Securities Market Law Laos and Voluntary Disclosure

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Abstract: The establishment of robust securities market regulations in emerging markets generates significant spillover effects that extend beyond national borders through information asymmetry channels. This study examines how the Securities Market Law of Laos, enacted in 2012, influenced voluntary disclosure decisions among U.S. firms through enhanced information transparency and reduced regulatory arbitrage opportunities. While extensive literature examines domestic effects of securities regulation, limited research investigates cross-border spillover effects on voluntary disclosure practices in developed economies. We address this gap by investigating whether comprehensive securities regulation implementation in emerging markets creates information asymmetry pressures that motivate increased voluntary disclosure among U.S. firms, and through what mechanisms these regulatory changes transmit across international boundaries. Building on information asymmetry theory and competitive disclosure models, we hypothesize that Laos' securities regulation generated positive spillover effects on U.S. voluntary disclosure by creating new information benchmarks that altered investor expectations and competitive dynamics. Our empirical analysis provides robust evidence supporting this relationship, revealing a statistically significant treatment effect ranging from 4.09 to 5.79 percentage points across specifications, indicating that firms exposed to regulatory spillover effects increased voluntary disclosure relative to control firms. The treatment effect remained positive and highly significant across multiple specifications, demonstrating the robustness of information

asymmetry channels in transmitting regulatory effects internationally. These findings contribute novel evidence on international regulatory spillovers, representing the first systematic evidence of how emerging market regulatory changes influence voluntary disclosure in developed economies through competitive information dynamics, with important implications for understanding global capital market interconnectedness.

INTRODUCTION

The establishment of robust securities market regulations represents a critical milestone in emerging market development, with far-reaching implications that extend beyond national borders. The Securities Market Law of Laos, enacted in 2012 under the oversight of the Securities and Exchange Commission of Laos (SECL), created a comprehensive regulatory framework governing securities offerings, trading activities, and disclosure requirements for market participants. This landmark legislation not only modernized Laos' financial infrastructure but also generated significant spillover effects in global capital markets through enhanced information transparency and reduced regulatory arbitrage opportunities (Bushman and Smith, 2001; Hope, 2003). The law's emphasis on standardized disclosure requirements and investor protection mechanisms created new information channels that fundamentally altered the competitive landscape for voluntary disclosure practices worldwide.

The implementation of Laos' securities regulations presents a unique natural experiment for examining how regulatory changes in emerging markets influence corporate disclosure behavior in developed economies through information asymmetry channels. While extensive literature examines domestic effects of securities regulation (La Porta et al., 2006; Leuz and Wysocki, 2016), limited research investigates cross-border spillover effects on voluntary disclosure practices. This study addresses a critical gap by examining whether the establishment of Laos' securities market framework influenced voluntary disclosure decisions among U.S. firms operating in similar industries or markets. We investigate two primary research questions: First, does the implementation of comprehensive securities regulation in emerging markets create information asymmetry pressures that motivate increased voluntary disclosure among U.S. firms? Second, through what specific mechanisms do these regulatory changes transmit across international boundaries to influence corporate transparency decisions?

Information asymmetry theory provides a compelling framework for understanding how regulatory changes in emerging markets can influence voluntary disclosure behavior in developed economies. When emerging markets implement comprehensive securities regulations, they reduce information gaps between domestic and international investors, creating new benchmarks for transparency and disclosure quality (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). This regulatory convergence generates competitive pressures on firms in developed markets to maintain their relative information advantage through enhanced voluntary disclosure. The theoretical foundation rests on the premise that managers strategically adjust disclosure policies to minimize adverse selection costs and maintain optimal capital market access when faced with changing information environments (Healy and Palepu, 2001; Beyer et al., 2010).

The establishment of Laos' Securities Market Law created a significant shift in regional information dynamics, particularly affecting firms with exposure to Southeast Asian markets or similar emerging economy operations. As Laos implemented standardized disclosure requirements and enhanced investor protection mechanisms, U.S. firms faced increased pressure to differentiate themselves through superior voluntary disclosure practices (Dye, 2001; Verrecchia, 2001). This competitive response mechanism operates through several channels: reduced information rents from proprietary information, increased investor expectations for transparency, and enhanced comparability pressures from improved emerging market disclosure standards. The theoretical prediction suggests that U.S. firms most exposed to these competitive pressures would respond with measurably higher levels of voluntary disclosure to maintain their information quality premium and preserve favorable capital market conditions.

Building on signaling theory and competitive disclosure models, we hypothesize that the implementation of Laos' securities regulation generated positive spillover effects on U.S. voluntary disclosure through information asymmetry reduction mechanisms. The regulatory change created new information benchmarks that altered investor expectations and competitive dynamics, particularly for firms operating in industries with significant emerging market exposure (Admati and Pfleiderer, 2000; Fishman and Hagerty, 1989). We predict that this regulatory spillover effect manifests as increased voluntary disclosure intensity among affected U.S. firms, with the magnitude of response varying based on firms' exposure to competitive pressures from improved emerging market transparency. The theoretical framework suggests that firms with higher information asymmetry ex-ante would exhibit stronger responses to these regulatory spillovers, as they face greater pressure to maintain their relative information advantage through enhanced voluntary disclosure practices.

Our empirical analysis provides robust evidence supporting the hypothesized relationship between Laos' Securities Market Law implementation and increased voluntary disclosure among U.S. firms. The baseline specification reveals a statistically significant treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that firms exposed to the regulatory spillover effects increased their voluntary disclosure by approximately 5.79 percentage points relative to control firms. This economically meaningful effect persists across multiple specifications, with the treatment coefficient remaining positive and highly significant at 0.0517 (t-statistic = 4.24, $p < 0.001$) when including firm-level controls and 0.0409 (t-statistic = 4.21, $p < 0.001$) in the most comprehensive specification with fixed effects. The consistency of these results across specifications demonstrates the robustness of the information asymmetry channel in transmitting regulatory effects across international boundaries.

The control variables provide additional insights into the determinants of voluntary disclosure behavior and validate our empirical approach. Institutional ownership (linstown) exhibits the strongest predictive power with a coefficient of 0.5615 (t-statistic = 11.47) in the intermediate specification, consistent with institutional investors' demand for enhanced transparency (Bushee and Noe, 2000). Firm size (lsize) demonstrates a positive and significant relationship (coefficient = 0.1185, t-statistic = 12.32), supporting established findings that larger firms engage in more extensive voluntary disclosure (Lang and Lundholm, 1993). The negative coefficients on loss indicators (lloss = -0.1329, t-statistic = -6.12) and calculated risk measures (lcalrisk = -0.1746, t-statistic = -5.40) align with theoretical predictions that firms facing adverse conditions may reduce voluntary disclosure to avoid negative market reactions.

The high explanatory power achieved in our most comprehensive specification (R-squared = 0.9111) demonstrates that our model effectively captures the key determinants of voluntary disclosure behavior while isolating the specific effect of Laos' securities regulation through the information asymmetry channel. The treatment effect remains economically significant even after controlling for firm characteristics, time trends, and fixed effects, suggesting that the regulatory spillover represents a distinct mechanism beyond traditional disclosure determinants. The magnitude of the treatment effect, ranging from 4.09 to 5.79 percentage points across specifications, indicates that international regulatory changes can generate substantial impacts on domestic disclosure practices through information asymmetry channels. These findings provide compelling evidence that securities market regulations in emerging economies create meaningful spillover effects that influence corporate transparency decisions in developed markets through competitive information dynamics.

This study contributes to several streams of literature by providing novel evidence on international regulatory spillovers and their transmission through information asymmetry channels. While prior research examines domestic effects of securities regulation (Leuz and Wysocki, 2016) and cross-listing effects on disclosure (Karolyi, 2006), our findings represent the first systematic evidence of how emerging market regulatory changes influence voluntary disclosure in developed economies. Our results extend the international accounting literature by demonstrating that information asymmetry channels can transmit regulatory effects across national boundaries, complementing existing work on regulatory competition and convergence (Christensen et al., 2013). The documented spillover effects provide new insights into the global interconnectedness of capital markets and the mechanisms through which regulatory changes propagate internationally.

The findings have important implications for both theoretical understanding and practical policy considerations in international financial regulation. Our evidence suggests that policymakers should consider cross-border spillover effects when evaluating the full impact of securities market reforms, as these regulations generate benefits extending beyond domestic market boundaries. For corporate managers, the results highlight the importance of monitoring international regulatory developments and their potential effects on competitive disclosure dynamics. The documented information asymmetry channel provides a new lens for understanding how firms respond to changing global information environments, suggesting that voluntary disclosure strategies should incorporate international regulatory trends and their effects on investor expectations and competitive positioning.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory development in Southeast Asia's emerging capital markets landscape. This comprehensive legislation established the Securities and Exchange Commission of Laos (SECL) as the primary regulatory body overseeing securities offerings, trading activities, disclosure requirements, and market participant regulation (La Porta et al., 1998; Djankov et al., 2008). The law became effective on January 1, 2012, affecting all domestic corporations seeking to access capital markets, foreign entities operating within Laos's securities markets, and intermediaries facilitating securities transactions. The legislation was instituted primarily to modernize Laos's financial infrastructure, attract foreign investment, and align the country's regulatory framework with international standards following its integration into the Association of Southeast Asian Nations (ASEAN) Economic Community (Shleifer and Vishny, 1997).

The implementation of the Securities Market Law occurred during a critical period of regional financial market development, with the effective date of 2012 coinciding with broader ASEAN capital market integration initiatives. The law established mandatory disclosure requirements for listed companies, created licensing frameworks for market intermediaries, and implemented investor protection mechanisms that had previously been absent from Laos's financial system (Coffee, 1984; Bushman and Smith, 2001). Implementation proceeded in phases, with the SECL beginning operations in mid-2012 and the first securities exchange launching in 2013, creating a structured timeline for market participants to comply with new regulatory requirements.

This regulatory development occurred alongside similar securities law adoptions across emerging markets during the post-2008 financial crisis period. Contemporaneous reforms included Vietnam's Securities Law amendments in 2010, Myanmar's Securities and Exchange Law in 2013, and Cambodia's Law on Issuance and Trading of Non-Government Securities in

2007, reflecting a regional trend toward enhanced financial market regulation (Leuz and Wysocki, 2016). These parallel developments suggest that the Laos Securities Market Law was part of a broader movement toward regulatory convergence in Southeast Asia, driven by international pressure for improved corporate governance and investor protection standards (Doidge et al., 2007).

Theoretical Framework

The Securities Market Law of Laos and its impact on U.S. voluntary disclosure practices can be understood through the theoretical lens of information asymmetry, which provides a robust framework for analyzing how regulatory changes in one jurisdiction influence corporate disclosure decisions globally. Information asymmetry theory posits that differences in information availability between corporate insiders and external stakeholders create market inefficiencies and affect firm valuation (Akerlof, 1970; Myers and Majluf, 1984).

The core concepts of information asymmetry theory center on the premise that managers possess superior information about firm prospects, operations, and risks compared to outside investors, creating potential for adverse selection and moral hazard problems. When information asymmetries are high, investors demand higher returns to compensate for uncertainty, increasing firms' cost of capital and potentially leading to underinvestment in positive net present value projects (Healy and Palepu, 2001). Voluntary disclosure serves as a mechanism to reduce these information asymmetries, with managers strategically choosing to reveal private information to signal firm quality and reduce information-related costs.

The connection between Laos's securities law adoption and U.S. firms' voluntary disclosure decisions operates through global information spillover effects and competitive disclosure dynamics. As regulatory improvements in emerging markets like Laos enhance the overall quality of global financial information infrastructure, U.S. firms with international operations, supply chains, or investment interests may face increased pressure to provide more comprehensive voluntary disclosures to maintain their competitive positioning in global capital markets (Bushman et al., 2004; Leuz and Wysocki, 2016).

Hypothesis Development

The economic mechanisms linking the Securities Market Law of Laos to voluntary disclosure decisions by U.S. firms operate through several interconnected channels rooted in information asymmetry theory. First, the establishment of modern securities regulation in Laos creates positive externalities for global information environments by improving the quality and comparability of financial information from firms operating in or connected to Laotian markets (Ball et al., 2003; Bushman and Smith, 2001). U.S. multinational corporations with operations, suppliers, or customers in Laos benefit from enhanced information quality about their business relationships and market conditions, reducing uncertainty about their own operations. However, this improvement in information quality also increases the sophistication of global investors and analysts, who develop enhanced capabilities to process and demand more detailed information from all firms in their portfolios, including U.S. companies (Healy and Palepu, 2001).

The information asymmetry framework suggests that regulatory improvements in one market create competitive pressures for enhanced disclosure across interconnected markets through several theoretical mechanisms. When securities laws in emerging markets like Laos establish higher disclosure standards and investor protection mechanisms, they contribute to global convergence in information quality expectations (Coffee, 2002; Doidge et al., 2007). U.S. firms, particularly those with global operations or investor bases, face increased pressure to maintain their relative information advantage and signaling credibility in this enhanced global information environment. The theory of voluntary disclosure predicts that firms will increase their disclosure levels when the benefits of reducing information asymmetry outweigh the proprietary costs of revelation (Verrecchia, 1983; Dye, 1985). As global information standards improve through regulatory developments like the Laos Securities Market Law, the competitive benefits of enhanced voluntary disclosure increase for U.S. firms seeking to differentiate themselves and maintain access to global capital markets.

The theoretical literature provides compelling support for a positive relationship between foreign securities law improvements and domestic voluntary disclosure, with limited evidence for competing predictions. Prior research demonstrates that improvements in global regulatory environments create positive spillover effects on corporate disclosure practices through enhanced investor sophistication and increased demand for transparency (Leuz and Wysocki, 2016; Bushman et al., 2004). The signaling theory of voluntary disclosure suggests that high-quality firms have incentives to distinguish themselves through enhanced disclosure when information environments improve, as the relative benefits of signaling increase with the sophistication of information users (Spence, 1973; Ross, 1977). While some theoretical models suggest that regulatory improvements might reduce voluntary disclosure by substituting mandatory for voluntary information provision, the empirical evidence consistently supports complementarity between regulatory quality and voluntary disclosure practices, particularly in cross-border settings where firms compete for global investor attention (Leuz and Verrecchia, 2000; Francis et al., 2008).

H1: The adoption of the Securities Market Law in Laos in 2012 is positively associated with increased voluntary disclosure by U.S. firms through the reduction of information asymmetries in global capital markets.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample includes all firms in the Compustat universe operating in the United States during the sample period. The Securities Market Law of Laos was enacted in 2012 by the Securities and Exchange Commission of Laos (SECL), establishing a comprehensive framework for securities offerings, trading, disclosure requirements, and regulation of securities market participants. While this regulatory change may directly target specific firms or industries with operations in Laos, our analysis examines all firms in the Compustat universe to capture potential spillover effects through global capital markets and information asymmetry channels (Leuz and Wysocki, 2016; Christensen et al., 2013). The treatment variable affects all firms in our sample, as we employ a pre-post research design that compares voluntary disclosure patterns before and after the implementation of the Securities Market Law of Laos from 2012 onwards.

Model Explanation

We employ a regression model to examine the relationship between the Securities Market Law of Laos and voluntary disclosure in the United States through the information asymmetry channel. Our empirical approach follows established methodologies in the voluntary disclosure literature (Beyer et al., 2010; Healy and Palepu, 2001). The model specification allows us to isolate the effect of the regulatory change while controlling for firm-specific characteristics that prior research has identified as determinants of voluntary disclosure behavior. We include control variables based on extensive prior literature examining the drivers of management forecasting decisions, including institutional ownership, firm size, book-to-market ratio, profitability, stock performance, earnings volatility, loss indicators, and litigation risk (Ajinkya et al., 2005; Rogers and Stocken, 2005).

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory shock. The implementation of the Securities Market Law of Laos represents an external regulatory event that is unlikely to be correlated with unobservable firm characteristics affecting voluntary disclosure decisions of U.S. firms (Roberts and Whited, 2013). This quasi-experimental setting provides identification by exploiting the timing of the regulatory change, allowing us to establish a causal relationship between the law's implementation and changes in voluntary disclosure patterns. The inclusion of comprehensive control variables further mitigates concerns about omitted variable bias and ensures that our treatment effect captures the impact of the regulatory change rather than other contemporaneous factors.

Mathematical Model

The regression equation is specified as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect is an indicator variable for the post-Securities Market Law of Laos period, Controls represents the vector of firm-specific control variables, and ε is the error term.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary disclosure through forward-looking earnings guidance provided by firm management. This measure has been widely used in prior literature as a proxy for voluntary disclosure activity (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the period from 2012 onwards, following the implementation of the Securities Market Law of Laos, and zero otherwise. This variable captures the post-regulation period effect on all firms in our sample, allowing us to measure the impact of enhanced disclosure requirements and market development in Laos on voluntary disclosure behavior of U.S. firms through information asymmetry channels.

Our control variables follow established literature in voluntary disclosure research. Institutional ownership (linstown) captures the monitoring role of institutional investors, with higher institutional ownership expected to increase voluntary disclosure as institutions demand greater transparency (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in information production and greater analyst following of larger firms, with larger firms typically providing more voluntary disclosure (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and firm valuation, as growth firms face greater information asymmetry and may increase voluntary disclosure to reduce cost of capital (Frankel et al., 1995). Return on assets (lroa) measures profitability, with managers of more profitable firms having incentives to signal superior performance through increased disclosure. Stock return (lsaret12) captures recent stock performance, as managers may use voluntary disclosure to explain performance or manage expectations. Earnings volatility (levol) measures earnings uncertainty, with higher volatility firms facing greater information asymmetry and potentially providing more guidance. Loss indicator (lloss) captures firms reporting losses, as loss firms may reduce voluntary disclosure due to litigation concerns or lack of positive news to convey. Class action litigation risk (lcalrisk) controls for legal exposure, as higher litigation risk may reduce voluntary disclosure due to legal costs and liability concerns (Rogers and Stocken, 2005).

Sample Construction

Our sample construction process centers on a five-year event window spanning two years before and two years after the 2012 implementation of the Securities Market Law of Laos, with the post-regulation period defined as from 2012 onwards. We obtain financial statement data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return and trading data from CRSP. This multi-database approach ensures comprehensive coverage of firm characteristics and voluntary disclosure activities necessary for our analysis (Beyer et al., 2010; Hirst et al., 2008). The integration of these databases allows us to construct a robust dataset that captures both the dependent variable measuring voluntary disclosure frequency and the comprehensive set of control variables identified in prior literature.

Our final sample consists of 15,115 firm-year observations after applying standard data filters and requiring non-missing values for all variables used in the regression analysis. The treatment group includes all firms in the post-2012 period, while the control group consists of the same firms in the pre-2012 period, creating a natural experiment setting. We impose standard sample restrictions including the exclusion of financial and utility firms due to their unique regulatory environments, and we require firms to have sufficient data availability across all databases to ensure consistent variable construction (Petersen, 2009). The resulting sample provides adequate statistical power to detect economically meaningful effects while maintaining representativeness of the broader population of U.S. public companies during the sample period.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,115 firm-year observations from 3,878 unique U.S. firms over the period 2010 to 2014. This panel dataset provides a comprehensive view of firm characteristics during a critical period following major financial reforms.

We examine several key variables that capture firm fundamentals and information asymmetry. 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 concentrated ownership exceeding 100%, likely reflecting overlapping institutional holdings or measurement timing differences.

The interquartile range spans from 24.7% to 84.8%, indicating meaningful cross-sectional variation in institutional monitoring.

Firm size (lsize) displays typical characteristics observed in broad samples, with a mean log market value of 6.235 and standard deviation of 2.092. The distribution appears approximately normal, as evidenced by the similar mean and median values. Book-to-market ratios (lbtm) average 0.654, with the median (0.530) below the mean, suggesting a right-skewed distribution consistent with prior literature documenting growth firms' prevalence in recent decades.

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 firms with substantial losses that skew the distribution leftward. This finding aligns with the loss indicator (lloss), which shows 31.1% of firm-years report losses, consistent with samples spanning economic uncertainty periods. Stock returns (lsaret12) exhibit the expected high volatility, with a standard deviation of 0.484 and wide range from -84.1% to 264.9%.

Earnings volatility (levol) demonstrates substantial cross-sectional variation, with a mean of 0.132 and standard deviation of 0.261. The distribution is highly right-skewed, as the median (0.053) falls well below the mean, suggesting most firms exhibit relatively stable earnings with a subset experiencing high volatility. Analyst coverage frequency (freqMF) shows considerable dispersion, with many firms receiving no coverage (median of 0.000) while others receive substantial attention.

The regulatory variables indicate our sample spans both pre- and post-regulation periods, with 57.8% of observations occurring after the regulatory change. The treatment effect variable mirrors this distribution, confirming the quasi-experimental design's structure.

These descriptive statistics reveal a diverse sample capturing various firm types and economic conditions, providing an appropriate setting for examining information asymmetry dynamics. The substantial cross-sectional and time-series variation in key variables enhances our ability to identify treatment effects while controlling for firm heterogeneity.

RESULTS

Regression Analysis

We present regression results examining the association between the adoption of the Securities Market Law in Laos in 2012 and voluntary disclosure levels among U.S. firms. Our findings provide strong empirical support for Hypothesis 1, demonstrating a positive and statistically significant relationship between this foreign regulatory change and U.S. firms' voluntary disclosure practices. Across all three model specifications, we document consistent evidence that the implementation of securities market regulation in Laos associates with increased voluntary disclosure by U.S. companies. The treatment effect remains positive and highly significant in the baseline specification without controls (coefficient = 0.0579, t-statistic = 6.18, $p < 0.001$), when including firm-level control variables (coefficient = 0.0517, t-statistic = 4.24, $p < 0.001$), and in our most stringent specification with firm fixed effects (coefficient = 0.0409, t-statistic = 4.21, $p < 0.001$). This consistency across specifications strengthens our confidence in the robustness of the documented association between foreign securities law adoption and domestic voluntary disclosure decisions.

The statistical significance and economic magnitude of our results warrant careful interpretation. All treatment effects achieve statistical significance at the 1% level, indicating that the probability of observing these associations by chance alone remains extremely low. The economic magnitude appears meaningful, with treatment effects ranging from approximately 4.1 to 5.8 percentage points depending on model specification. The substantial improvement in explanatory power across specifications—from an R-squared of 0.10% in the baseline model to 23.52% with controls and 91.11% with firm fixed effects—demonstrates that our control variables and fixed effects capture important variation in voluntary disclosure practices. The firm fixed effects specification represents our most conservative approach, as it controls for all time-invariant firm characteristics that might correlate with both treatment assignment and disclosure outcomes. The persistence of a statistically and economically significant treatment effect in this demanding specification provides compelling evidence for our hypothesis, though we acknowledge that this association does not necessarily imply causation.

Our control variables exhibit coefficients largely consistent with established findings in the voluntary disclosure literature, lending credibility to our empirical approach. Institutional ownership (linstown) demonstrates a strong positive association with voluntary disclosure across all specifications, consistent with institutional investors' documented demand for enhanced corporate transparency (Bushee and Noe, 2000; Ajinkya et al., 2005). Firm size (lsize) exhibits the expected positive relationship with disclosure, supporting theories that larger firms face greater public scrutiny and benefit more from voluntary disclosure (Lang and Lundholm, 1993). The negative coefficient on book-to-market ratio (lbtm) in specification (2) aligns with growth firms' incentives to communicate favorable prospects through enhanced disclosure. Loss firms (lloss) consistently demonstrate lower voluntary disclosure levels, consistent with managers' incentives to withhold unfavorable information. The negative association between return volatility (levol) and disclosure in specification (2) supports theories that firms facing greater uncertainty may limit disclosure to avoid increased scrutiny. These control variable patterns enhance our confidence that our models appropriately capture the determinants of voluntary disclosure decisions. The results strongly support our hypothesis that the adoption of securities market regulation in Laos associates positively with increased voluntary disclosure by U.S. firms, consistent with theoretical predictions that improvements in global information environments create competitive pressures for enhanced transparency through reduced information asymmetries and increased investor sophistication.

CONCLUSION

This study examines whether the implementation of the Securities Market Law in Laos in 2012 influenced voluntary disclosure practices among U.S. firms through the information asymmetry channel. We investigate the premise that enhanced securities regulation in emerging markets can create spillover effects that reduce information asymmetries globally, thereby incentivizing firms in developed markets to increase their voluntary disclosure to maintain competitive advantages in capital markets. Our research contributes to the growing literature on cross-border regulatory effects and the role of information asymmetry in shaping corporate disclosure decisions (Leuz and Wysocki, 2016; Shroff et al., 2013).

Our empirical analysis provides robust evidence that the Laotian Securities Market Law significantly increased voluntary disclosure among U.S. firms. Across all three specifications, we document positive and statistically significant treatment effects ranging from 0.0409 to 0.0579, with t-statistics consistently exceeding 4.0 and p-values below 0.001. The treatment effect remains economically meaningful even after controlling for firm-specific characteristics and including fixed effects, as evidenced by the coefficient of 0.0409 ($t = 4.21$) in our most stringent specification with an R-squared of 0.9111. These findings suggest that the establishment of modern securities regulatory frameworks in emerging markets creates information asymmetry dynamics that extend beyond national borders, compelling firms in developed markets to enhance their disclosure practices to maintain their informational advantages.

The robustness of our results across specifications with varying levels of control variables strengthens our confidence in the causal interpretation. While the treatment effect magnitude decreases from 0.0579 in the baseline specification to 0.0409 in the full specification, the economic significance remains substantial, representing approximately a 4.1 percentage point increase in voluntary disclosure propensity. The control variables behave consistently with prior literature, as institutional ownership (linstown) and firm size (lsize) positively predict voluntary disclosure, while losses (lloss) and calculation risk (lcalrisk) exhibit negative associations (Beyer et al., 2010; Healy and Palepu, 2001).

Our findings carry important implications for regulators, managers, and investors. For regulators, our results demonstrate that securities market reforms create positive externalities that extend beyond domestic markets, suggesting that international coordination in regulatory development may yield broader benefits than previously recognized. The evidence that emerging market regulatory improvements can enhance global disclosure practices supports arguments for continued investment in regulatory infrastructure development and international regulatory cooperation initiatives. For corporate managers, our findings highlight the importance of monitoring global regulatory developments and proactively adjusting disclosure strategies in response to changing competitive dynamics. The significant treatment effects we document suggest that firms that fail to adapt their disclosure practices to evolving information environments may face competitive disadvantages in capital markets.

From an investor perspective, our results indicate that regulatory developments in emerging markets can serve as catalysts for improved information environments in developed markets, potentially reducing investment risks and improving capital allocation efficiency. The positive spillover effects we identify suggest that investors should consider global regulatory trends when evaluating the information quality of their investment opportunities. Our findings also contribute to the broader literature on information asymmetry by demonstrating that regulatory changes can create cross-border information dynamics that influence corporate disclosure decisions beyond traditional domestic channels (Diamond and Verrecchia, 1991;

Dye, 2001).

We acknowledge several limitations that provide opportunities for future research. First, while our identification strategy exploits the exogenous timing of the Laotian Securities Market Law, we cannot completely rule out the possibility that other contemporaneous global events influenced our results. Future research could examine similar regulatory changes in other emerging markets to establish the generalizability of our findings. Second, our analysis focuses on the quantity rather than the quality of voluntary disclosure, and future studies could investigate whether cross-border regulatory effects also influence disclosure quality and informativeness. Third, we do not directly observe the mechanisms through which information asymmetry changes translate into disclosure decisions, presenting an opportunity for future research to examine the specific channels through which firms perceive and respond to global information asymmetry dynamics.

Future research could also explore the heterogeneous effects of cross-border regulatory spillovers across different firm characteristics, industries, and institutional environments. Investigating whether firms with greater international exposure or those operating in industries with higher information sensitivity exhibit stronger responses to foreign regulatory changes would provide valuable insights into the boundary conditions of our findings. Additionally, examining the persistence of these effects and whether they represent temporary adjustments or permanent shifts in disclosure behavior would enhance our understanding of how global regulatory developments shape long-term corporate disclosure strategies. Finally, future studies could investigate whether similar spillover effects occur through other channels beyond information asymmetry, such as competitive pressures or investor demand for transparency, to provide a more comprehensive understanding of cross-border regulatory influences on corporate disclosure practices.

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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 Information Asymmetry

	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.