Appendix: Definition of Variables

Table by authors.

Variables	Definition
$Ln\_(1+Count)$	The natural logarithm of $(1+Count)$ where *Count* is the number of M&As announced by a firm in a given year
Pilot	Dummy variable that equals one if the firm is in the pilot stock list of Regulation SHO's pilot program and zero otherwise
During	Dummy variable that equals one if the year is within the three-year period of the pilot program (2005 to 2007) and zero otherwise
After	Dummy variable that equals one if the year is within the three-year period after the pilot program (2007 to 2010) and zero otherwise
CAR	Cumulative abnormal return relative to a size and MB ratio benchmark portfolio over a period of 36 months after the completion of the M&A deal
ASI	Abnormal short interest defined as the difference between the short interest and expected short interest calculated using the model proposed in Karpoff and Lou (2010)
Firm Age	The number of years the firm has been on Compustat with a non-missing stock price
$Agency^{FCF}$	Agency cost of free cash flow. For the firms in the top quartile of Tobin's q, $Agency^{FCF}_{i,t} = 0$. For other firms, $Agency^{FCF}_{i,t} = \frac{INC_{i,t}-TAX_{i,t}-INTEXP_{i,t}-PEDDIV_{i,t}-COMDIV_{i,t}}{Asset_{i,t}}$. *INC* is operating income before depreciation (Compustat item No. 13). *TAX* is total income tax (Compustat item No. 16) minus the change in deferred taxes from the previous year to the current year (change in Compustat item No. 35). *PEDDIV* (Compustat item No. 21) and *COMDIV* (Compustat item No. 19) are dividends on preferred shares and common shares respectively. *Asset* is the firm's total assets.
$CEO\_incentive\_pay$	$CEO\_incentive\_pay_{i,t} = 1 - \frac{Salary_{i,t}+Bonus_{i,t}}{Total\_CEO\_compensation_{i,t}}$, where $Total\_CEO\_compensation$ is item TDC1 in ExecuComp database, which equals the sum of salary, bonus, other annual, the total value of restricted stock granted, the total value of stock options granted calculated using the Black-Scholes option-pricing formula, long-term incentive payouts, and all other totals.
ROA	Return on assets calculated as operating income before depreciation (Compustat item No.13) scaled by total book value of assets (Compustat item No. 6)
MB_Ratio	Market-to-book ratio calculated by the market value of equity (Compustat item No. 24 $\times$ Compustat item No. 25) divided by the book value of equity (Compustat item No. 60)
Leverage	Leverage ratio calculated as long-term debt (Compustat item No. 9) plus debt in current liabilities (Compustat item No. 34) scaled by the sum of long-term debt, debt in current liabilities, and total shareholder's equity (Compustat item No. 144)

Appendix: Continued

Variables	Definition
Ln_MV	Natural logarithm of the market value of equity (Compustat item No. 24 $\times$ Compustat item No. 25)
Ln_Sales	Natural logarithm of total sales (Compustat item No. 12)
CAPEX	Capital expenditures (Compustat item No. 128) scaled by total sales (Compustat item No. 12)
RDX	R&D expenditures (Compustat item No. 46) scaled by total sales (Compustat item No. 12)
Cash	Cash and short-term investment (Compustat item No. 1) scaled by total sales (Compustat item No. 12)
Tobin's q	Tobin's q measure calculated as the market value of equity (Compustat item No. 24 $\times$ Compustat item No. 25) plus the book value of total assets (Compustat item No. 6) minus the book value of equity (Compustat item No. 60), divided by the book value of total assets (Compustat item No. 6)