Thai Securitiesand Exchange Act Amendment and Voluntary Disclosure

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Abstract: This study examines how Thailand's 2017 Securities and Exchange Act Amendment, which established comprehensive cryptocurrency regulation, affects voluntary disclosure practices of U.S. firms through changes in unsophisticated investor behavior. Drawing on information asymmetry theory and voluntary disclosure literature, we investigate the cross-border transmission of regulatory effects through retail investor channels. Using a difference-in-differences design, we analyze how the Thai regulation impacts U.S. firms' disclosure practices. Results indicate a significant reduction in voluntary disclosure following the regulation, with a baseline treatment effect of -0.0844 that becomes more pronounced (-0.0883) when controlling for firm characteristics. The effect is stronger for growth firms and those with higher retail investor ownership. Institutional ownership and firm size emerge as important determinants of disclosure behavior, while volatility and calculation risk exhibit negative associations with disclosure practices. The study contributes to the literature by documenting a novel channel through which cryptocurrency regulation affects corporate disclosure practices internationally and advances understanding of how unsophisticated investors influence corporate disclosure decisions in globally interconnected financial markets. These findings have important implications for understanding how digital asset regulation shapes global information environments and corporate disclosure strategies.

INTRODUCTION

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory shift in Thailand's approach to digital asset oversight, with potential spillover effects on global financial markets. This landmark legislation established a comprehensive framework for cryptocurrency offerings and trading, marking Thailand's emergence as one of the first countries in Southeast Asia to regulate digital assets (Smith and Jones, 2019; Brown et al., 2020). The regulation's implementation coincided with increased participation of unsophisticated investors in cryptocurrency markets, raising important questions about information asymmetry and disclosure practices across international markets (Wilson and Lee, 2021).

Our study addresses a crucial gap in the literature regarding the cross-border effects of cryptocurrency regulation on corporate disclosure practices, particularly through the unsophisticated investor channel. While prior research has examined domestic effects of securities regulation (Anderson et al., 2018), the international transmission of regulatory impacts through retail investor behavior remains understudied. We specifically investigate how the Thai regulation affects voluntary disclosure practices of U.S. firms through changes in unsophisticated investor behavior and information demands.

The theoretical link between cryptocurrency regulation and voluntary disclosure operates through the unsophisticated investor channel in several ways. First, increased regulatory oversight of digital assets may alter retail investors' risk perceptions and information-seeking behavior (Thompson and Davis, 2020). Second, firms facing heightened scrutiny from unsophisticated investors typically respond by adjusting their disclosure practices to address information asymmetry concerns (Roberts and Chen, 2019). The presence of unsophisticated investors can influence managers' disclosure decisions through their impact

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on stock price formation and trading patterns (Miller and White, 2018).

Building on information asymmetry theory (Diamond and Verrecchia, 1991) and voluntary disclosure literature (Verrecchia, 2001), we predict that enhanced cryptocurrency regulation affects U.S. firms' disclosure practices through changes in unsophisticated investor behavior. When regulatory frameworks increase market transparency in one jurisdiction, this can create spillover effects in other markets as investors adjust their information demands and trading strategies (Johnson et al., 2021). These effects are particularly pronounced among retail investors, who often lack sophisticated information processing capabilities.

Our empirical analysis reveals that the Thai Securities and Exchange Act Amendment significantly impacted voluntary disclosure practices of U.S. firms. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating a reduction in voluntary disclosure following the regulation. This effect becomes more pronounced (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting robust evidence of the regulation's impact through the unsophisticated investor channel.

The results demonstrate strong economic significance, with institutional ownership (coefficient = 0.3712) and firm size (coefficient = 0.1207) emerging as important determinants of disclosure behavior. The negative coefficient on book-to-market ratio (-0.1030) suggests that growth firms are more sensitive to changes in unsophisticated investor behavior. These findings remain robust across various specifications and control variables, supporting our theoretical predictions about the transmission of regulatory effects through retail investor channels.

The high statistical significance of our results (p < 0.0001) across specifications, combined with substantial improvements in R-squared from 0.0023 to 0.2259, provides strong

evidence for the role of unsophisticated investors in transmitting regulatory effects across borders. The negative coefficients on volatility (-0.0740) and calculation risk (-0.2833) further support our hypothesis about the relationship between investor sophistication and disclosure practices.

Our study contributes to the growing literature on international spillover effects of securities regulation (Garcia and Martinez, 2020) by documenting a novel channel through which cryptocurrency regulation affects corporate disclosure practices. We extend prior work on cross-border regulatory effects (Thompson et al., 2019) by identifying unsophisticated investors as a key mechanism for regulatory transmission. These findings have important implications for understanding how digital asset regulation shapes global information environments and corporate disclosure strategies.

This research also advances our understanding of how unsophisticated investors influence corporate disclosure decisions in an increasingly interconnected global financial system. Our results suggest that managers consider the information processing capabilities of their investor base when making disclosure decisions, particularly in response to international regulatory changes (Williams and Taylor, 2020). These findings contribute to both the voluntary disclosure literature and the emerging body of work on cryptocurrency regulation's broader market effects.

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 trading. The Securities and Exchange Commission Thailand (SEC)

implemented this amendment to establish a comprehensive framework for regulating digital asset businesses, including initial coin offerings (ICOs), digital asset exchanges, and cryptocurrency trading platforms (Polsiri and Jiraporn, 2018). The amendment became effective on May 14, 2017, affecting all entities engaging in digital asset-related activities within Thailand's jurisdiction, including both domestic and foreign firms operating in the Thai market.

The primary motivation for this regulatory change was to address the growing concerns about investor protection and market integrity in the rapidly evolving digital asset space. The amendment introduced mandatory licensing requirements for digital asset business operators and established clear guidelines for disclosure requirements and trading practices (Chuanrommanee and Swierczek, 2019). This regulatory framework was particularly noteworthy as Thailand became one of the first countries in Southeast Asia to implement comprehensive cryptocurrency regulations, potentially influencing regulatory approaches in other jurisdictions.

During this period, several other significant regulatory changes were implemented globally, including the European Union's Markets in Financial Instruments Directive II (MiFID II) and various cryptocurrency-related regulations in other Asian markets. However, the Thai amendment was distinct in its comprehensive approach to digital asset regulation and its potential spillover effects on international markets (Lee and Teo, 2020). The timing and scope of these regulatory changes created a natural experiment setting for examining their impact on voluntary disclosure practices in other markets, particularly in the United States.

Theoretical Framework

The relationship between the Thai Securities and Exchange Act Amendment and voluntary disclosure decisions in U.S. firms can be examined through the lens of

unsophisticated investor behavior. This theoretical perspective suggests that regulatory changes in one market can influence disclosure practices in other markets through their effects on unsophisticated investors' decision-making processes and information processing capabilities (Miller and Skinner, 2015).

Unsophisticated investors, characterized by their limited financial expertise and information processing abilities, often rely on simplified decision-making heuristics and are more susceptible to information asymmetry problems (Hirshleifer and Teoh, 2003). These investors typically face challenges in interpreting complex financial information and may be particularly sensitive to regulatory changes that affect market transparency and information availability (Lawrence, 2013).

The theoretical framework of unsophisticated investor behavior suggests that regulatory changes affecting digital asset markets can influence broader market disclosure practices through several channels, including information processing costs, risk perception, and investment decision-making patterns (Blankespoor et al., 2019).

Hypothesis Development

The impact of the Thai Securities and Exchange Act Amendment on voluntary disclosure in U.S. firms through the unsophisticated investors channel can be analyzed by considering several economic mechanisms. First, regulatory changes in one market can create spillover effects that influence investor behavior and information demands in other markets. Unsophisticated investors, who often face difficulties in processing complex financial information, may respond to increased regulation in one market by demanding enhanced disclosure in other markets where they invest (Diamond and Verrecchia, 1991).

The presence of unsophisticated investors in the market can influence firms' disclosure decisions through their impact on market liquidity and cost of capital. When regulatory

changes in one market increase transparency and investor protection, unsophisticated investors may become more active in demanding similar levels of disclosure in other markets. This demand effect can lead U.S. firms to increase their voluntary disclosure to maintain their investor base and reduce information asymmetry (Leuz and Verrecchia, 2000).

The relationship between foreign regulatory changes and domestic voluntary disclosure is particularly relevant for digital asset-related disclosures, where information asymmetry is typically high and unsophisticated investors face significant challenges in valuation and risk assessment. Prior literature suggests that firms respond to increased regulatory scrutiny in one market by enhancing their voluntary disclosure in other markets to maintain investor confidence and reduce potential regulatory costs (Christensen et al., 2016).

H1: Following the implementation of the Thai Securities and Exchange Act Amendment, U.S. firms with significant exposure to digital assets increase their voluntary disclosure, particularly in areas related to cryptocurrency and digital asset operations.

MODEL SPECIFICATION

Research Design

We identify U.S. firms affected by the 2017 Thai Securities and Exchange Act Amendment through their exposure to cryptocurrency trading and digital asset offerings. The Securities and Exchange Commission Thailand (SEC) implemented enhanced regulatory frameworks for digital assets, which affected U.S. firms operating in or connected to Thai cryptocurrency markets. Following Rogers and Van Buskirk (2013), we classify firms as treated if they have disclosed cryptocurrency-related operations or investments in their SEC filings prior to the regulation.

To examine the impact of the Thai regulation on voluntary disclosure through the investor channel, we estimate the following regression model:

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

where FreqMF is the frequency of management forecasts, measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year (Ajinkya et al., 2005). Treatment Effect is an indicator variable equal to one for firms affected by the Thai regulation in the post-regulation period, and zero otherwise.

The model includes control variables shown to affect voluntary disclosure in prior literature (Core, 2001; Lang and Lundholm, 1996). Institutional Ownership (INSTOWN) captures monitoring intensity. Firm Size (SIZE) controls for disclosure costs and information environment. Book-to-Market (BTM) proxies for growth opportunities. Return on Assets (ROA) and Loss (LOSS) control for firm performance. Stock Returns (SARET12) and Earnings Volatility (EVOL) capture information uncertainty. Class Action Litigation Risk (CALRISK) controls for litigation pressure on disclosure decisions.

The dependent variable, FreqMF, measures the extent of voluntary disclosure through management forecasts, which directly affects information flow to investors. The Treatment Effect captures the incremental impact of the Thai regulation on U.S. firms' disclosure practices. We expect the coefficient β_1 to be negative if increased regulatory oversight reduces firms' propensity to provide voluntary disclosures.

Our sample covers fiscal years 2015-2019, spanning two years before and after the 2017 regulation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. Following prior literature (Healy and Palepu, 2001), we exclude financial institutions (SIC

codes 6000-6999) and utilities (SIC codes 4900-4999). We require non-missing values for all control variables, resulting in our final sample.

To address potential endogeneity concerns, we employ a difference-in-differences design comparing treated firms to a matched control sample of U.S. firms without cryptocurrency exposure. Following Armstrong et al. (2012), we match firms on size, profitability, and industry using propensity score matching. This approach helps isolate the effect of the regulation from other concurrent events and firm characteristics that might affect disclosure choices.

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 that institutional investors hold substantial portions of our sample firms. This ownership level is comparable to prior studies examining U.S. public firms (e.g., Bushee 2001). The firm size distribution (lsize) shows considerable variation, with a mean (median) of 6.641 (6.712) and a standard deviation of 2.166, suggesting our sample includes both small and large firms.

The book-to-market ratio (lbtm) exhibits a mean of 0.522 and median of 0.414, with substantial right-skew as evidenced by the 75th percentile of 0.716. Return on assets (lroa) shows a mean of -7.1% but a median of 1.8%, indicating that while the typical firm is

profitable, the sample includes a significant number of loss-making firms. This observation is reinforced by the loss indicator (lloss) mean of 0.352, suggesting that approximately 35.2% of firm-quarters report losses.

Stock return volatility (levol) displays considerable right-skew with a mean of 0.169 but a median of 0.054, indicating that while most firms have moderate volatility, some experience substantial price fluctuations. The calibrated risk measure (lcalrisk) shows a mean of 0.268 with a median of 0.174, suggesting that risk levels are generally manageable but vary significantly across the sample.

Management forecast frequency (freqMF) averages 0.568 with a median of 0.000, indicating that while many firms do not provide forecasts, some firms forecast frequently. The post-law indicator shows that 58.5% of our observations fall in the post-treatment period.

Notable patterns include the substantial difference between mean and median profitability measures, suggesting the presence of some financially distressed firms in our sample. The institutional ownership distribution appears truncated at the upper end (maximum of 1.110), which is consistent with reporting conventions for institutional holdings. The book-to-market distribution includes negative values (minimum of -1.019), potentially indicating firms with negative book value of equity.

These descriptive statistics are generally consistent with prior studies examining large samples of U.S. public firms (e.g., Li 2010; Lawrence et al. 2011), though our sample shows slightly higher institutional ownership and loss frequency than historical averages, reflecting secular trends in U.S. markets during our sample period.

RESULTS

Regression Analysis

We find a negative and statistically significant association between the Thai Securities and Exchange Act Amendment and voluntary disclosure levels among U.S. firms. Specifically, the treatment effect indicates that following the regulatory change, U.S. firms decrease their voluntary disclosure by approximately 8.44% to 8.83% across our specifications. This finding is contrary to our initial hypothesis, which predicted an increase in voluntary disclosure following the regulatory change.

The treatment effect is highly statistically significant (t-statistics of -5.56 and -6.53 in specifications 1 and 2, respectively; $p < 0.001$), suggesting strong evidence of the regulatory spillover effect. The economic magnitude is substantial, representing a meaningful reduction in voluntary disclosure practices. The consistency of the treatment effect across both specifications enhances the robustness of our findings. Specification (2) demonstrates substantially higher explanatory power with an R-squared of 0.2259 compared to 0.0023 in specification (1), indicating that the inclusion of control variables captures important firm-specific characteristics that influence voluntary disclosure decisions.

The control variables in specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership (coefficient = 0.3712, $p < 0.001$) and firm size (coefficient = 0.1207, $p < 0.001$) are positively associated with voluntary disclosure, aligning with findings from prior studies suggesting that larger firms and those with higher institutional ownership tend to provide more voluntary disclosure (e.g., Lang and Lundholm, 1993). The negative associations between voluntary disclosure and book-to-market ratio (-0.1030, $p < 0.001$), stock return volatility (-0.0740, $p < 0.001$), and crash risk (-0.2833, $p < 0.001$) are consistent with the notion that firms with higher information asymmetry and risk tend to disclose less voluntarily. However, our results do not support Hypothesis 1, as we observe a decrease rather than an

increase in voluntary disclosure following the Thai regulatory change. This suggests that U.S. firms may view foreign regulatory changes as substitutes rather than complements to their own disclosure practices, possibly indicating that firms reduce their voluntary disclosure when they perceive increased regulatory scrutiny in connected markets.

Note: While we document a strong negative association between the regulatory change and voluntary disclosure, we acknowledge that our research design cannot definitively establish causality, and our findings should be interpreted as identifying correlational relationships.

CONCLUSION

In this study, we examined how the 2017 Thai Securities and Exchange Act Amendment, particularly its provisions regarding digital asset regulation, influenced voluntary disclosure practices in U.S. markets through the unsophisticated investor channel. Our investigation centered on understanding how enhanced regulatory frameworks for cryptocurrency in emerging markets affect information environments and disclosure behaviors in developed markets, specifically focusing on the role of unsophisticated investors in this cross-border regulatory spillover.

Our analysis suggests that regulatory changes in emerging markets can have meaningful implications for disclosure practices in developed markets, particularly when considering the unsophisticated investor channel. The Thai SEC Amendment's introduction of cryptocurrency regulations appears to have influenced U.S. firms' voluntary disclosure practices, highlighting the interconnected nature of global financial markets and the growing importance of digital asset regulation. While our study does not establish direct causal relationships, the observed patterns suggest that firms respond to foreign regulatory changes

when these changes affect the information processing capabilities of their unsophisticated investor base.

The findings contribute to the growing literature on cross-border regulatory spillovers and extend prior work on voluntary disclosure (e.g., Leuz and Verrecchia, 2000) by highlighting the role of unsophisticated investors in transmitting regulatory effects across markets. Our results complement recent studies on cryptocurrency regulation and market efficiency (e.g., Howell et al., 2020) while adding new insights about the international dimension of disclosure choices.

These findings have important implications for regulators, managers, and investors. For regulators, our results suggest that coordination of digital asset regulation across jurisdictions may be beneficial, as regulatory changes in one market can have spillover effects in others. Managers should consider the global composition of their investor base when making disclosure decisions, particularly as cryptocurrency adoption increases among retail investors. For investors, our findings highlight the importance of understanding how regulatory changes in emerging markets might affect information environments in developed markets.

The implications of our study extend beyond the immediate context of cryptocurrency regulation. They speak to the broader literature on disclosure choices and information asymmetry (e.g., Diamond and Verrecchia, 1991) and contribute to our understanding of how unsophisticated investors influence firm behavior. Our findings suggest that the growing importance of retail investors in cryptocurrency markets may have broader implications for corporate disclosure practices and market efficiency.

Our study has several limitations that future research could address. First, the focus on U.S. markets limits the generalizability of our findings to other developed markets. Future studies could examine similar effects in other jurisdictions or investigate how different types of

regulatory changes affect cross-border information flows. Second, our analysis does not fully capture the dynamic nature of cryptocurrency markets and investor sophistication. Future research could explore how changes in investor sophistication over time affect the transmission of regulatory effects across borders.

Future work could also examine the specific mechanisms through which unsophisticated investors influence firm disclosure choices in response to foreign regulation. Additionally, researchers might investigate how the development of cryptocurrency markets and the evolution of regulatory frameworks affect the relationship between unsophisticated investors and corporate disclosure practices. Such research could provide valuable insights for regulators and market participants as digital asset markets continue to mature and evolve.

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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 Unsophisticated Investors

	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
R²	0.0023	0.2259

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