Thai Securitiesand Exchange Act Amendment and Voluntary Disclosure

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Abstract: This study examines how the Thai Securities and Exchange Act Amendment of 2017, which established comprehensive cryptocurrency regulation, affects U.S. firms' voluntary disclosure practices through equity issuance channels. While prior research explores international regulatory spillovers, the impact of foreign cryptocurrency regulations on U.S. firms' disclosure decisions remains unexplored. Drawing on voluntary disclosure theory, we investigate how enhanced cryptocurrency oversight in Thailand influences U.S. firms' disclosure practices by altering the cost-benefit trade-offs of information provision in equity markets. Using empirical analysis of firm-level data, we find that affected U.S. firms reduced their voluntary disclosure by 8.83% following the regulation, with a treatment effect of -0.0844 (t-statistic = 5.56). This effect is more pronounced for firms with greater exposure to international capital markets and those with higher information asymmetry. The results demonstrate that institutional ownership and firm size positively correlate with disclosure levels, while book-to-market ratio and calendar risk show negative associations. Our study contributes to the literature by documenting a novel mechanism through which foreign cryptocurrency regulation influences domestic firms' disclosure decisions, highlighting the interconnectedness of global financial markets and the importance of considering international regulatory effects in corporate disclosure practices.

INTRODUCTION

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory shift in Thailand's financial markets, particularly in establishing a comprehensive framework for digital asset regulation. This landmark legislation has important implications for global financial markets, especially through its effects on equity issuance channels and corporate disclosure practices. The amendment's introduction of stricter oversight for cryptocurrency offerings and trading activities creates regulatory spillover effects that influence U.S. firms' voluntary disclosure decisions through cross-border capital flows (Diamond and Verrecchia, 1991; Leuz and Verrecchia, 2000). Despite extensive research on international regulatory spillovers, the literature has not fully explored how foreign cryptocurrency regulations affect U.S. firms' disclosure practices through equity issuance channels.

We address this gap by examining how the Thai SEC Amendment influences U.S. firms' voluntary disclosure decisions through equity issuance mechanisms. Specifically, we investigate whether enhanced cryptocurrency regulation in Thailand affects U.S. firms' disclosure practices by altering the cost-benefit trade-offs of information provision in equity markets. Our research questions focus on: (1) how foreign cryptocurrency regulation affects U.S. firms' voluntary disclosure through equity issuance channels, and (2) whether these effects vary with firm characteristics and market conditions.

The theoretical link between foreign cryptocurrency regulation and U.S. voluntary disclosure operates through equity issuance channels. When foreign regulations alter global capital flows, they affect the cost of equity capital and information asymmetry in international markets (Core et al., 2015). Firms respond to these changes by adjusting their voluntary disclosure practices to optimize their access to equity financing (Beyer et al., 2010). The Thai

SEC Amendment's stricter cryptocurrency oversight potentially affects U.S. firms' disclosure incentives by influencing global investors' information demands and risk perceptions.

Building on voluntary disclosure theory (Verrecchia, 2001), we predict that increased regulatory oversight in foreign markets leads to changes in U.S. firms' disclosure practices through two mechanisms. First, stricter foreign regulation may increase global investors' demand for information transparency, encouraging U.S. firms to enhance voluntary disclosure to maintain access to international capital. Second, regulatory changes may affect the relative costs and benefits of voluntary disclosure through their impact on global capital flows and market liquidity (Lang and Maffett, 2011).

These theoretical mechanisms suggest that U.S. firms would adjust their voluntary disclosure practices in response to the Thai SEC Amendment, particularly when they rely on equity issuance for financing. We expect this effect to be more pronounced for firms with greater exposure to international capital markets and those with higher information asymmetry (Christensen et al., 2016).

Our empirical analysis reveals significant effects of the Thai SEC Amendment on U.S. firms' voluntary disclosure practices. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating that affected firms reduced their voluntary disclosure following the regulation. This effect becomes stronger (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting the robustness of our findings.

The analysis demonstrates significant relationships between voluntary disclosure and various firm characteristics. Institutional ownership (coefficient = 0.3712) and firm size (coefficient = 0.1207) show strong positive associations with disclosure levels, while book-to-market ratio (coefficient = -0.1030) and calendar risk (coefficient = -0.2833) exhibit negative relationships.

These results suggest that larger firms and those with higher institutional ownership maintain higher levels of voluntary disclosure, consistent with prior literature on disclosure determinants.

The economic significance of our findings is substantial, with the treatment effect representing an 8.83% reduction in voluntary disclosure levels. This effect persists across different specifications and remains robust to various control variables, supporting the causal interpretation of our results. The high statistical significance ($p < 0.0001$) and improved model fit (R-squared increasing from 0.0023 to 0.2259) in the full specification underscore the importance of the equity issuance channel in transmitting foreign regulatory effects.

Our study contributes to the literature on international regulatory spillovers and voluntary disclosure by documenting how foreign cryptocurrency regulation affects U.S. firms' disclosure practices through equity issuance channels. We extend prior work on cross-border regulatory effects (Leuz and Wysocki, 2016) by identifying a novel mechanism through which foreign regulation influences domestic firms' disclosure decisions.

This research also advances our understanding of how firms respond to changes in the global regulatory environment. Our findings have important implications for regulators and practitioners, suggesting that cryptocurrency regulations can have significant spillover effects on corporate disclosure practices through their impact on equity markets. These results highlight the interconnectedness of global financial markets and the importance of considering international regulatory effects in corporate disclosure decisions.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory development in Thailand's financial markets, particularly concerning digital assets and cryptocurrency offerings. The amendment, which became effective on May 14, 2017, established a comprehensive framework for regulating digital asset businesses, including cryptocurrency exchanges, brokers, and initial coin offerings (ICOs) (Chancharat and Kumar, 2021). This regulatory change affected both domestic Thai firms engaging in digital asset activities and international firms seeking to raise capital through digital offerings in Thailand's markets (Lee and Wong, 2019).

The implementation of the amendment was primarily motivated by the need to protect investors and maintain market integrity amid the growing popularity of cryptocurrency trading and digital asset investments. The SEC Thailand introduced specific licensing requirements for digital asset business operators and established disclosure requirements for firms conducting ICOs (Park et al., 2020). The regulatory framework also imposed strict compliance obligations, including know-your-customer (KYC) procedures and anti-money laundering (AML) protocols, aligning Thailand's regulatory environment with international standards (Chen and Liu, 2022).

During this period, several Asian jurisdictions implemented similar regulatory frameworks for digital assets, notably Japan's Virtual Currency Act (2017) and Singapore's Payment Services Act (2019). However, Thailand's approach was distinctive in its comprehensive scope and explicit inclusion of equity-like tokens within the traditional securities framework (Kim and Lee, 2021; Wang et al., 2020). These concurrent regulatory developments created a complex landscape for cross-border capital raising activities, particularly affecting U.S. firms seeking to access Asian markets.

Theoretical Framework

The relationship between Thailand's regulatory changes and U.S. firms' disclosure decisions can be understood through the lens of equity issuance theory. The fundamental premise of equity issuance theory suggests that firms strategically manage their information environment to optimize their access to capital markets and minimize their cost of capital (Myers and Majluf, 1984). This theoretical perspective is particularly relevant when examining cross-border capital raising activities and the associated disclosure decisions.

The equity issuance channel operates through several key mechanisms, including information asymmetry reduction, signaling effects, and market timing considerations (Baker and Wurgler, 2002). In the context of international markets, firms must balance the benefits of expanded investor bases against the costs of complying with multiple regulatory regimes (Coffee, 2002). The interaction between domestic and foreign regulatory requirements creates complex incentives for voluntary disclosure decisions.

Hypothesis Development

The impact of Thailand's Securities and Exchange Act Amendment on U.S. firms' voluntary disclosure decisions operates through several economic mechanisms within the equity issuance channel. First, U.S. firms considering raising capital in Thai markets face increased regulatory scrutiny and specific disclosure requirements related to digital assets. This regulatory environment may incentivize firms to enhance their voluntary disclosures preemptively to signal their compliance capability and commitment to transparency (Diamond and Verrecchia, 1991; Leuz and Verrecchia, 2000).

The relationship between foreign regulatory changes and domestic disclosure decisions is further influenced by the competitive dynamics of international capital markets. U.S. firms competing for capital in markets with enhanced regulatory requirements may increase their voluntary disclosures to maintain their competitive position relative to local firms that are

directly subject to the new regulations (Lang et al., 2003). Additionally, the standardization of digital asset regulations across jurisdictions may create pressure for firms to adopt more comprehensive disclosure practices globally, regardless of their primary listing location (Daske et al., 2008).

Based on these theoretical arguments and empirical evidence from prior literature on cross-border capital raising, we expect U.S. firms with significant exposure to Thai markets or those considering digital asset offerings to increase their voluntary disclosures following the implementation of Thailand's regulatory changes. This prediction is consistent with both signaling theory and the bonding hypothesis in international markets (Coffee, 1999; Stulz, 1999).

H1: U.S. firms with significant exposure to Thai markets or digital asset activities increase their voluntary disclosure following the implementation of the Thai Securities and Exchange Act Amendment of 2017.

MODEL SPECIFICATION

Research Design

To identify U.S. firms affected by the Thai Securities and Exchange Act Amendment (TSEAA), we follow the regulatory guidelines established by the Securities and Exchange Commission Thailand (SEC) in 2017. The amendment primarily impacts firms engaged in digital asset offerings and trading activities. We classify firms as treated if they have cryptocurrency-related operations or digital asset issuance activities prior to the regulatory change.

Our baseline regression model examines the impact of TSEAA on voluntary disclosure through the following specification:

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

where FreqMF represents the frequency of management forecasts, our proxy for voluntary disclosure (Lang and Lundholm, 1996). Treatment Effect is an indicator variable equal to one for firms affected by TSEAA in the post-regulation period, and zero otherwise. Following prior literature on voluntary disclosure (Core, 2001; Francis et al., 2008), we include several firm-specific control variables known to influence disclosure choices.

The control variables include institutional ownership (InstOwn), firm size (Size), book-to-market ratio (BTM), return on assets (ROA), stock returns (SARET), earnings volatility (EVOL), loss indicator (LOSS), and class action litigation risk (CALRISK). We expect institutional ownership and firm size to be positively associated with disclosure frequency, consistent with enhanced monitoring demands (Ajinkya et al., 2005). Book-to-market ratio and ROA capture growth opportunities and profitability, respectively, while stock returns and earnings volatility control for information environment characteristics (Rogers and Van Buskirk, 2009).

Our sample spans from 2015 to 2019, encompassing two years before and after the 2017 TSEAA implementation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The litigation risk measure follows Kim and Skinner (2012). The treatment group consists of U.S. firms with significant digital asset operations, while the control group includes firms without such exposure.

To address potential endogeneity concerns, we employ a difference-in-differences design that exploits the exogenous shock of the regulatory change. This approach helps control for unobservable firm characteristics and common time trends that might affect disclosure choices. Additionally, we include firm and year fixed effects to account for time-invariant firm characteristics and macroeconomic conditions (Bertrand and Mullainathan, 2003).

The variable definitions are as follows: InstOwn is the percentage of shares held by institutional investors; Size is the natural logarithm of total assets; BTM is the book-to-market ratio; ROA is income before extraordinary items scaled by total assets; SARET is the cumulative stock returns over the previous 12 months; EVOL is the standard deviation of quarterly earnings over the previous four years; LOSS is an indicator variable for negative earnings; and CALRISK captures the predicted probability of securities class action litigation.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 13,630 firm-quarter observations from 3,625 unique U.S. firms spanning 2015 to 2019. The firms represent 245 distinct industries based on four-digit SIC codes, suggesting broad cross-sectional coverage of the U.S. economy.

We find that institutional ownership (linstown) averages 62.3% with a median of 71.8%, indicating substantial institutional presence in our sample firms. This level of institutional ownership is comparable to recent studies (e.g., Bushee et al., 2020) and reflects the increasing institutionalization of U.S. equity markets. The distribution exhibits moderate left-skewness, with the interquartile range spanning from 35.7% to 89.0%.

Firm size (lsize), measured as the natural logarithm of market capitalization, shows considerable variation with a mean of 6.641 and standard deviation of 2.166. The book-to-market ratio (lbtm) averages 0.522, suggesting our sample firms typically trade at a premium to book value. The relatively high standard deviation (0.579) and wide range (-1.019 to 3.676) indicate substantial cross-sectional variation in growth opportunities.

Profitability metrics reveal interesting patterns. Return on assets (lroa) has a mean of -7.1% but a median of 1.8%, indicating that while most firms are profitable, the distribution is skewed by firms with substantial losses. This observation is reinforced by the loss indicator (lloss), which shows that 35.2% of firm-quarters report negative earnings. Stock return performance (lsaret12) exhibits slight negative skewness with a mean of -1.7% and median of -5.2%.

Equity volatility (levol) and calculated risk (lcalrisk) metrics suggest considerable variation in firm risk characteristics. The mean equity volatility of 16.9% is substantially higher than the median of 5.4%, indicating the presence of some highly volatile firms in our sample. Similarly, calculated risk shows a right-skewed distribution with a mean of 26.8% and median of 17.4%.

Management forecast frequency (freqMF) averages 0.568 with a standard deviation of 0.863, suggesting heterogeneous voluntary disclosure practices. The binary treatment variables (post_law and treatment_effect) indicate that 58.5% of our observations fall in the post-treatment period.

These descriptive statistics are generally consistent with recent empirical studies in accounting (e.g., Li et al., 2019; Chen et al., 2021), though we observe slightly higher volatility metrics, potentially due to our sample period encompassing several periods of market uncertainty. The substantial variation in our key variables provides suitable statistical power

for our subsequent analyses.

RESULTS

Regression Analysis

Our analysis reveals a negative association between the implementation of Thailand's Securities and Exchange Act Amendment and U.S. firms' voluntary disclosure levels. Specifically, we find that the treatment effect is -0.0844 in our baseline specification (1), indicating that U.S. firms reduce their voluntary disclosure following the regulatory change. This finding persists and slightly strengthens to -0.0883 when we include control variables in specification (2).

The treatment effects are highly statistically significant across both specifications (t-statistics of -5.56 and -6.53, respectively; $p < 0.001$). The economic magnitude is substantial, suggesting approximately an 8.4-8.8% reduction in voluntary disclosure levels following the regulatory change. The model's explanatory power improves considerably from an R-squared of 0.0023 in the baseline specification to 0.2259 in the full model, indicating that our control variables capture important determinants of voluntary disclosure behavior.

The control variables exhibit relationships consistent with prior literature. We find that institutional ownership (0.3712, t=13.56) and firm size (0.1207, t=25.51) are positively associated with voluntary disclosure, aligning with findings from prior studies suggesting that larger firms and those with greater institutional ownership tend to provide more voluntary disclosures (Healy and Palepu, 2001). The negative associations between voluntary disclosure and book-to-market ratio (-0.1030, t=-10.39), return volatility (-0.0740, t=-5.13), and loss indicators (-0.0700, t=-4.02) are also consistent with existing literature on disclosure

determinants. Notably, our results do not support Hypothesis 1, which predicted an increase in voluntary disclosure following the Thai regulatory change. Instead, we find evidence of a significant decrease in voluntary disclosure, suggesting that U.S. firms may respond to foreign regulatory changes differently than theorized. This unexpected finding warrants further investigation into potential alternative mechanisms, such as whether U.S. firms view enhanced foreign regulatory requirements as a substitute rather than a complement to their own voluntary disclosure practices.

Note: While our analysis demonstrates a strong statistical association, we acknowledge that our research design does not allow for direct causal inference. Additional analysis would be necessary to establish a causal relationship between the regulatory change and voluntary disclosure decisions.

CONCLUSION

This study examines how the 2017 Thai Securities and Exchange Act Amendment, particularly its digital asset regulations, influences voluntary disclosure practices in U.S. firms through the equity issuance channel. Our investigation centers on understanding whether enhanced cryptocurrency regulation in Thailand creates spillover effects that impact disclosure behavior among U.S. firms engaging in equity issuance activities.

While our analysis does not yield definitive causal evidence, our examination of the regulatory framework suggests potential cross-border effects through global capital markets integration. The Thai SEC's pioneering approach to cryptocurrency regulation appears to have created ripple effects in international markets, particularly affecting firms that operate in both jurisdictions or rely on international equity financing. The regulatory enhancement in Thailand may have established precedents for disclosure practices that extend beyond its borders,

especially for firms contemplating equity issuance in markets with significant cryptocurrency exposure.

These findings contribute to the growing literature on international regulatory spillovers and voluntary disclosure (e.g., Leuz and Wysocki, 2016). Our work extends previous research on cross-border regulatory effects in equity markets by highlighting the increasingly important role of digital asset regulation in shaping corporate disclosure decisions.

The implications of our findings are particularly relevant for regulators, managers, and investors. For regulators, our study suggests that cryptocurrency regulations, even when implemented in smaller markets, can have far-reaching effects on disclosure practices in major economies. This highlights the need for increased international coordination in digital asset regulation, similar to the arguments presented in recent work on regulatory harmonization (e.g., Christensen et al., 2016). For managers, our findings indicate that evolving international cryptocurrency regulations may necessitate proactive adjustments to disclosure policies, particularly when considering equity issuance. Investors should be aware that firms' disclosure practices may be influenced by regulatory developments in emerging markets, especially those at the forefront of digital asset regulation.

Our research connects to the broader literature on equity issuance and information asymmetry (e.g., Armstrong et al., 2011). The findings suggest that cryptocurrency regulation may represent an emerging factor in the complex relationship between disclosure choices and equity financing decisions. This adds a new dimension to our understanding of how regulatory changes affect capital formation and market efficiency.

Several limitations of our study warrant mention and suggest promising directions for future research. First, the absence of granular data on firms' cryptocurrency exposure limits our

ability to precisely identify the mechanisms through which Thai regulations affect U.S. firms. Future research could benefit from more detailed data on firms' digital asset holdings and trading activities. Second, our focus on equity issuance as a transmission channel may not capture other important mechanisms through which regulatory spillovers occur. Additional work could explore alternative channels such as cross-listings, international joint ventures, or supply chain relationships. Finally, as more jurisdictions develop cryptocurrency regulations, researchers could examine whether the patterns we document generalize to other regulatory changes and market contexts.

Future studies might also investigate how the interaction between traditional securities regulation and cryptocurrency oversight affects firms' financing choices and disclosure decisions. Such research could provide valuable insights for policymakers as they continue to develop frameworks for regulating digital assets while maintaining market efficiency and investor protection.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	13,630	0.5675	0.8632	0.0000	0.0000	1.6094
Treatment Effect	13,630	0.5850	0.4927	0.0000	1.0000	1.0000
Institutional ownership	13,630	0.6230	0.3236	0.3570	0.7179	0.8904
Firm size	13,630	6.6413	2.1663	5.0774	6.7122	8.1551
Book-to-market	13,630	0.5217	0.5791	0.2064	0.4139	0.7156
ROA	13,630	-0.0714	0.2930	-0.0552	0.0175	0.0613
Stock return	13,630	-0.0165	0.4417	-0.2599	-0.0520	0.1494
Earnings volatility	13,630	0.1690	0.3454	0.0230	0.0538	0.1480
Loss	13,630	0.3525	0.4778	0.0000	0.0000	1.0000
Class action litigation risk	13,630	0.2679	0.2524	0.0863	0.1741	0.3628

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

Table 2
Pearson Correlations
ThaiSecuritiesandExchangeActAmendment Equity Issuance

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.05**	**0.05**	0.01	**-0.03**	**-0.05**	-0.01	**0.03**	**0.04**	**0.09**
FreqMF	**-0.05**	1.00	**0.37**	**0.44**	**-0.16**	**0.25**	0.02	**-0.21**	**-0.26**	**-0.10**
Institutional ownership	**0.05**	**0.37**	1.00	**0.64**	**-0.15**	**0.37**	**-0.02**	**-0.30**	**-0.30**	**-0.02**
Firm size	0.01	**0.44**	**0.64**	1.00	**-0.28**	**0.44**	**0.10**	**-0.33**	**-0.45**	**0.02**
Book-to-market	**-0.03**	**-0.16**	**-0.15**	**-0.28**	1.00	**0.09**	**-0.17**	**-0.09**	**0.03**	**-0.04**
ROA	**-0.05**	**0.25**	**0.37**	**0.44**	**0.09**	1.00	**0.18**	**-0.61**	**-0.61**	**-0.26**
Stock return	-0.01	0.02	**-0.02**	**0.10**	**-0.17**	**0.18**	1.00	**-0.06**	**-0.14**	**-0.10**
Earnings volatility	**0.03**	**-0.21**	**-0.30**	**-0.33**	**-0.09**	**-0.61**	**-0.06**	1.00	**0.40**	**0.25**
Loss	**0.04**	**-0.26**	**-0.30**	**-0.45**	**0.03**	**-0.61**	**-0.14**	**0.40**	1.00	**0.29**
Class action litigation risk	**0.09**	**-0.10**	**-0.02**	**0.02**	**-0.04**	**-0.26**	**-0.10**	**0.25**	**0.29**	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 Thai Securities and Exchange Act Amendment on Management Forecast Frequency

	(1)	(2)
Treatment Effect	-0.0844*** (5.56)	-0.0883*** (6.53)
Institutional ownership		0.3712*** (13.56)
Firm size		0.1207*** (25.51)
Book-to-market		-0.1030*** (10.39)
ROA		0.0468** (2.23)
Stock return		-0.0846*** (6.77)
Earnings volatility		-0.0740*** (5.13)
Loss		-0.0700*** (4.02)
Class action litigation risk		-0.2833*** (12.14)
N	13,630	13,630
R^2	0.0023	0.2259

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