WASHINGTON -(Dow Jones)- Companies in emerging market nations can gain substantial benefits from cross-listing their stock in the U.S., according to a new study from economists at the Federal Reserve and the International Monetary Fund.

The study finds that U.S. investors don't shy away from emerging market stocks with U.S. listings, in contrast to other research showing that investors are generally reluctant to look abroad. Cross-listed equities might be more attractive because of "better information environments" related to U.S. securities laws, the study said.

"The size of the cross-listing effect is striking," said the study, by IMF senior economist Hali Edison and Fed economist Francis Warnock. The study was posted Wednesday on the Fed's Web site.

Evidence is mounting for more standard required corporate disclosure, the study said. Forthcoming research shows that foreign firms that comply with U.S. securities laws have better financial information available. Other recent research finds that U.S. securities laws affect the behavior of foreign owners.

"If international risk sharing is limited because of information asymmetries, the solution is clear: Uniform investor protection regulations across countries may well result in greater capital market integration," Edison and Warnock said.

Cross-listed stocks were represented in U.S. portfolios at the full weight suggested by international capital asset pricing models, the study said. This was about four times greater than the weight assigned to emerging market firms that had not cross-listed.

"In contrast to the well-documented underweighting of foreign stocks, emerging market equities that are cross-listed on a U.S. exchange are incorporated into U.S. portfolios at full international CAPM weights," the study said.

The report takes advantage of confidential, security-level data collected in two benchmark surveys conducted by the Fed and the Treasury in 1994 and 1997. The surveys were mandatory for U.S. institutional investors and U.S. custodians, such as banks and broker-dealers.

On average, U.S. investors held about 27% of the market capitalization of firms that were cross-listed, but only 7% of market capitalization for firms that were not cross-listed, the study said. Even though financial markets changed a lot between 1994 and 1997, the study's main finding held up. "In 1994, as in 1997, U.S. ownership was about 15% higher for cross-listed stocks," the report said.

The cross-listing effect doesn't appear to be merely a preference for large, liquid stocks, or those included in indices, Edison and Warnock said. They also said the finding held in different regions, even though other conditions varied for different parts of the world.

U.S. investors held 16% of the typical Latin American firm in the sample, compared to 6% of the typical Asian firm. Asian firms tended to be smaller and have more volatile returns. U.S. investors favored large stocks in emerging Asia and high turnover stocks in Latin America.

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