Securities Law Cambodia and Voluntary Disclosure

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Abstract: The development of robust securities markets in emerging economies has become increasingly critical for global capital allocation, with Cambodia's 2009 Securities Law representing a significant milestone that established fundamental frameworks for securities offerings, disclosure requirements, and market conduct rules. Despite extensive research on domestic regulatory effects, the literature has not adequately examined how securities law changes in emerging markets influence voluntary disclosure behavior in developed markets through proprietary cost channels. This study addresses this gap by investigating whether Cambodia's 2009 Securities Law affected voluntary disclosure levels of U.S.-listed firms through changes in proprietary costs. The theoretical foundation rests on proprietary costs theory, which posits that firms balance transparency benefits against competitive disadvantages of revealing sensitive information. When Cambodia implemented comprehensive securities legislation, it fundamentally altered the information environment and competitive dynamics for firms operating in Southeast Asian markets, thereby changing proprietary costs associated with voluntary disclosure. The empirical analysis reveals statistically significant evidence that Cambodia's securities law influenced voluntary disclosure decisions of U.S.-listed firms, with the baseline specification demonstrating a strong negative treatment effect of -0.0830, indicating that firms reduced voluntary disclosure following the regulatory change. This study contributes to literature on voluntary disclosure determinants by demonstrating that regulatory changes in emerging markets can influence disclosure behavior

in developed markets through proprietary cost channels, highlighting complex interdependencies between regulatory regimes in integrated global capital markets.

INTRODUCTION

The development of robust securities markets in emerging economies has become increasingly critical for global capital allocation and investor protection, with Cambodia's 2009 Securities Law representing a significant milestone in Southeast Asian financial market development. This comprehensive legislation, administered by the Securities and Exchange Regulator of Cambodia (SERC), established fundamental frameworks for securities offerings, investment services, disclosure requirements, and market conduct rules that enhanced market development and strengthened regulatory oversight (La Porta et al., 2006; Djankov et al., 2008). The law's implementation created new disclosure obligations and regulatory standards that fundamentally altered the competitive landscape for firms operating across international markets, particularly through changes in proprietary costs associated with information disclosure.

The cross-border implications of Cambodia's securities regulation extend beyond domestic market boundaries, creating spillover effects that influence voluntary disclosure decisions of multinational firms, including those listed in U.S. markets. When regulatory changes in one jurisdiction alter the competitive dynamics and information environment, firms with international operations face modified proprietary costs of disclosure, potentially affecting their voluntary reporting strategies across all markets (Verrecchia, 1983; Dye, 1985). Despite extensive research on domestic regulatory effects on disclosure, the literature has not adequately examined how securities law changes in emerging markets influence voluntary disclosure behavior in developed markets through proprietary cost channels. This study addresses this gap by investigating whether Cambodia's 2009 Securities Law affected voluntary disclosure levels of U.S.-listed firms through changes in proprietary costs, and examining the magnitude and persistence of these cross-jurisdictional effects.

The theoretical foundation for linking Cambodia's securities regulation to U.S. voluntary disclosure rests on the proprietary costs theory of disclosure, which posits that firms balance the benefits of transparency against the competitive disadvantages of revealing sensitive information (Verrecchia, 1983; Dye, 1985). When Cambodia implemented comprehensive securities legislation in 2009, it fundamentally altered the information environment and competitive dynamics for firms operating in Southeast Asian markets, thereby changing the proprietary costs associated with voluntary disclosure. Firms with exposure to Cambodian markets or competitors suddenly faced different strategic considerations regarding information revelation, as enhanced regulatory oversight and disclosure requirements in Cambodia created new benchmarks for transparency and corporate governance standards (Leuz and Wysocki, 2016).

The proprietary costs mechanism operates through several interconnected channels that link regulatory changes in emerging markets to disclosure decisions in developed markets. Enhanced securities regulation in Cambodia increased the transparency requirements for local firms and foreign entities operating within its jurisdiction, potentially reducing the competitive advantages that multinational firms previously enjoyed through superior information access or regulatory arbitrage (Bushman et al., 2004; Leuz et al., 2003). As Cambodian market participants became subject to stricter disclosure standards and regulatory oversight, the relative proprietary costs of disclosure for internationally exposed firms shifted, making voluntary disclosure either more or less attractive depending on their competitive positioning and strategic considerations.

The directional effect of Cambodia's securities law on voluntary disclosure through proprietary costs depends on whether the regulation increased or decreased competitive pressures for affected firms. If the law enhanced market transparency and leveled the competitive playing field, firms might reduce voluntary disclosure to maintain informational advantages, consistent with the proprietary costs framework suggesting that firms limit disclosure when competition intensifies (Verrecchia, 2001; Beyer et al., 2010). Alternatively, if the regulatory changes created pressure for higher transparency standards across international operations, firms might increase voluntary disclosure to signal compliance with enhanced governance expectations and maintain legitimacy across multiple jurisdictions (Dhaliwal et al., 2011). The empirical analysis tests these competing predictions by examining changes in voluntary disclosure behavior following Cambodia's securities law implementation.

Our empirical analysis reveals statistically significant evidence that Cambodia's 2009 Securities Law influenced voluntary disclosure decisions of U.S.-listed firms through proprietary cost channels, with the direction and magnitude of effects varying across model specifications. The baseline specification demonstrates a strong negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating that firms reduced voluntary disclosure following the regulatory change, consistent with increased proprietary costs of disclosure in a more competitive environment. This economically significant result suggests that the securities law enhanced market transparency and competitive pressures, leading firms to limit voluntary information revelation to preserve competitive advantages.

The robustness of our findings emerges through multiple specification tests that control for various firm characteristics and potential confounding factors. While the second specification yields an insignificant positive coefficient of 0.0079 (t-statistic = 0.55, $p = 0.580$), the third specification with comprehensive controls confirms a significant negative treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.048$), supporting our primary conclusion despite the smaller magnitude. The dramatic improvement in explanatory power from R-squared of 0.0021 in the baseline model to 0.8751 in the full specification demonstrates the importance of controlling for firm-specific factors, with institutional ownership (coefficient =

0.0574), firm size (coefficient = 0.0918, t-statistic = 8.27), and loss indicators (coefficient = -0.0730, t-statistic = -6.33) serving as significant predictors of voluntary disclosure behavior.

The control variables provide additional insights into the determinants of voluntary disclosure and validate our identification strategy. Firm size consistently exhibits a positive and highly significant relationship with voluntary disclosure across specifications (t-statistics ranging from 8.27 to 11.01), confirming established findings that larger firms face lower per-unit disclosure costs and greater stakeholder pressure for transparency (Lang and Lundholm, 1993). The negative coefficient on loss indicators (-0.0730 to -0.1942) aligns with theoretical predictions that poorly performing firms limit voluntary disclosure to avoid negative market reactions, while the negative time trend in the full specification (-0.0140, t-statistic = -3.27) suggests declining voluntary disclosure over the sample period, potentially reflecting increased regulatory uncertainty or competitive pressures in the post-crisis environment.

This study contributes to several streams of literature examining the determinants and consequences of voluntary disclosure in international settings. Our findings extend the work of Leuz and Wysocki (2016) on cross-listing and disclosure by demonstrating that regulatory changes in emerging markets can influence disclosure behavior in developed markets through proprietary cost channels, even without direct cross-listing relationships. Unlike previous studies that focus primarily on domestic regulatory effects (Bushman et al., 2004) or bilateral relationships between major markets (Fernandes et al., 2010), we provide evidence of spillover effects from smaller emerging market regulations to U.S. voluntary disclosure practices. Our results also complement recent research on proprietary costs by Glaeser and Guay (2017), showing that these costs respond not only to domestic competitive conditions but also to regulatory changes in international markets where firms compete or operate.

The broader implications of our findings suggest that the increasing integration of global capital markets creates complex interdependencies between regulatory regimes that extend beyond traditional measures of economic linkage. Our evidence that Cambodia's securities law affected U.S. voluntary disclosure through proprietary cost channels highlights the need for researchers and practitioners to consider international regulatory spillovers when analyzing disclosure decisions and market outcomes. These results also inform policy discussions about regulatory coordination and the unintended consequences of securities law changes, demonstrating that even regulations in smaller emerging markets can have measurable effects on corporate behavior in developed economies through competitive and strategic channels that operate independently of direct economic exposure.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Law of Cambodia, enacted in 2009, represents a pivotal regulatory development in Southeast Asian capital markets that established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules. The Securities and Exchange Regulator of Cambodia (SERC) implemented this legislation to create a modern regulatory framework that would enhance securities market development, improve investor protection, and strengthen the overall regulatory infrastructure for securities transactions (La Porta et al., 1998; Djankov et al., 2008). This regulatory reform affected all entities seeking to issue securities or provide investment services within Cambodia's jurisdiction, including foreign firms with Cambodian operations or those seeking to access Cambodian capital markets.

The law became effective in 2009, coinciding with a broader wave of securities market reforms across emerging economies following the global financial crisis. The implementation established mandatory disclosure requirements, corporate governance standards, and investor protection mechanisms that aligned Cambodia's regulatory framework with international best practices (Coffee, 2007; Jackson and Roe, 2009). The timing of this reform was particularly significant as it occurred during a period when many countries were reassessing their regulatory frameworks in response to market volatility and increased demands for transparency and accountability in financial markets.

Cambodia's securities law adoption was part of a broader regional trend, as several ASEAN countries simultaneously strengthened their securities regulations during this period. Vietnam enhanced its securities regulations in 2010, while Thailand and Malaysia also implemented significant regulatory updates between 2008 and 2011 (Claessens and Yurtoglu, 2013). However, Cambodia's comprehensive approach distinguished it from other contemporaneous reforms by establishing an entirely new regulatory infrastructure rather than merely updating existing frameworks. This regulatory development created unique spillover effects for multinational corporations operating across these jurisdictions, particularly those with significant business interests in the region.

Theoretical Framework

The Securities Law of Cambodia's impact on U.S. firms' voluntary disclosure decisions operates through the proprietary costs channel, which represents one of the fundamental theoretical frameworks explaining corporate disclosure behavior. Proprietary costs theory suggests that firms face trade-offs between the benefits of increased transparency and the competitive disadvantages that may arise from revealing sensitive business information to rivals, suppliers, and other market participants (Verrecchia, 1983; Dye, 1985).

The core concept of proprietary costs encompasses the potential economic harm firms may suffer when disclosure reveals information that competitors can exploit to their advantage.

These costs include the revelation of profitable investment opportunities, strategic plans, operational efficiencies, or market positions that could enable rivals to compete more effectively (Verrecchia, 2001; Beyer et al., 2010). When regulatory changes in foreign jurisdictions alter the competitive landscape or information environment, U.S. firms must reassess their disclosure strategies to minimize proprietary costs while maintaining adequate transparency for capital market participants.

The implementation of Cambodia's securities law creates new information asymmetries and competitive dynamics that influence U.S. firms' proprietary cost calculations. As Cambodian firms face enhanced disclosure requirements and improved regulatory oversight, U.S. companies operating in similar industries or geographic markets must consider whether increased voluntary disclosure helps maintain their competitive positioning or whether such disclosure would reveal proprietary information that newly transparent Cambodian competitors could exploit (Ali et al., 2014; Bernard, 2016).

Hypothesis Development

The Securities Law of Cambodia affects U.S. firms' voluntary disclosure decisions through several interconnected proprietary cost mechanisms. First, the enhanced disclosure requirements imposed on Cambodian firms create new information benchmarks that alter the competitive information environment for U.S. companies operating in related markets or industries. When Cambodian competitors become subject to more stringent disclosure requirements, they reveal previously private information about their operations, strategies, and performance metrics (Bushman et al., 2004; Leuz and Wysocki, 2016). This increased transparency from Cambodian firms reduces the proprietary costs associated with similar disclosures by U.S. companies, as the competitive disadvantage of revealing such information diminishes when competitors are required to provide comparable disclosures.

Second, the improved regulatory framework in Cambodia enhances the credibility and reliability of information disclosed by Cambodian firms, which increases the pressure on U.S. competitors to provide similarly credible voluntary disclosures to maintain their competitive positioning. The establishment of SERC and the comprehensive regulatory infrastructure creates institutional mechanisms that ensure disclosed information is accurate and comparable, thereby raising the stakes for U.S. firms that choose to remain less transparent (Christensen et al., 2013; Shroff et al., 2013). When regulatory improvements in foreign jurisdictions enhance the quality of competitors' mandatory disclosures, U.S. firms face increased pressure to voluntarily disclose information that demonstrates their competitive advantages or operational efficiency relative to these newly transparent foreign competitors.

The theoretical literature suggests that regulatory improvements in foreign jurisdictions can create both competitive pressures and informational spillovers that influence domestic firms' disclosure strategies. However, the direction of this effect depends on whether the proprietary costs of increased disclosure outweigh the benefits of maintaining competitive parity with newly transparent foreign competitors (Li, 2010; Shroff, 2017). Prior research indicates that when foreign regulatory improvements create more transparent competitive environments, domestic firms typically respond by increasing voluntary disclosure to maintain their relative information advantage and signal their quality to investors who now have access to more comprehensive information about foreign competitors. The proprietary costs framework suggests that U.S. firms will increase voluntary disclosure following Cambodia's securities law implementation because the competitive disadvantage of such disclosure decreases when Cambodian competitors face similar or more stringent disclosure requirements.

H1: U.S. firms increase voluntary disclosure following the implementation of Cambodia's Securities Law in 2009, as the enhanced disclosure requirements for Cambodian firms reduce the proprietary costs associated with voluntary disclosure by U.S. competitors.

RESEARCH DESIGN

Sample Selection and Treatment Variable

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities and Exchange Regulator of Cambodia (SERC) serves as the regulatory authority responsible for administering this comprehensive securities legislation, which governs securities offerings, investment services, disclosure requirements, and market conduct rules. While the Securities Law Cambodia directly targets firms operating within Cambodia's securities markets, our analysis examines the spillover effects on all U.S. firms in the Compustat universe, consistent with the theoretical framework that regulatory changes in one jurisdiction can influence disclosure practices globally through information and cost channels (Leuz and Wysocki, 2016; Christensen et al., 2013). The treatment variable affects all firms in our sample, as we examine whether the enhanced regulatory framework and improved investor protection mechanisms established by Cambodia's securities law influence voluntary disclosure decisions of U.S. firms through cost-based considerations.

Model Specification

We employ a pre-post research design to examine the relationship between Cambodia's Securities Law and voluntary disclosure in the U.S. through the costs channel. Our primary regression model takes the form:

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

The model incorporates control variables established in prior voluntary disclosure literature to isolate the treatment effect while accounting for firm-specific characteristics that influence management forecasting decisions. Following Ajinkya et al. (2005) and Chuk et al. (2013), we include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk as control variables. These variables capture the primary economic determinants of voluntary disclosure identified in theoretical and empirical studies (Verrecchia, 2001; Beyer et al., 2010).

Our research design addresses potential endogeneity concerns through the quasi-experimental nature of the regulatory change, which provides an exogenous shock to the information environment. The implementation of Cambodia's Securities Law represents an external regulatory event unlikely to be correlated with unobservable firm characteristics that determine U.S. firms' voluntary disclosure policies, thereby mitigating concerns about reverse causality and omitted variable bias (Leuz, 2010; Christensen et al., 2016).

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 capital markets, representing a key dimension of voluntary disclosure that directly relates to information costs and benefits (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Law Cambodia period from 2009 onwards, and zero otherwise, affecting all firms in our sample as we examine cross-jurisdictional spillover effects through the costs channel.

Our control variables include several key determinants of voluntary disclosure established in prior literature. Institutional ownership (linstown) captures the monitoring and information demand effects of sophisticated investors, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) proxies for the costs and benefits of disclosure, with larger firms generally providing more voluntary disclosure due to lower relative costs 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) captures profitability effects on disclosure incentives. Stock returns (lsaret12) and earnings volatility (levol) control for information uncertainty and performance-related disclosure motives. The loss indicator (lloss) captures the asymmetric disclosure incentives associated with poor performance, and class action litigation risk (lcalrisk) controls for legal costs that may influence disclosure decisions through the costs channel we examine (Rogers and Van Buskirk, 2009).

Sample Construction

We construct our sample using a five-year window centered on the 2009 implementation of Cambodia's Securities Law, spanning two years before and two years after the regulatory change, with the post-regulation period defined as from 2009 onwards. This event window allows us to capture both pre-regulation baseline disclosure patterns and post-regulation changes while minimizing the influence of other contemporaneous regulatory or economic events that might confound our analysis (Christensen et al., 2013). We obtain financial statement data from Compustat, analyst forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset of firm-year observations.

Our final sample consists of 16,882 firm-year observations for U.S. firms, representing all available firms in the Compustat universe during our sample period that meet standard data availability requirements. We define the treatment group as all firms in the post-Securities Law Cambodia period, while the control group comprises the same firms in the pre-regulation period, consistent with our pre-post research design examining spillover effects through the costs channel. We apply standard sample restrictions including the exclusion of financial and utility firms due to their unique regulatory environments, and we require non-missing data for all variables used in our primary specifications (Petersen, 2009). The resulting sample provides sufficient statistical power to detect economically meaningful effects while maintaining representativeness of the broader population of U.S. public companies.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 16,882 firm-year observations from 4,386 unique U.S. firms over the period 2007 to 2011. This sample period captures the financial crisis and subsequent recovery, providing a relevant setting for examining proprietary costs and disclosure decisions during periods of economic uncertainty.

We observe substantial variation in institutional ownership across our sample firms. The mean institutional ownership (linstown) is 56.9%, with a median of 61.8%, indicating that institutions hold majority stakes in most sample firms. The interquartile range spans from 28.9% to 84.0%, suggesting considerable cross-sectional variation in institutional investor presence. Firm size (lsize) exhibits the expected right-skewed distribution, with a mean of 5.987 and median of 5.940, indicating our sample includes firms across the size spectrum.

The book-to-market ratio (lbtm) shows a mean of 0.663 and median of 0.531, with the distribution extending from -1.019 to 3.676, capturing both growth and value firms. Notably, profitability measures reveal challenging operating conditions during our sample period. Return on assets (lroa) exhibits a slightly negative mean of -4.4%, though the median remains positive at 2.1%, consistent with the economic downturn affecting many firms. Similarly, stock returns (lsaret12) average -1.8% with a median of -10.2%, reflecting the market conditions during this period.

Earnings volatility (levol) shows substantial variation, with a mean of 14.7% and median of 5.7%, indicating significant heterogeneity in earnings stability across firms. The loss indicator (lloss) reveals that 33.5% of firm-year observations report losses, substantially higher than typical pre-crisis periods, confirming the challenging operating environment during our sample years.

Management forecast frequency (freqMF) averages 0.601, with considerable variation ranging from zero to 2.708 forecasts, suggesting heterogeneous voluntary disclosure practices across firms. The treatment variables indicate that our sample represents the post-law period for 58.2% of observations, providing balanced pre- and post-treatment periods for identification.

California litigation risk (lcalrisk) shows a mean of 31.7% with substantial cross-sectional variation, ranging from 1.1% to 100%. This variation is crucial for our identification strategy, as it captures differential exposure to litigation risk across firms and industries.

These descriptive statistics reveal a sample characterized by significant economic stress, heterogeneous firm characteristics, and substantial variation in key variables of interest, providing an appropriate setting for examining how proprietary costs influence corporate disclosure decisions during periods of heightened uncertainty.

RESULTS

Regression Analysis

We examine the association between Cambodia's Securities Law implementation in 2009 and U.S. firms' voluntary disclosure decisions using a difference-in-differences research design across three model specifications. Our findings reveal that the treatment effect varies significantly depending on model specification, with the most rigorous specification (3) showing a statistically significant negative association between the regulatory change and U.S. firms' voluntary disclosure. Specifically, we find that U.S. firms decrease voluntary disclosure by 2.48 percentage points following Cambodia's Securities Law implementation ($t = -1.98$, $p = 0.0482$). This result contrasts sharply with the insignificant positive coefficient of 0.79 percentage points in specification (2) without firm fixed effects ($t = 0.55$, $p = 0.5796$), highlighting the critical importance of controlling for unobserved firm heterogeneity in disclosure studies. The substantial improvement in explanatory power from an R-squared of 0.2465 in specification (2) to 0.8751 in specification (3) demonstrates that firm fixed effects capture substantial cross-sectional variation in disclosure behavior that would otherwise confound our treatment effect estimates.

The statistical significance and economic magnitude of our findings warrant careful interpretation within the context of voluntary disclosure literature. While the treatment effect in our preferred specification (3) achieves statistical significance at the 5% level, the economic magnitude of a 2.48 percentage point decrease represents a modest but meaningful change in disclosure behavior. The progression from specification (1) showing a large negative effect (-8.30 percentage points, $t = -8.40$) to specification (3) revealing a smaller but still significant negative effect suggests that much of the initial correlation reflects omitted variable bias rather than a causal relationship. The inclusion of comprehensive control variables and firm fixed effects substantially attenuates the treatment effect, indicating that uncontrolled firm characteristics and time-invariant heterogeneity significantly influence the observed association. Our most conservative estimate suggests that the regulatory spillover effect, while statistically detectable, represents a relatively small economic impact on U.S. firms' disclosure decisions.

The control variables in our analysis exhibit patterns largely consistent with established voluntary disclosure literature, lending credibility to our empirical approach. We find that larger firms (lsize coefficient = 0.0918, t = 8.27) engage in significantly more voluntary disclosure, consistent with economies of scale in information production and greater analyst following for larger companies. The negative association between losses (lloss coefficient = -0.0730, t = -6.33) and voluntary disclosure aligns with managers' incentives to withhold bad news, while the negative relationship with stock returns (lsaret12 coefficient = -0.0344, t = -4.33) suggests that firms with poor performance reduce disclosure to avoid further negative market reactions. Notably, institutional ownership (linstown) becomes statistically insignificant in the firm fixed effects specification, suggesting that the monitoring role of institutions primarily reflects cross-sectional differences rather than within-firm variation over time. The significant negative time trend (coefficient = -0.0140, t = -3.27) indicates a general decline in voluntary disclosure over our sample period, consistent with increased litigation risk and regulatory uncertainty during the post-financial crisis period.

Our empirical findings do not support Hypothesis 1, which predicted that U.S. firms would increase voluntary disclosure following Cambodia's Securities Law implementation due to reduced proprietary costs. Instead, we document a significant negative association, suggesting that the theoretical mechanisms underlying our hypothesis may not operate as expected in this empirical setting. The negative treatment effect indicates that rather than reducing proprietary costs and encouraging greater transparency, the regulatory change in Cambodia may have created different competitive dynamics or informational effects that led U.S. firms to reduce voluntary disclosure. This finding challenges the proprietary costs framework's prediction that enhanced foreign disclosure requirements necessarily reduce domestic firms' disclosure costs, suggesting that cross-border regulatory spillovers may operate through more complex channels than initially theorized.

CONCLUSION

This study examines whether Cambodia's Securities Law of 2009 influenced voluntary disclosure practices among U.S. firms through the costs channel. We investigate the hypothesis that comprehensive securities legislation in emerging markets can create spillover effects that alter disclosure incentives for multinational firms by changing the cost-benefit calculus of voluntary disclosure. Our analysis employs a difference-in-differences research design to identify the causal impact of Cambodia's enhanced regulatory framework on U.S. firms' voluntary disclosure behavior, focusing specifically on how regulatory developments in foreign markets can influence disclosure costs and subsequent reporting decisions.

Our empirical findings reveal mixed evidence regarding the impact of Cambodia's Securities Law on U.S. voluntary disclosure through the costs channel. In our baseline specification without controls, we find a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), suggesting that the implementation of Cambodia's Securities Law was associated with reduced voluntary disclosure among treated U.S. firms. However, when we include comprehensive firm-level controls in our second specification, the treatment effect becomes positive but statistically insignificant (coefficient = 0.0079, t-statistic = 0.55, $p = 0.580$). Our most stringent specification, which includes both firm controls and additional fixed effects, yields a negative and marginally significant treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$). The substantial increase in explanatory power from 0.2% to 87.5% R-squared across specifications highlights the importance of controlling for firm characteristics when examining voluntary disclosure decisions. These results suggest that while Cambodia's Securities Law may have influenced U.S. firms' disclosure costs, the economic magnitude of this effect is relatively modest, with the treatment effect ranging from approximately 0.8% to 8.3% of a standard deviation in voluntary disclosure.

The variation in results across specifications indicates that the relationship between foreign securities regulation and domestic voluntary disclosure through the costs channel is complex and sensitive to model specification. The negative treatment effects in specifications (1) and (3) are consistent with the hypothesis that enhanced securities regulation in foreign markets increases compliance costs for multinational firms, leading to reduced voluntary disclosure as managers reallocate resources toward mandatory compliance activities (Christensen et al., 2013). The control variables behave as expected, with institutional ownership and firm size positively associated with voluntary disclosure, while losses and calculation risk negatively predict disclosure levels, consistent with prior literature on disclosure determinants (Shroff et al., 2013).

Our findings have important implications for regulators, managers, and investors. For regulators, our results suggest that securities law reforms in emerging markets can have unintended consequences for disclosure practices in developed markets through cost spillovers. Regulatory authorities should consider these cross-border effects when designing securities regulations, particularly as global capital markets become increasingly integrated. The modest economic magnitude of our treatment effects suggests that while these spillover effects exist, they may not substantially undermine domestic disclosure objectives. For managers, our findings highlight the importance of considering the global regulatory environment when making voluntary disclosure decisions. The implementation of securities laws in foreign jurisdictions where firms operate can alter the cost structure of disclosure activities, requiring strategic reassessment of disclosure policies. Managers should anticipate that enhanced regulatory requirements in any jurisdiction may create resource constraints that affect voluntary disclosure capacity across all markets.

For investors, our results indicate that foreign regulatory developments can influence the information environment of domestic firms through indirect cost channels. Investors should monitor regulatory changes in emerging markets where their portfolio companies have operations, as these changes may affect future disclosure quality and quantity. The mixed nature of our findings also suggests that firm-specific characteristics play a crucial role in determining how regulatory changes translate into disclosure decisions, emphasizing the importance of firm-level analysis in investment decisions. Our findings contribute to the broader literature on disclosure costs by providing evidence that regulatory developments in foreign markets can create meaningful spillover effects on domestic disclosure practices (Leuz and Wysocki, 2016).

We acknowledge several limitations that provide opportunities for future research. First, our study focuses specifically on Cambodia's Securities Law, and the generalizability of our findings to other emerging market regulatory reforms remains unclear. Future research could examine whether similar patterns emerge following securities law implementations in other developing economies with different institutional characteristics. Second, our analysis relies on voluntary disclosure measures that may not capture all dimensions of disclosure quality affected by regulatory changes. Future studies could employ more granular disclosure metrics or examine specific types of voluntary disclosure to better understand the mechanisms through which costs influence reporting decisions. Third, while we focus on the costs channel, other mechanisms such as information asymmetry or competitive effects may also explain the relationship between foreign regulation and domestic disclosure practices.

Future research could extend our analysis by examining the temporal dynamics of regulatory spillover effects, investigating whether the impact of foreign securities laws on domestic disclosure practices evolves over time as firms adapt to new regulatory environments. Additionally, researchers could explore heterogeneity in treatment effects across industry sectors, firm size, or international exposure to better understand which types of firms are most susceptible to foreign regulatory spillovers. Finally, examining the welfare implications of these spillover effects would provide valuable insights into whether cross-border regulatory influences enhance or diminish overall market efficiency and investor protection.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	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 Law Cambodia 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	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	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 Law Cambodia on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0830*** (8.40)	0.0079 (0.55)	-0.0248** (1.98)
Institutional ownership		0.7140*** (15.02)	0.0574 (1.10)
Firm size		0.1024*** (11.01)	0.0918*** (8.27)
Book-to-market		-0.0307** (2.31)	0.0039 (0.38)
ROA		0.0452 (1.40)	0.0405* (1.90)
Stock return		-0.0236** (2.19)	-0.0344*** (4.33)
Earnings volatility		0.0288 (0.90)	-0.0092 (0.24)
Loss		-0.1942*** (9.93)	-0.0730*** (6.33)
Class action litigation risk		-0.1331*** (4.70)	-0.0052 (0.33)
Time Trend		-0.0033 (0.62)	-0.0140*** (3.27)
Firm fixed effects	No	No	Yes
N	16,882	16,882	16,882
R^2	0.0021	0.2465	0.8751

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