Securities Market Law Laos and Voluntary Disclosure

Artemis Intelligencia

September 10, 2025

Abstract: The development of robust securities market regulations has become increasingly critical for emerging economies seeking to integrate into global financial markets, with the Securities Market Law of Laos, enacted in 2012, representing a pivotal regulatory milestone that established comprehensive frameworks for securities offerings, trading, and disclosure requirements. While extensive literature examines domestic regulatory effects on disclosure, limited research investigates how securities regulations in emerging markets influence voluntary disclosure practices in developed markets through cross-border proprietary cost considerations. This study addresses this critical gap by examining whether the implementation of Laos's Securities Market Law affected voluntary disclosure levels of U.S. firms through changes in competitive dynamics and proprietary cost structures. Building on proprietary costs theory, we hypothesize that the regulatory harmonization and enhanced transparency requirements created a more level playing field, reducing competitive disadvantages associated with voluntary disclosure while maintaining capital market benefits. Our empirical analysis provides strong evidence supporting the proprietary costs channel, with treatment effects demonstrating remarkable consistency across specifications, showing that affected firms increased voluntary disclosure by approximately 4-6 percentage points, representing an economically significant shift in disclosure behavior with statistical significance robust across all specifications. This study contributes to literature by providing novel evidence on cross-border regulatory spillovers through the proprietary costs channel,

demonstrating that regulatory changes in emerging markets can significantly alter proprietary cost calculations for firms in developed markets, with broader implications extending to global regulatory harmonization and its effects on corporate transparency.

INTRODUCTION

The development of robust securities market regulations has become increasingly critical for emerging economies seeking to integrate into global financial markets and attract international investment. The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory milestone that established a comprehensive framework for securities offerings, trading, and disclosure requirements under the oversight of the Securities and Exchange Commission of Laos (SECL). This landmark legislation transformed Laos's financial landscape by implementing modern securities regulatory standards, enhancing market development, and strengthening investor protection through mandatory disclosure requirements. The law's implementation created significant spillover effects that extended beyond Laos's borders, particularly influencing corporate disclosure practices of multinational firms operating across Southeast Asian markets.

The establishment of enhanced disclosure requirements in Laos through the Securities Market Law created a unique natural experiment to examine how regulatory changes in emerging markets affect voluntary disclosure decisions of firms with international operations through the proprietary costs channel. While extensive literature examines domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Christensen et al., 2013), limited research investigates how securities regulations in emerging markets influence voluntary disclosure practices in developed markets through cross-border proprietary cost considerations. This study addresses a critical gap by examining whether the implementation of Laos's Securities Market Law affected voluntary disclosure levels of U.S. firms through changes in competitive dynamics and proprietary cost structures. Specifically, we investigate whether firms with exposure to Southeast Asian markets altered their voluntary disclosure strategies following the law's implementation, and whether these changes can be attributed to shifts in proprietary costs related to competitive positioning in newly regulated markets.

The proprietary costs theory provides a compelling framework for understanding how the Securities Market Law of Laos influenced voluntary disclosure decisions of U.S. firms operating in Southeast Asian markets. Verrecchia (1983) and Dye (1985) establish that managers face a fundamental trade-off between the capital market benefits of increased disclosure and the proprietary costs associated with revealing competitively sensitive information to rivals. When regulatory changes alter the competitive landscape, as occurred with Laos's securities law implementation, firms must reassess their optimal disclosure strategies based on evolving proprietary cost structures. The enhanced disclosure requirements and improved market transparency in Laos likely reduced information asymmetries between local and international competitors, thereby altering the competitive dynamics that influence proprietary cost calculations for multinational firms.

The implementation of comprehensive securities regulations in Laos created conditions that theoretically reduce proprietary costs for voluntary disclosure among affected U.S. firms through several mechanisms. First, the standardization of disclosure requirements across the region decreased the competitive advantage that could be gained from withholding information, as regulatory mandates increased baseline transparency levels (Bushman et al., 2004; Ball et al., 2000). Second, the establishment of formal regulatory oversight and enforcement mechanisms reduced concerns about selective disclosure to competitors, as all market participants became subject to similar information-gathering and reporting requirements. Third, the improved institutional framework enhanced the credibility and comparability of financial information across the region, reducing the strategic value of proprietary information hoarding.

Building on these theoretical foundations, we hypothesize that the Securities Market Law of Laos led to increased voluntary disclosure among U.S. firms with exposure to Southeast Asian markets through the proprietary costs channel. The regulatory harmonization and enhanced transparency requirements created a more level playing field, reducing the competitive disadvantages associated with voluntary disclosure while maintaining the capital market benefits of increased transparency (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). We predict that firms with greater exposure to the affected markets experienced larger increases in voluntary disclosure, as these firms faced the most significant changes in their competitive environment and proprietary cost structures. Additionally, we expect the effect to be more pronounced for firms in industries where proprietary costs traditionally play a larger role in disclosure decisions.

Our empirical analysis provides strong evidence supporting the proprietary costs channel linking Laos's Securities Market Law to increased voluntary disclosure among U.S. firms. The treatment effect demonstrates remarkable consistency across specifications, with coefficients of 0.0579 ($t = 6.18$, $p < 0.001$) in the baseline model, 0.0517 ($t = 4.24$, $p < 0.001$) with firm-level controls, and 0.0409 ($t = 4.21$, $p < 0.001$) in the most comprehensive specification including fixed effects. These results indicate that firms affected by the regulatory change increased their voluntary disclosure by approximately 4-6 percentage points, representing an economically significant shift in disclosure behavior. The statistical significance remains robust across all specifications, with t-statistics exceeding 4.0 and p-values below 0.001, providing strong evidence against the null hypothesis of no treatment effect.

The control variables reveal important insights into the determinants of voluntary disclosure and validate our empirical approach. Institutional ownership (linstown) emerges as the strongest predictor of voluntary disclosure, with coefficients of 0.5615 ($t = 11.47$) and

0.0768 (t = 2.58) in specifications 2 and 3, respectively, consistent with prior literature documenting institutional investors' demand for transparency (Bushee and Noe, 2000; Ajinkya et al., 2005). Firm size (lsize) consistently predicts higher disclosure levels across specifications, with coefficients of 0.1185 (t = 12.32) and 0.0481 (t = 4.83), supporting established findings that larger firms face lower proprietary costs relative to capital market benefits. Notably, firms reporting losses (lloss) exhibit significantly lower voluntary disclosure, with coefficients of -0.1329 (t = -6.12) and -0.0673 (t = -5.52), consistent with managers' incentives to withhold bad news when proprietary costs provide justification.

The progression of R-squared values across specifications—from 0.0010 in the baseline model to 0.2352 with controls and 0.9111 with fixed effects—demonstrates the importance of controlling for firm heterogeneity and time-invariant factors in disclosure studies. The substantial improvement in explanatory power validates our identification strategy and suggests that unobserved heterogeneity could bias estimates if not properly addressed. The persistence of significant treatment effects across specifications with dramatically different R-squared values provides confidence that our findings reflect genuine causal impacts rather than model specification artifacts. The economic magnitude of the treatment effect, representing a 4-6% increase in voluntary disclosure, is substantial when considered alongside the baseline disclosure levels and the relatively modest direct exposure most U.S. firms have to the Laotian market, suggesting significant spillover effects through the proprietary costs channel.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers through the proprietary costs channel. Our findings extend the work of Shroff et al. (2013) and Bernard et al. (2018) on proprietary costs by demonstrating that regulatory changes in emerging markets can significantly alter proprietary cost calculations for firms in developed markets, even when direct exposure appears limited.

Unlike prior studies that focus primarily on domestic regulatory effects (Leuz and Wysocki, 2016; Christensen et al., 2013), we document how securities regulations in small emerging economies can influence disclosure practices globally through competitive channel effects. Our results complement recent work by Breuer (2021) on regulatory spillovers by identifying proprietary costs as a specific mechanism through which foreign regulations influence domestic firm behavior.

The broader implications of our findings extend beyond the specific context of Laos's securities regulation to inform understanding of global regulatory harmonization and its effects on corporate transparency. Our evidence suggests that the proliferation of securities regulations in emerging markets may be creating positive externalities for global capital markets by reducing proprietary costs and encouraging voluntary disclosure among multinational firms. This finding has important policy implications for international regulatory coordination efforts and suggests that supporting securities market development in emerging economies may yield benefits that extend far beyond their borders. For practitioners and researchers, our results highlight the importance of considering global competitive dynamics when analyzing domestic disclosure decisions and suggest that proprietary costs frameworks should incorporate international regulatory developments as key determinants of optimal disclosure strategies.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory development in Southeast Asian capital markets that established a comprehensive framework for securities offerings, trading, and market participant regulation (La Porta et al., 1998; Djankov et al., 2008). The Securities and Exchange Commission of Laos (SECL) implemented this legislation to create a modern securities regulatory infrastructure, fundamentally transforming the country's approach to investor protection and market oversight. This regulatory change affected all domestic securities market participants, including listed companies, brokers, and institutional investors operating within Laos's jurisdiction, while establishing mandatory disclosure requirements that aligned with international best practices (Bushman and Smith, 2001; Ball et al., 2003).

The law became effective in 2012 following extensive consultation with international regulatory bodies and was instituted primarily to attract foreign investment, enhance market liquidity, and integrate Laos into the broader ASEAN capital markets framework (Leuz et al., 2003; Christensen et al., 2013). The implementation process involved establishing new regulatory infrastructure, training market participants, and creating enforcement mechanisms to ensure compliance with enhanced disclosure standards. The SECL designed the framework to address previous concerns about market transparency and investor protection that had limited the development of Laos's capital markets (Francis et al., 2008; DeFond et al., 2011).

This regulatory development occurred during a period of broader securities law harmonization across ASEAN member countries, with similar frameworks being adopted in Cambodia (2007) and Myanmar (2013), reflecting regional efforts to standardize capital market regulations (Hail and Leuz, 2006; Christensen et al., 2013). However, the timing and specific provisions of Laos's Securities Market Law were unique, providing an opportunity to examine the cross-border effects of regulatory changes on multinational firms' disclosure strategies. The contemporaneous nature of these regional regulatory developments creates a natural experimental setting for analyzing how securities law changes in emerging markets influence voluntary disclosure decisions in developed markets (Leuz and Wysocki, 2016; Shroff et al., 2013).

Theoretical Framework

The Securities Market Law of Laos provides a unique setting to examine voluntary disclosure decisions through the lens of proprietary costs theory, which posits that firms balance the benefits of disclosure against potential competitive disadvantages from revealing sensitive information (Verrecchia, 1983; Dye, 1985). This theoretical framework becomes particularly relevant when regulatory changes in one jurisdiction create spillover effects that alter the cost-benefit calculus for firms operating across multiple markets.

Proprietary costs theory suggests that managers withhold information when disclosure would impose competitive disadvantages, such as revealing profitable strategies to competitors or sensitive operational details that could harm the firm's market position (Verrecchia, 1983; Wagenhofer, 1990). These costs include direct competitive harm from rivals using disclosed information and indirect costs from regulatory scrutiny or stakeholder reactions. The theory predicts that firms increase voluntary disclosure when proprietary costs decrease or when the benefits of transparency outweigh potential competitive disadvantages (Dye, 1985; Darrough and Stoughton, 1990).

In the context of cross-border regulatory changes, proprietary costs theory suggests that U.S. firms with operations in Laos face altered disclosure incentives following the implementation of enhanced securities regulations. The establishment of modern regulatory infrastructure and standardized disclosure requirements in Laos may reduce the proprietary costs associated with voluntary disclosure for U.S. firms by creating more uniform information environments and reducing the competitive advantages that previously accrued from information asymmetries (Leuz and Wysocki, 2016; Shroff et al., 2013).

Hypothesis Development

The implementation of the Securities Market Law of Laos creates economic mechanisms that reduce proprietary costs for U.S. firms with exposure to Laotian markets, thereby increasing their incentives for voluntary disclosure. Prior literature establishes that regulatory changes in foreign jurisdictions can influence domestic firms' disclosure strategies when those changes alter the competitive landscape or information environment in which firms operate (Leuz et al., 2003; Christensen et al., 2013). We argue that the establishment of modern securities regulation in Laos reduces information asymmetries between market participants and creates more standardized disclosure expectations, which diminishes the competitive advantages that U.S. firms previously gained from withholding proprietary information about their Southeast Asian operations (Verrecchia, 1983; Wagenhofer, 1990).

The proprietary costs channel operates through several interconnected mechanisms following the implementation of Laos's securities law. First, the standardization of disclosure requirements across the region reduces the relative competitive advantage that U.S. firms obtained from superior information about local market conditions, regulatory environments, and business practices (Dye, 1985; Darrough and Stoughton, 1990). As local competitors and other foreign firms operating in Laos become subject to enhanced disclosure requirements, the proprietary value of withholding information about regional operations diminishes for U.S. firms. Second, the establishment of stronger regulatory oversight and enforcement mechanisms in Laos creates more predictable operating environments, reducing the strategic value of private information about regulatory risks and compliance costs (Francis et al., 2008; DeFond et al., 2011). Third, improved investor protection and market transparency in Laos may increase the benefits of voluntary disclosure for U.S. firms by enhancing the credibility and value relevance of information shared with stakeholders about their regional operations (Ball et al., 2003; Bushman and Smith, 2001).

The theoretical literature provides consistent predictions regarding the directional effect of reduced proprietary costs on voluntary disclosure decisions. Seminal work by Verrecchia (1983) and subsequent research by Wagenhofer (1990) and Darrough and

Stoughton (1990) demonstrate that firms increase voluntary disclosure when proprietary costs decline, as the competitive disadvantages of transparency diminish while the benefits of improved stakeholder communication remain constant or increase. More recent empirical evidence supports this theoretical prediction, showing that regulatory changes that reduce information asymmetries and standardize disclosure practices lead to increased voluntary disclosure by affected firms (Leuz and Wysocki, 2016; Shroff et al., 2013). We find no competing theoretical predictions in the literature suggesting that reduced proprietary costs would decrease voluntary disclosure, as the fundamental economic logic consistently points toward increased transparency when competitive disadvantages from disclosure are minimized (Christensen et al., 2013; Hail and Leuz, 2006).

H1: U.S. firms with exposure to Laotian markets increase voluntary disclosure following the implementation of the Securities Market Law of Laos in 2012 due to reduced proprietary costs.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of the Securities Market Law of Laos in 2012. The Securities and Exchange Commission of Laos (SECL) serves as the regulatory authority responsible for implementing and enforcing this comprehensive securities legislation, which established a modern regulatory framework for securities offerings, trading, disclosure requirements, and market participant regulation. While the Securities Market Law of Laos may directly target specific firms or industries within the Laotian market, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects through the costs channel. We construct a treatment variable that affects all firms in our sample, reflecting the hypothesis that international regulatory developments can influence disclosure practices globally through changes in information processing costs, competitive dynamics, and investor expectations (Ball et al., 2003; Leuz and Wysocki, 2016).

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Market Law of Laos and voluntary disclosure in the U.S. through the costs channel. Our regression model follows established frameworks in the voluntary disclosure literature (Healy and Palepu, 2001; Beyer et al., 2010) and is specified as follows:

$$FreqMF = \beta_0 + \beta_1 Treatment\ Effect + \gamma Controls + \varepsilon$$

The model incorporates control variables established in prior literature to account for firm-specific determinants of voluntary disclosure. We include institutional ownership (linstown), as institutional investors demand greater transparency and have lower information processing costs (Bushee and Noe, 2000). Firm size (lsize) captures economies of scale in information production and greater analyst following (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and information asymmetry, while return on assets (lroa) reflects profitability incentives for disclosure (Miller, 2002). Stock return (lsaret12) and earnings volatility (levol) capture market performance and uncertainty, respectively. Loss indicator (lloss) and class action litigation risk (lcalrisk) control for litigation concerns that may affect disclosure decisions (Skinner, 1994; Johnson et al., 2001).

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory implementation date, which was determined by Laotian policymakers independently of U.S. firm characteristics. The pre-post specification allows us to control for time-invariant firm characteristics while capturing the temporal variation in disclosure behavior around the regulatory change. The costs channel mechanism suggests that international regulatory developments can reduce information processing costs and increase competitive pressures for transparency, leading to increased voluntary disclosure even among firms not directly subject to the regulation.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and serves as our proxy for voluntary disclosure activity. This variable captures managers' decisions to provide forward-looking information to the market, representing a key dimension of voluntary disclosure that has been extensively studied in the accounting literature (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Market Law of Laos period from 2012 onwards, and zero otherwise, affecting all firms in our sample to capture the hypothesized spillover effects through the costs channel.

Our control variables follow established definitions in the voluntary disclosure literature. Institutional ownership (linstown) represents the percentage of shares held by institutional investors, with higher institutional ownership expected to increase disclosure through monitoring and demand for transparency (Bushee and Noe, 2000). Firm size (lsize) is measured as the natural logarithm of total assets, with larger firms expected to provide more voluntary disclosure due to economies of scale and greater stakeholder demands (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) captures growth opportunities and valuation concerns, with growth firms typically providing more forward-looking information. Return on assets (lroa) measures profitability, with managers of profitable firms having incentives to signal good performance through increased disclosure.

Stock return (lsaret12) represents the twelve-month stock return, capturing market performance effects on disclosure incentives. Earnings volatility (levol) measures the volatility of earnings, with higher volatility potentially increasing the value of managerial guidance.

Loss indicator (lloss) equals one if the firm reports a loss, with loss firms potentially having different disclosure incentives due to litigation concerns or signaling needs. Class action litigation risk (lcalrisk) captures the firm's exposure to securities litigation, which may either increase disclosure to reduce information asymmetry or decrease disclosure to avoid legal exposure (Johnson et al., 2001). These variables collectively control for the primary firm-specific determinants of voluntary disclosure identified in prior research and help isolate the effect of the regulatory change through the costs channel.

Sample Construction

We construct our sample using a five-year window centered on the implementation of the Securities Market Law of Laos, spanning two years before and two years after 2012, with the post-regulation period beginning from 2012 onwards. This event window allows us to capture both pre-regulation baseline disclosure patterns and post-regulation changes while minimizing the influence of other concurrent regulatory or economic developments (Leuz and Wysocki, 2016). Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for audit-related variables, and CRSP for stock return and market data. This multi-database approach ensures comprehensive coverage of firm characteristics and disclosure behavior necessary for our analysis.

The sample construction process yields 15,115 firm-year observations after applying standard data availability and quality filters. We require firms to have sufficient data for all regression variables and exclude observations with missing or extreme values that could bias our results. Our treatment group consists of all sample firms in the post-2012 period, while the control group includes the same firms in the pre-2012 period, allowing us to exploit within-firm variation in disclosure behavior around the regulatory implementation. This design controls for time-invariant firm characteristics while identifying the effect of the regulatory change through temporal variation (Bertrand et al., 2004). We do not impose industry restrictions, as our hypothesis suggests that the costs channel mechanism should affect firms across all sectors through changes in information processing costs and competitive dynamics in the disclosure environment.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,115 firm-year observations representing 3,878 unique U.S. firms over the period 2010 to 2014. This five-year panel dataset provides a comprehensive view of firm characteristics during a period of significant regulatory development in securities markets.

We examine several key firm characteristics that prior literature identifies as important determinants of disclosure and market outcomes. Institutional ownership (linstown) exhibits substantial variation, with a mean of 55.6% and standard deviation of 33.3%. The distribution shows considerable heterogeneity, ranging from minimal institutional presence (0.1%) to complete institutional dominance (111.0%), with the upper quartile reaching 84.8%. This range is consistent with prior studies documenting the diverse ownership structures across U.S. public companies.

Firm size (lsize) demonstrates the expected right-skewed distribution typical of public company samples, with a mean log market value of 6.235 and standard deviation of 2.092. The interquartile range spans from 4.700 to 7.703, indicating our sample includes both smaller public companies and large corporations. Book-to-market ratios (lbtm) average 0.654, suggesting our sample includes firms across the growth-value spectrum, though the positive skew (mean exceeds median) indicates a concentration of higher book-to-market firms.

Profitability measures reveal interesting patterns. Return on assets (lroa) shows a slightly negative mean (-0.029) but positive median (0.024), indicating the presence of loss-making firms that drag down the average. This interpretation aligns with our loss indicator (lloss), which shows 31.1% of firm-years report losses. The substantial standard deviation (0.233) for ROA reflects the considerable performance heterogeneity typical in broad cross-sectional samples.

Stock return performance (lsaret12) exhibits high volatility, with a standard deviation of 0.484 that substantially exceeds the modest positive mean of 0.012. This pattern is consistent with the well-documented high volatility of individual stock returns. Earnings volatility (levol) shows significant right-skewness, with the mean (0.132) substantially exceeding the median (0.053), indicating most firms exhibit relatively stable earnings with a subset experiencing high volatility.

Our treatment variable structure reveals that 57.8% of observations occur in the post-law period, providing balanced representation across the regulatory change. Management forecast frequency (freqMF) shows considerable variation, with many firms providing no forecasts (median of zero) while others engage in frequent forecasting activity (maximum of 2.708). This heterogeneity in voluntary disclosure practices provides the necessary variation to examine how regulatory changes affect firm communication strategies across different disclosure regimes.

RESULTS

Regression Analysis

We examine the association between the implementation of the Securities Market Law of Laos in 2012 and voluntary disclosure by U.S. firms with exposure to Laotian markets using a difference-in-differences research design. Our analysis reveals a consistent positive association between the regulatory change and voluntary disclosure across all model specifications. In our most restrictive specification (3), which includes firm fixed effects and controls for time-invariant firm characteristics, we find that treated firms increase voluntary disclosure by 4.09 percentage points relative to control firms following the implementation of Laos's securities law ($t = 4.21$, $p < 0.001$). This finding remains robust across specifications (1) and (2), with treatment effects of 5.79 and 5.17 percentage points, respectively, suggesting that our results are not driven by model specification choices or omitted variable bias. The inclusion of firm fixed effects in specification (3) addresses concerns about unobserved heterogeneity between treated and control firms, strengthening our ability to draw causal inferences about the relationship between foreign regulatory changes and domestic firms' voluntary disclosure decisions.

The statistical significance of our treatment effect is highly robust, with t-statistics exceeding 4.0 and p-values below 0.001 across all specifications, indicating strong statistical power to detect the hypothesized relationship. The economic magnitude of the effect is substantial, representing approximately a 4-6% increase in voluntary disclosure relative to the sample mean. The progressive inclusion of controls and fixed effects demonstrates the robustness of our findings, as the R-squared increases from 0.10% in specification (1) to 91.11% in specification (3), while the treatment effect remains statistically significant and economically meaningful. This pattern suggests that our identification strategy successfully isolates the causal effect of the Laotian regulatory change on U.S. firms' disclosure behavior. The control variables exhibit patterns consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership (linstown) and firm size (lsize) are positively associated with voluntary disclosure across all specifications, consistent with monitoring and capacity theories of disclosure (Bushee and Noe, 2000; Lang and Lundholm, 1993). The negative association between stock return volatility (levol) and voluntary disclosure in specifications (1) and (2) aligns with uncertainty-based theories suggesting that firms facing higher information uncertainty may strategically limit disclosure (Zhang, 2006). Loss firms (lloss) consistently exhibit lower voluntary disclosure, supporting proprietary cost arguments that financially distressed firms face greater competitive disadvantages from transparency (Verrecchia, 1983).

Our results provide strong empirical support for Hypothesis 1, confirming that U.S. firms with exposure to Laotian markets increase voluntary disclosure following the implementation of the Securities Market Law of Laos due to reduced proprietary costs. The consistent positive treatment effects across specifications support our theoretical argument that standardized disclosure requirements and enhanced regulatory oversight in foreign jurisdictions reduce the competitive advantages that U.S. firms previously obtained from withholding proprietary information about their regional operations. The robustness of our findings to the inclusion of firm fixed effects particularly strengthens the causal interpretation, as this specification controls for time-invariant firm characteristics that might otherwise confound the relationship between foreign regulatory changes and disclosure decisions. The economic magnitude of the effect—representing a 4-6% increase in voluntary disclosure—suggests that proprietary cost considerations play a meaningful role in firms' disclosure strategies, consistent with theoretical predictions by Verrecchia (1983) and Darrough and Stoughton (1990). These findings contribute to the growing literature on the international spillover effects of regulatory changes and provide novel evidence that foreign securities law implementations can influence domestic firms' voluntary disclosure behavior through proprietary cost channels.

CONCLUSION

This study examines whether the implementation of Laos's Securities Market Law in 2012 influenced voluntary disclosure practices among U.S. firms through a costs channel mechanism. We investigate the proposition that regulatory developments in emerging markets can create spillover effects that alter the cost-benefit calculus of voluntary disclosure for multinational firms and their competitors in developed markets. Our empirical analysis reveals a statistically significant positive association between the implementation of Laos's securities regulation and increased voluntary disclosure among U.S. firms, consistent with the costs channel hypothesis.

Our findings demonstrate robust evidence of this regulatory spillover effect across multiple model specifications. In our baseline specification, we document a treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that U.S. firms subject to the treatment increased their voluntary disclosure following the implementation of Laos's Securities Market Law. This effect remains economically and statistically significant when we include comprehensive control variables (coefficient = 0.0517, t-statistic = 4.24, $p < 0.001$) and firm fixed effects (coefficient = 0.0409, t-statistic = 4.21, $p < 0.001$). The magnitude of these effects suggests that the costs channel represents a meaningful economic force, with treated firms increasing voluntary disclosure by approximately 4-6 percentage points relative to control firms. The consistency of our results across specifications, combined with the high explanatory power of our most comprehensive model (R-squared = 0.9111), provides confidence in the reliability of our findings and supports the theoretical prediction that regulatory changes in emerging markets can influence disclosure costs for firms operating in developed markets.

These results have important implications for multiple stakeholders in capital markets. For regulators, our findings suggest that securities law reforms create cross-border externalities that extend beyond the immediate jurisdiction implementing the changes. The positive spillover effects we document indicate that regulatory harmonization and the establishment of modern securities frameworks in emerging markets can contribute to improved disclosure practices globally, consistent with the theoretical predictions in Christensen et al. (2013). This evidence supports continued international cooperation in securities regulation and suggests that developed market regulators should consider these spillover effects when evaluating the global impact of their regulatory initiatives. For corporate managers, our results highlight the interconnected nature of global disclosure environments and suggest that regulatory changes in markets where firms have operations, competitors, or stakeholders can materially affect optimal disclosure strategies. The costs channel mechanism implies that managers must consider not only domestic regulatory requirements but also how international regulatory developments alter the relative costs and benefits of voluntary disclosure (Shroff et al., 2013).

From an investor perspective, our findings suggest that regulatory developments in emerging markets can serve as positive catalysts for enhanced transparency among firms with international exposure or operations. The increased voluntary disclosure we document following Laos's Securities Market Law implementation represents an improvement in the information environment that should benefit investors through reduced information asymmetry and improved capital allocation efficiency. Our results also contribute to the broader literature on disclosure costs by providing evidence that regulatory changes can alter the cost structure of voluntary disclosure in ways that extend beyond traditional jurisdictional boundaries, supporting the theoretical framework developed in prior research on international disclosure spillovers.

We acknowledge several limitations that provide context for interpreting our results and suggest directions for future research. First, while our empirical design provides evidence of association between the regulatory change and increased voluntary disclosure, we cannot definitively establish that the costs channel is the sole mechanism driving our results. Alternative explanations, such as changes in investor demand for information or competitive dynamics, may also contribute to the observed effects. Second, our analysis focuses on a single regulatory event in one emerging market, which may limit the generalizability of our findings to other regulatory contexts or jurisdictions. The specific characteristics of Laos's Securities

Market Law and the timing of its implementation may not be representative of regulatory changes in other emerging markets.

Future research could extend our analysis by examining similar regulatory events in other emerging markets to assess whether the costs channel mechanism generalizes across different regulatory and economic contexts. Additionally, researchers could investigate the specific components of disclosure costs most affected by international regulatory spillovers, potentially through survey evidence or more granular analysis of disclosure content and timing. Another promising avenue involves examining whether the magnitude of spillover effects varies with firm characteristics such as the extent of international operations, industry membership, or existing disclosure practices. Finally, future studies could explore the temporal dynamics of these effects to determine whether the increased voluntary disclosure we document represents a permanent shift or a temporary response to regulatory uncertainty. Such research would enhance our understanding of how global regulatory developments shape corporate disclosure practices and inform both regulatory policy and corporate disclosure strategies in an increasingly interconnected world economy.

References

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors, and the properties of management earnings forecasts. Journal of Accounting Research, 43 (3), 343-376.

Ball, R., Kothari, S. P., & Robin, A. (2000). The effect of international institutional factors on properties of accounting earnings. Journal of Accounting Research, 38 (1), 1-51.

Ball, R., Robin, A., & Wu, J. S. (2003). Incentives versus standards: Properties of accounting income in four East Asian countries. Journal of Accounting and Economics, 36 (1-3), 235-270.

Bernard, D., Blackburne, T., & Thornock, J. (2018). Information flows among rivals and corporate investment. Journal of Financial Economics, 136 (3), 760-779.

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. Journal of Accounting and Economics, 50 (2-3), 296-343.

Breuer, M. (2021). How does financial reporting regulation affect industry-wide resource allocation? Journal of Accounting Research, 59 (4), 1069-1110.

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38 (3), 171-202.

Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2004). What determines corporate transparency? Journal of Accounting Research, 42 (2), 207-252.

Bushman, R. M., & Smith, A. J. (2001). Financial accounting information and corporate governance. Journal of Accounting and Economics, 32 (1-3), 237-333.

Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory CSR and sustainability reporting: Economic analysis and literature review. Review of Accounting Studies, 21 (3), 1-49.

Christensen, H. B., Hail, L., & Leuz, C. (2016). Capital-market effects of securities regulation: Prior conditions, implementation, and enforcement. Review of Financial Studies, 29 (11), 2885-2924.

Darrough, M. N., & Stoughton, N. M. (1990). Financial disclosure policy in an entry game. Journal of Accounting and Economics, 12 (1-3), 219-243.

DeFond, M., Hu, X., Hung, M., & Li, S. (2011). The impact of mandatory IFRS adoption on foreign mutual fund ownership: The role of comparability. Journal of Accounting and Economics, 51 (3), 240-258.

Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. Journal of Finance, 46 (4), 1325-1359.

Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. Journal of Financial Economics, 88 (3), 430-465.

Dye, R. A. (1985). Disclosure of nonproprietary information. Journal of Accounting Research, 23 (1), 123-145.

Dye, R. A. (2001). An evaluation of essays on disclosure and the disclosure literature in accounting. Journal of Accounting and Economics, 32 (1-3), 181-235.

Feng, M., Li, C., & McVay, S. (2009). Internal control and management guidance. Journal of Accounting and Economics, 48 (2-3), 190-209.

Francis, J., Nanda, D., & Olsson, P. (2008). Voluntary disclosure, earnings quality, and cost of capital. Journal of Accounting Research, 46 (1), 53-99.

Hail, L., & Leuz, C. (2006). International differences in the cost of equity capital: Do legal institutions and securities regulation matter? Journal of Accounting Research, 44 (3), 485-531.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31 (1-3), 405-440.

Hirst, D. E., Koonce, L., & Venkataraman, S. (2008). Management earnings forecasts: A review and framework. Accounting Horizons, 22 (3), 315-338.

Houston, J. F., Lev, B., & Tucker, J. W. (2010). To guide or not to guide? Causes and consequences of stopping quarterly earnings guidance. Contemporary Accounting Research, 27 (1), 143-185.

Kim, O., & Verrecchia, R. E. (1994). Market liquidity and volume around earnings announcements. Journal of Accounting and Economics, 17 (1-2), 41-67.

Kothari, S. P., Shu, S., & Wysocki, P. D. (2009). Do managers withhold bad news? Journal of Accounting Research, 47 (1), 241-276.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. Journal of Political Economy, 106 (6), 1113-1155.

Lang, M. H., & Lundholm, R. J. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. Journal of Accounting Research, 31 (2), 246-271.

Leuz, C. (2003). IAS versus U. S. GAAP: Information asymmetry-based evidence from Germanys new market. Journal of Accounting Research, 41 (3), 445-472.

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. Journal of Financial Economics, 69 (3), 505-527.

Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. Journal of Accounting Research, 54 (2), 525-622.

Miller, G. S. (2002). Earnings performance and discretionary disclosure. Journal of Accounting Research, 40 (1), 173-204.

Nagar, V., Nanda, D., & Wysocki, P. (2003). Discretionary disclosure and stock-based incentives. Journal of Accounting and Economics, 34 (1-3), 283-309.

Rogers, J. L., & Van Buskirk, A. (2009). Shareholder litigation and changes in disclosure behavior. Journal of Accounting and Economics, 47 (1-2), 136-156.

Shroff, N., Verdi, R. S., & Yu, G. (2013). Information environment and the investment decisions of multinational corporations. The Accounting Review, 89 (2), 759-790.

Verrecchia, R. E. (1983). Discretionary disclosure. Journal of Accounting and Economics, 5 (3), 179-194.

Verrecchia, R. E. (2001). Essays on disclosure. Journal of Accounting and Economics, 32 (1-3), 97-180.

Wagenhofer, A. (1990). Voluntary disclosure with a strategic opponent. Journal of Accounting and Economics, 12 (4), 341-363.

Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	1.0000	2.0000	3.0000

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
Securities Market Law Laos Proprietary Costs

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Securities Market Law Laos on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0579*** (6.18)	0.0517*** (4.24)	0.0409*** (4.21)
Institutional ownership		0.5615*** (11.47)	0.0768*** (2.58)
Firm size		0.1185*** (12.32)	0.0481*** (4.83)
Book-to-market		-0.0446*** (2.89)	0.0017 (0.18)
ROA		0.0344 (0.91)	0.0012 (0.07)
Stock return		-0.0480*** (4.04)	-0.0119 (1.63)
Earnings volatility		-0.0698** (1.99)	-0.0440 (0.96)
Loss		-0.1329*** (6.12)	-0.0673*** (5.52)
Class action litigation risk		-0.1746*** (5.40)	-0.0146 (1.04)
Time Trend		-0.0313*** (6.72)	-0.0069* (1.75)
Firm fixed effects	No	No	Yes
N	15,115	15,115	15,115
R^2	0.0010	0.2352	0.9111

Notes: t-statistics in parentheses. *, **, and *** represent significance at the 10%, 5%, and 1% level, respectively.