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Letter to reader 1

Thank you very much for your suggestions. In the new version of the paper, as demanded by the reviewers too, we are going to introduce a wider comparative analysis between countries.

Also we will include references and a more detailed discussion of the problem of the free float of different companies in the countries analysed. It's true that we can find important differences between countries. But we try to control the effects of this variable using a database that guarantees that listed companies have had to comply in their countries minimum requirements for access to the status of listed company (among which are the requirements on free float of their values). For this reason we use the data provided by *The World Bank Database* to ensure a homogeneous database to measure market capitalization (% GDP), who defined that variable in the following terms: "Market capitalization (also known as market value) is the share price times the number of shares outstanding (including their several classes) for *listed domestic companies*. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies are excluded. In this case is expressed as a percentage of GDP". In order to be listed on a regulated market, a company has to fulfil a number of requirements prior to its listing on the stock market and, some of them refers to the shares of a company that can be publicly traded and are not restricted (i.e., held by insiders). For example, Romania establishes that the company has to have a free-float of at least 25% (shares not owned by the company, not by strategic investors).

Finally, a brief discussion to the differences between the levels of capital market efficiency between countries will be included.