quebec (in the rest of Canada). However, the second shareholders have only 8.14% (7.88%) of the ownership rights and 14.20% (12.71%) of the voting rights of Quebec (rest of Canada) firms.

The great difference between the control of the first ultimate owner and the second ultimate owner in the Canadian companies is due to the using of several means to achieve separation. These means are used only by the first owner giving him the possibility to expropriate the minority shareholders. The results for Quebec are very similar to the ones in the rest of Canada. We cannot find significant difference between the two groups in this study. The use of the separation means is very frequent. Only the first ultimate owner of the company has the effective control and has the possibility to expropriate and increase his wealth to the disadvantage of the other shareholders.

Gadhoum, Lang, and Leslie (2001) showed that in USA, separation between ownership and control is weak. The use of pyramids, cross-holding and reciprocal-holdings, does not target expropriation of minority shareholders but aims a diversification strategy; Large companies, part of this diversification strategy, buy other companies belonging to different industry sectors.

Our results show again that the legal system in the Anglo-Saxon countries does not explain the use of separation means, in Canada.

In Quebec, as in the rest of Canada, expropriation opportunities are available to the majority of companies. As a result, legal constraints are absent to fight against expropriation of minority shareholders. The legal system in Anglo-Saxon countries is not applicable in the rest of Canada and does not explain how ownership is distributed. In addition, the results found for Quebec are significantly different than those of France. This proves that the legal system does not explain ownership distribution of Canadian companies.

Expropriation and the Role of the Second Major Stockholder

The separation between ownership and control contribute to the agency costs. Shleifer and Vishny (1997) showed that in the USA firm's agency costs arises from conflicts between managers and atomised shareholders. However, in other countries, agency costs are generated among majority and minority stockholders.

In table 7 we present several measures that capture expropriation effects in Quebec and in the rest of Canada. The use of Pyramids, cross-holdings, reciprocal-holdings and deviation from one share-one vote, contribute to the separation between ownership and control. We find that the first ultimate shareholder own on average 29.64% of ownership rights and controls 36.48% of voting rights of a Quebec firms. In the rest of Canada, we find the same results; the first shareholder owns on average 30.54% of ownership rights and 38.14% of voting rights.

According to Gadhoum, Lang and Leslie (2001), ownership and control in USA, are lower than in Canada; the ultimate shareholder owns on average 14.61% of ownership rights and 16.01% of voting rights of firms. In the same way, Faccio and Lang (2000) reported that the first shareholder controls on the average 18.65% of voting rights in UK.

The ratio of ownership rights to voting rights measures the degree of separation between ownership and control. We noticed that separation means in Quebec are the same as in the rest of Canada, the ratio of ownership / control is equal to 0.72 in Quebec and 0.77 in the rest of Canada. This ratio is equal to 0.9 in USA, 0.863 in UK and 0.93 in France. These results show a higher separation in Canada than USA, UK and France.

The first shareholder in Canada benefits from separation means and therefore gains more control compared to his ownership rights. This allows him to expropriate minor shareholders and take advantage of his position in the company by benefiting from inter company transaction within the group. In the Anglo-Saxon groups (USA and UK) separation is weak, the opportunities of expropriation are less present, and the probability of having manager from a controlling family is less likely. This confirms the hypothesis presented by Shleifer and Vishny (1997). They claim that, in USA, agency costs are between managers and dispersed owners. In Canada, these agency costs are between minority and majority shareholders.

Gomez and Novaes (1999) show that it is possible to control the opportunistic strategy of the first ultimate owner of a company if there is a second ultimate shareholder ; by holding more voting rights, the second ultimate owner is entitled to assist at extraordinary meetings of the board and can protect his interests against expropriation. Table 8 shows that in Canada, the second shareholder cannot prevent expropriation. Statistics show that when there is more than one ultimate owner, the control of the first ultimate owner represents on the average 1.78 times the control of the second ultimate owner, in Quebec. This ratio is equal to 2.07 for the rest of Canada.

In Canada, only the first ultimate owner uses means to achieve separation and benefits of those means to gain control over the other shareholders of the firms. This feature permits him to expropriate easily the minority shareholders.

CONCLUSIONS

Our study of ownership distribution of companies in Quebec and in the rest of Canada shows that in Canada, ownership structure is very concentrated. Families control the majority of the firms and the ownership is very concentrated. As opposed to the study realized by Berle and Means (1932), we have found that the investors do not seek risk diversification by investing in different stocks. Investors aim to increase their control in their own company using different means to achieve separation and expropriate minority shareholders.

Our results show that ownership structure of Quebec firms that are operating under a Franco-Saxon legal system is similar to the ownership structure of the rest of Canada firms operating under an Anglo-Saxon legal system. Gadhoum, Lang and Leslie (2001) showed that the legal system explains the distribution of ownership structure of companies in the world. They showed that the Anglo-Saxon countries have a strong legal system that protects the interests of minority investors and prevents them from being expropriated. This situation explains the lack of owning a large control bloc by firm's shareholders. The majority of companies should therefore have a dispersed ownership. On the other hand, we have the Franco-Saxon countries with their inefficient legal system; companies are controlled by a limited number of families witch appoint one of their members as manager. Consequently, the possibility to expropriate minority shareholders and accumulate wealth to the disadvantage of the other shareholders is high.

Our results for Canada show that the legal system does not explain ownership distribution in Quebec and in the rest of Canada; despite that these two groups are influenced by different legal systems, they still have the same ownership structure. Our results do not show a significant difference in firm's ownership for the both groups. Ownership in Quebec and in the rest of Canada is concentrated. Firms are controlled by at least one ultimate owner having the majority of voting rights of the company.

The ownership in Quebec and in France is significantly different. All over Canada, investors have the same behaviour and companies have the same culture. There are no similarities with France. This segregation between Quebec and the rest of Canada does not bring new means to explain investor's behaviour in Canada. Community and language difference does not affect ownership distribution of companies in Quebec and in the rest of Canada. Consequently, independence of the two markets is not an issue.

According to Gadhoum, Lang and Leslie, Canada is an Anglo-Saxon country with a good legal system like in USA. However, our results for the rest of Canada do not confirm their study: We have found that ownership distribution is different than in USA and in UK. Ownership distribution in the rest of Canada is very concentrated and the use of expropriation means is frequently use by owners of large control blocs. For Quebec, our results are different than France. In our study, we have compared Quebec to the rest of Canada and the rest of Canada was compared to the USA and UK and Quebec was compared to France. This allowed us to analyse the influence and the effect of the legal system on ownership distribution. In each comparison there is a significant difference. Therefore, the legal system cannot explain ownership distribution in Canada.

We can conclude that the legal system cannot explain ownership distribution in Canada. Firm's ownership structure in Canada is different than in the Anglo-Saxon and the Franco-Saxon countries.

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Table 1: Definitions of the Variables

Variables	Description
Widely held	A company is considered to be widely held if there's no shareholders how owns more than 10% (20%) of voting rights
	=1 if the firm is widely held
	=0 other
Ultimate owner	The ultimate shareholders is an entity (an individual or a widely held firm) owning more than 10% (20%) of the voting rights of the firm.
Concentrated ownership	A company has a concentrated ownership if it has at least one ultimate owner.
	=1 if the company has an ultimate owner.
	=0 other
Family	=1 if the ultimate owner is an individual
	=0 other
State	=1 if the ultimate owner is a municipal, provincial or federal authority.
	=0 other
Widely held financial institution	=1 if the ultimate owner is a widely held financial institution.
	=0 other
Widely held firm	=1 if the ultimate owner is a widely held firm.
	=0 other
Miscellaneous	=1 if the ultimate owner does not belong to the previously listed categories : i.e. union, foreign minority investor owning less than 50% of voting rights.
	=0 other
Foreign company	A company is considered to be foreign when over 50% of its voting rights are controlled by a foreign shareholder.
	=1 if the ultimate owner is a foreign company.
	=0 other
Dual class shares	Are a multiple voting stocks.
	=1 If the company uses a dual class share
	=0 other
Non voting shares	Shares with no voting rights.
	=1 If the company uses no voting shares.
	=0 other

Table 1 (Continued)

Variables	Description
Ratio de vote O=20%C	This ratio measures the minimum proportion of cash flow right allow 20% of voting rights.
	This ratio is equal to 20% if the company do not use multiple voting shares nor non-voting shares.
Presence of a second ultimate owner	=1 if there are at least two ultimate owner that control the company. =0 other
Ownership of the first ultimate owner	Is equal to the cash flow rights owned by the first ultimate owner of the firm.
Control of the first ultimate owner	Is equal to the voting right owner by the first ultimate owner of the firm.
Ownership of the second ultimate owner	Is equal to the cash flow rights owned by the second ultimate owner of the firm.
Control of the second ultimate owner	Is equal to the voting right owner by the second ultimate owner of the firm.
Pyramidal structure (%)	This happens when a firm own one corporation which in turn holds the stock of another.
	=1 if the ultimate owner controls the company through a pyramid.
	=0 other
Cross-holdings (%)	This happens when a company further down the chain of control has some shares in another company in the same business group which in turns owns companies in the chain.
	=1 if the ultimate owner controls the company through a cross-holding
	=0 other
Reciprocal-holdings (%)	This is when an entity X controls another Y which in turn hold a voting rights in company X.
	=1 if there's a reciprocal-holding trough the firm's chain of control .
	=0 other
Manager from the controlling family	=1 if the family controlling the company designs one of its members in the direction board
	0=other
Institutional investors	This is proportion in control rights owned by financial institutions
Concentration	Is the sum of the 5 first blocs of control

Table 2: The Distribution of Control in Publicly Traded Companies in Canada and in Quebec

	Widely Held (%)	**Concentrated Ownership (%)**	**Family (%)**	**Widely Held Financial Institutions (%)**	**Institutional Investors**	**Widely Held Firms (%)**	**State (%)**	**Miscellaneous (%)**
10% Cut-off Level of Control								
QUEBEC N=136	16.91	83.82	60.29	15.44	13.31	11.76	4.41	13.24
CANADA N=775	18.19	80.77	55.89	17.70	15.29	11.85	4.13	10.48
t	-0.36	0.84	0.96	-0.64	-0.80	0.49	0.15	0.95
20% Cut-off Level of Control								
QUEBEC N=136	35.29	63.97	43.38	9.56	13.31	11.76	2.21	5.88
CANADA N=775	36.52	62.58	41.27	10.85	15.29	9.31	1.55	4.28
t	-0.27	0.31	0.46	-0.45	-0.80	0.92	0.56	0.83

Table 3: Size Effect on Concentration

	10% Cut-Off Level of Control																
	Total Sample			Large Companies			Medium Companies			Small Companies			Smallest Companies			F	
	QC N=136	CAN N=775	t	QC N=28	CAN N=146	t	QC N=28	CAN N=146	t	QC N=27	CAN N=145	t	QC N=27	CAN N=145	t	QC	CAN
Widely held (%)	16.91	18.19	-0.36	32.14	21.43	1.224	11.54	14.71	-0.42	21.74	16.18	0.65	8.70	18.46	-1.15	1.96	0.81
Presence of a second ultimate owner (%)	39.71	36.90	0.62	28.57	26.43	0.23	46.15	42.65	0.33	34.78	43.38	-0.77	43.48	36.15	0.67	0.72	1.06
Family (%)	60.29	55.89	0.96	32.14	46.43	-1.39	80.77	55.88	2.40*	52.17	64.44	-1.12	78.26	65.38	1.21	6.79 **	4.46 **
Widely held financial institutions (%)	15.44	17.70	-0.64	17.86	18.57	-0.088	7.69	20.59	-1.55	8.70	17.65	-1.07	17.39	13.85	0.44	0.65	0.72
Widely held firms (%)	11.76	11.85	0.49	7.14	7.91	-0.14	0.00	9.56	-1.65	17.39	12.59	0.62	13.04	12.31	0.1	1.73	0.73
State (%)	4.41	4.13	0.15	14.29	4.29	2.06*	0.00	2.94	-0.88	0.00	6.62	-1.27	0.00	2.31	-0.73	3.84*	1.25
Miscellaneous (%)	13.24	10.48	0.95	14.29	12.86	0.20	7.69	11.03	-0.51	17.39	6.66	1.74	0.00	9.23	-1.52	1.57	1.06
	20% Cut-Off Level of Control																
	Total sample			Large companies			Medium companies			Small companies			Smallest companies			F	
	QC N=136	CAN N=775	t	QC N=28	CAN N=146	t	QC N=28	CAN N=146	t	QC N=27	CAN N=145	t	QC N=27	CAN N=145	t	QC	CAN
Widely held (%)	35.29	36.52	-0.27	39.29	35.00	1.22	34.62	29.41	0.53	34.78	36.03	-0.11	21.74	40.00	-1.67	0.61	1.12
Presence of a second ultimate owner (%)	17.65	15.89	0.62	39.00	31.93	0.94	23.08	22.22	0.09	8.70	22.79	-1.54	21.74	10.77	1.47	0.66	0.73
Family (%)	43.38	41.27	0.46	28.57	36.43	-0.79	57.69	45.59	1.13	39.13	48.15	-0.80	52.17	45.38	0.60	1.87	1.48
Widely held financial institutions (%)	9.56	10.85	-0.45	17.86	12.14	-0.09	3.84	9.56	-0.95	4.35	11.76	-1.06	17.39	10.00	1.04	1.58	0.23
Widely held firms (%)	11.76	9.31	0.92	7.14	8.09	-0.18	11.54	7.75	0.63	8.70	11.45	-0.39	17.39	11.11	0.85	0.49	0.57
State (%)	2.21	1.55	0.56	7.14	1.43	1.82	0.00	1.47	2.02*	0.00	2.94	-0.83	0.00	7.69	-0.42	1.77	0.69
Miscellaneous (%)	5.88	4.28	0.83	0.00	5.71	-1.30	7.69	4.41	0.70	13.04	2.22	2.55*	0.00	3.88	-0.96	2.12	0.73

* significant at 5% ** significant at 1%

Table 4: Means to Achieve Separation

	Quebec N=136	Canada N=775	t
O=20%C	18.28	18.32	-0.085
Non-voting shares (%)	5.93	7.36	-0.594
Dual-class shares (%)	16.30	15.75	0.163
Pyramidal structure (%)	31.85	34.11	-0.511
Cross-holdings (%)	9.63	7.23	0.973
Reciprocal-holdings (%)	2.22	2.84	-0.406
Presence of a second ultimate owner (%)	39.71	36.90	0.623
Manager from a controlling family (%) (level of control at 10%)	50.37	43.67	1.45
Manager from a controlling family (%) (level of control at 20%)	40.74	33.98	1.52

* significant at 5% ** significant at 1%

Table 5: Means to Achieve Separation between Control and Ownership According To the Type of the Ultimate Owner At 20% Level of Control

	Families Controlled Firms			State Controlled Firms			Companies Controlled By Widely Held Financial Institutions		
	Quebec N=59	Canada N=319	T	Quebec N=3	Canada N=12	T	Quebec N=13	Canada N=84	T
O=20%C	16.49	16.92	-0.494	16.89	19.24	-1.159	18.60	17.95	0.430
Non-voting shares (%)	12.07	11.29	0.172	0.00	16.67	-0.721	0.00	10.71	-1.236
Dual-class shares (%)	17.24	22.57	-0.904	33.33	8.33	1.110	38.46	22.62	1.229
Pyramidal structure (%)	37.93	42.01	-0.578	0.00	58.33	-1.908	46.15	50.00	-0.256
Cross-holdings (%)	15.52	10.34	1.151	0.00	16.67	-0.721	23.08	11.90	1.096

Reciprocal-holdings (%)	3.44	5.02	-0.514	0.00	8.33	-0.486	7.69	3.57	0.690
Presence of a second ultimate owner (%)	30.51	29.25	0.195	33.33	25.00	0.273	53.85	45.24	0.574
Manager from a controlling family (%) (level of control at 10%)	84.48	75.47	1.497	0.00	25.00	-0.931	53.85	26.19	2.050*
Manager from a controlling family (%) (level of control at 20%)	81.03	72.64	1.339	0.00	16.67	-0.721	30.77	20.24	0.852

* Significant at 5% ** Significant at 1%

Table 6: The Means to Achieve Separation between Control and Ownership in Canada and in Quebec (the Sample is Classified According to the Use of Pyramids and Cross-Holdings)

	10% Cut-Off Level of Control											
	Family			Widely Held Financial Institutions			Widely Held Firms			State		
	USA	CAN	t	USA	CAN	t	USA	CAN	t	USA	CAN	t
Concentrated firms at 10%	71.93	68.11	0.81	18.42	21.76	-0.80	6.65	6.90	1.03	5.26	4.79	0.22
Presence of a pyramid	69.77	64.02	0.731	23.26	23.86	-0.087	9.30	11.74	-0.466	6.98	5.68	0.334
Presence of cross-holdings	69.23	60.71	0.564	23.08	21.43	0.128	0.00	16.07	-1.555	15.38	3.57	1.651
	Ownership of the First ultimate owner			Control of the First ultimate owner			Ownership of the Second ultimate owner			Control of the Second ultimate owner		
	USA	CAN	t	USA	CAN	t	USA	CAN	t	USA	CAN	t
Concentrated firms at 10%	29.64	30.54	-0.366	36.48	38.14	-0.667	7.23	7.06	0.169	10.11	9.74	0.307
Presence of a pyramid	27.03	31.88	-1.137	39.03	42.63	-0.899	8.14	7.88	0.146	14.20	12.71	0.689
Presence of cross-holdings	42.17	34.70	0.832	55.11	49.99	0.611	12.24	8.14	1.111	17.35	15.74	0.348
	Presence of a Second ultimate owner			Ratio vote O=20%C			Non voting shares			Dual-class shares Votes		
	USA	CAN	t	USA	CAN	t	USA	CAN	t	USA	CAN	t
Concentrated firms at 10%	47.37	45.69	0.331	18.03	18.06	-0.041	7.08	8.63	-0.545	16.81	17.09	-0.072
Presence of a pyramid	62.79	51.14	1.420	17.31	18.52	-1.714	6.98	6.06	0.230	30.23	23.48	0.953
Presence of cross-holdings	53.85	48.21	0.361	16.66	18.32	-1.104	7.69	8.93	-0.140	38.46	17.86	1.630

* significant at 5% ** significant at 1%

Table 6 (Continued)

	Level of Control a t 20%											
	Family			Widely Held Financial Institutions With Distributed Ownership			Widely Held Firms Ownership			State		
	USA	CAN	T	USA	CAN	T	USA	CAN	T	USA	CAN	T
Concentrated firms at 10%	50.88	49.04	0.36	11.40	13.12	-0.50	10.62	7.22	1.24	2.63	1.92	0.50
Presence of a pyramid	51.16	50.76	0.049	13.95	15.91	-0.326	11.63	10.32	0.258	0.00	2.65	-1.079
Presence of cross-holdings	69.23	58.93	0.678	23.08	17.86	0.428	0.00	14.55	-1.465	0.00	3.57	-0.684
	Ownership of the First Ultimate Owner			CONTROL OF THE First Ultimate Owner			Ownership of the Second Ultimate Owner			Control of the Second Ultimate Owner		
	Usa	Can	T	Usa	Can	T	Usa	Can	T	Usa	Can	T
Concentrated firms at 10%	29.64	30.54	-0.366	36.48	38.14	-0.667	7.23	7.06	0.169	10.11	9.74	0.307
Presence of a pyramid	27.03	31.88	-1.137	39.03	42.63	-0.899	8.14	7.88	0.146	14.20	12.71	0.689
Presence of cross-holdings	42.17	34.70	0.832	55.11	49.99	0.611	12.24	8.14	1.111	17.35	15.74	0.348
	Presence of a Second ultimate owner			Ratio vote O=20%C			Non voting shares			Dual-class shares Votes		
	USA	CAN	t	USA	CAN	t	USA	CAN	t	USA	CAN	t
Concentrated firms at 10%	21.05	19.20	0.459	18.03	18.06	-0.041	7.08	8.63	-0.545	16.81	17.09	-0.072
Presence of a pyramid	30.23	25.86	0.602	17.31	18.52	-1.714	6.98	6.060	0.230	30.23	23.48	0.953
Presence of cross-holdings	53.85	35.71	1.202	16.66	18.32	-1.104	7.69	8.93	-0.140	38.46	17.86	1.630

* significant at 5% ** significant at 1%

Table 7: Expropriation in Canada and in Quebec at 10% Cut-Off Level of Control

	Companies with Concentrated Ownership (Level of Control of 10%)		
	QC	CAN	T
Ownership of the first ultimate owner (%)	29.64	30.54	-0.366
The control of the first ultimate owner (%)	36.48	38.14	-0.667
Ratio of ownership over the control of the first ultimate owner	0.84	0.82	0.57
Ratio of ownership over the control of the second ultimate owner	0.72	0.77	-0.698
Ratio of control of the first ultimate owner over the control of the second ultimate owner	1.78	2.07	-1.075
Concentration (the sum of the five first blocs of control)	49.97	51.70	-0.602

* significant at 5% ** significant at 1%

Table 8: Ownership Comparison between Quebec and France (Faccio and Lang 2000)

	Country		t
	Quebec N=151	France N=607	
Widely held at 10%	16,91	6,26	3,837**
Family at 10%	60.29	70.44	-4,925**
State at 10%	4.41	5.17	-0,577
Widely held financial institutions at 10%	15.44	14.60	1,275
Widely held firms at 10%	11.76	2.66	3,397**
Miscellaneous at 10%	13.24	0.86	6,265**
Dual-class shares	16.30	2,64	7,245**
Pyramids	31.85	17,75	5,117**
Cross-holdings	9.63	2.99	3,679**
Reciprocal-holdings	2.22	0	5,57**
Ownership of the first ultimate owner	29,64	46,68	(6,724)**
Control of the first ultimate owner	36.48	48.32	(7,4)**
Ratio of ownership over the control of the first ultimate owner	0.72	0.93	-3,15**
Ratio of ownership over the control of the second ultimate owner	1.78	0,9407	0,825

* Significant at 5% ** Significant at 1%