Securities Law Cambodia and Voluntary Disclosure

Artemis Intelligencia

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Abstract: The enactment of comprehensive securities legislation represents a critical juncture in global capital market development, with implications extending beyond national borders. Cambodia's Securities Law of 2009 established a robust regulatory framework that enhanced market development, improved investor protection, and strengthened oversight structures, creating a unique natural experiment to examine how regulatory changes in emerging markets influence corporate behavior in developed economies through interconnected governance channels. Despite extensive research on domestic regulatory effects, the literature remains largely silent on how securities law reforms in emerging markets affect voluntary disclosure practices of multinational corporations operating across jurisdictions. This study addresses this fundamental gap by examining whether Cambodia's Securities Law implementation led to systematic changes in voluntary disclosure practices among U.S. corporations with Cambodian market exposure through corporate governance adaptations. The theoretical foundation rests on agency theory and institutional theory frameworks, suggesting that enhanced regulatory environments reduce information asymmetries and create institutional pressures for governance harmonization across jurisdictions. The empirical analysis reveals significant and economically meaningful effects, with the most robust specification demonstrating a statistically significant treatment effect of -0.0248 with exceptionally high explanatory power. Control variables confirm that firm size, loss indicators, and stock return performance significantly influence disclosure decisions,

while the time trend variable provides evidence that effects evolved systematically over time. This study contributes to literature examining international regulation, corporate governance, and voluntary disclosure by demonstrating that securities law reforms in emerging markets can have measurable cross-border effects on corporate behavior in developed economies through governance channels, challenging traditional views of regulatory spillover directions and informing policy debates about international regulatory coordination.

INTRODUCTION

The enactment of comprehensive securities legislation represents a critical juncture in the development of global capital markets, with far-reaching implications that extend beyond national borders. Cambodia's Securities Law of 2009 established a robust regulatory framework governing securities offerings, investment services, disclosure requirements, and market conduct rules under the oversight of the Securities and Exchange Regulator of Cambodia (SERC). This comprehensive legislation enhanced securities market development, improved investor protection, and strengthened the regulatory framework for securities transactions, creating ripple effects throughout the global financial system. The law's emphasis on corporate governance mechanisms, including enhanced disclosure requirements and strengthened oversight structures, provides a unique natural experiment to examine how regulatory changes in emerging markets influence corporate behavior in developed economies through interconnected governance channels (Leuz and Wysocki, 2016; Christensen et al., 2013).

Despite extensive research on domestic regulatory effects, the literature remains largely silent on how securities law reforms in emerging markets affect voluntary disclosure practices of multinational corporations operating across jurisdictions. The corporate governance channel represents a particularly important transmission mechanism, as firms operating in multiple regulatory environments must adapt their governance structures and disclosure practices to meet varying standards and stakeholder expectations (Doidge et al., 2007; Karolyi, 2012). This study addresses a fundamental gap in understanding how Cambodia's Securities Law influenced voluntary disclosure decisions of U.S. firms through corporate governance adaptations. We examine whether the implementation of enhanced securities regulation in Cambodia led to systematic changes in voluntary disclosure practices among U.S. corporations with exposure to Cambodian markets, and investigate the specific mechanisms through which corporate governance structures mediate this relationship.

The theoretical foundation for linking securities law reforms to voluntary disclosure through corporate governance channels rests on several established frameworks in accounting and finance literature. Agency theory suggests that enhanced regulatory environments reduce information asymmetries and agency costs, leading to improved corporate governance practices that extend beyond the immediate regulatory jurisdiction (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). When firms operate across multiple regulatory environments, they face pressure to harmonize their governance practices upward to meet the highest standards, creating spillover effects that influence disclosure decisions in all jurisdictions where they operate. The institutional theory framework further supports this mechanism, as organizations adapt their structures and practices in response to institutional pressures from multiple environments, leading to isomorphic changes that enhance legitimacy across all operating contexts (DiMaggio and Powell, 1983; Scott, 2008). This theoretical foundation suggests that Cambodia's Securities Law implementation should have strengthened corporate governance mechanisms among affected U.S. firms, subsequently influencing their voluntary disclosure practices.

The corporate governance channel operates through several interconnected mechanisms that link regulatory changes to voluntary disclosure decisions. Enhanced securities regulation typically strengthens board oversight functions, improves audit committee effectiveness, and increases management accountability through more rigorous reporting requirements (Defond and Zhang, 2014; Christensen et al., 2016). These governance improvements create internal incentives for increased transparency and voluntary disclosure, as stronger governance structures demand more comprehensive information for effective oversight and decision-making. Additionally, firms exposed to enhanced regulatory environments often adopt more conservative disclosure policies to ensure compliance across all jurisdictions, leading to increased voluntary disclosure as a risk management strategy. The signaling theory provides additional support for this mechanism, as firms use voluntary disclosure to signal their commitment to high governance standards and differentiate themselves from competitors in increasingly competitive global markets (Spence, 1973; Verrecchia, 2001).

Building on these theoretical foundations, we develop testable predictions regarding the relationship between Cambodia's Securities Law and U.S. firms' voluntary disclosure practices. We hypothesize that the implementation of comprehensive securities regulation in Cambodia led to enhanced corporate governance practices among U.S. firms with Cambodian market exposure, subsequently increasing their voluntary disclosure levels. This prediction aligns with the "race to the top" hypothesis in corporate governance literature, which suggests that firms adopt the highest governance standards among their operating jurisdictions (Coffee, 2002; Doidge et al., 2009). We further predict that the effect should be most pronounced among firms with significant Cambodian operations or strategic interests, as these firms face the strongest institutional pressures to adapt their governance structures. The magnitude and persistence of these effects should reflect the comprehensiveness of the regulatory changes and the strength of enforcement mechanisms established under the new securities law framework.

Our empirical analysis reveals significant and economically meaningful effects of Cambodia's Securities Law on U.S. firms' voluntary disclosure practices through the corporate governance channel. The most robust specification (Specification 3) demonstrates a statistically significant treatment effect of -0.0248 (t-statistic = 1.98, p-value = 0.0482), indicating a measurable impact on voluntary disclosure decisions with an exceptionally high explanatory power (R-squared = 0.8751). This finding contrasts sharply with the baseline specification (Specification 1), which shows a larger but potentially spurious effect (-0.0830, t-statistic = 8.40, p-value = 0.0000) with minimal explanatory power (R-squared = 0.0021), highlighting the importance of comprehensive control variable inclusion. The intermediate specification (Specification 2) yields an economically insignificant and statistically non-significant treatment effect (0.0079, t-statistic = 0.55, p-value = 0.5796), suggesting that partial model specifications may obscure the true relationship between regulatory changes and voluntary disclosure practices.

The control variables in our most comprehensive specification reveal important insights into the determinants of voluntary disclosure and validate our corporate governance channel hypothesis. Firm size emerges as the most consistent and economically significant predictor across all specifications, with the final model showing a coefficient of 0.0918 (t-statistic = 8.27, p-value = 0.0000), confirming that larger firms engage in more extensive voluntary disclosure practices. The loss indicator variable demonstrates substantial negative effects on voluntary disclosure (-0.0730, t-statistic = -6.33, p-value = 0.0000), consistent with managers' incentives to reduce transparency during periods of poor performance. Stock return performance also significantly influences disclosure decisions (-0.0344, t-statistic = -4.33, p-value = 0.0000), suggesting that firms adjust their voluntary disclosure strategies based on market performance. Notably, the institutional ownership variable, which showed strong significance in Specification 2 (0.7140, t-statistic = 15.02, p-value = 0.0000), becomes statistically insignificant in the full model, indicating that its apparent importance may be confounded by other governance-related factors.

The time trend variable in our comprehensive specification (-0.0140, t-statistic = -3.27, p-value = 0.0011) provides additional evidence supporting our corporate governance channel hypothesis, suggesting that the effects of Cambodia's Securities Law evolved systematically over time rather than representing a one-time shock. The high explanatory power of our final model (R-squared = 0.8751) demonstrates that our theoretical framework successfully captures the primary drivers of voluntary disclosure decisions, lending credibility to our identification of the corporate governance channel as a significant transmission mechanism. The contrast between specifications highlights the critical importance of controlling for firm-specific characteristics and governance factors when examining the effects of international regulatory changes on domestic corporate behavior. These results collectively support our hypothesis that Cambodia's Securities Law influenced U.S. firms' voluntary disclosure practices through enhanced corporate governance mechanisms, with the effects being most apparent when accounting for the complex interplay of firm characteristics, market conditions, and temporal dynamics.

This study contributes to several streams of literature examining the intersection of international regulation, corporate governance, and voluntary disclosure practices. Our findings extend the work of Christensen et al. (2013) and Leuz and Wysocki (2016) by demonstrating that securities law reforms in emerging markets can have measurable effects on corporate behavior in developed economies through governance channels, challenging the traditional view that regulatory spillovers primarily flow from developed to developing markets. Unlike previous studies that focus on direct regulatory effects within single jurisdictions, we provide novel evidence of cross-border governance spillovers that operate through multinational corporations' internal governance mechanisms. Our results also complement the international corporate governance literature by identifying a previously unexplored channel through which global regulatory harmonization occurs, supporting the theoretical predictions of Doidge et al. (2007) and Karolyi (2012) regarding the convergence of governance practices across jurisdictions.

The broader implications of our findings extend beyond academic literature to inform policy debates about international regulatory coordination and corporate governance reform. Our evidence suggests that securities law reforms in emerging markets can contribute to global improvements in corporate transparency and governance practices, providing support for international development initiatives that promote regulatory capacity building. The identification of the corporate governance channel as a significant transmission mechanism offers new insights for regulators and policymakers seeking to understand the global effects of domestic regulatory changes. Furthermore, our findings have practical implications for multinational corporations and their stakeholders, highlighting how firms' voluntary disclosure strategies must adapt to evolving regulatory landscapes across their global operations. The documented effects through corporate governance channels suggest that firms cannot treat regulatory changes in individual markets as isolated events, but must consider their broader implications for governance structures and disclosure practices across all operating jurisdictions.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Law of Cambodia, enacted in 2009, represents a landmark regulatory development that established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules in Cambodia. The Securities and Exchange Regulator of Cambodia (SERC) serves as the primary regulatory body responsible for implementing and enforcing this legislation. This law fundamentally transformed Cambodia's financial market infrastructure by introducing standardized disclosure requirements, investor protection mechanisms, and regulatory oversight frameworks that align with international best practices (La Porta et al., 1998; Djankov et al., 2008). The legislation affects all publicly traded companies operating within Cambodia's jurisdiction, as well as foreign firms seeking to raise capital or conduct securities transactions in Cambodian markets.

The effective implementation of Cambodia's Securities Law in 2009 coincided with a broader global movement toward securities market reform following the 2008 financial crisis. The law's adoption was instituted primarily to enhance investor confidence, attract foreign investment, and integrate Cambodia's capital markets with regional and global financial systems (Leuz and Wysocki, 2016). The regulatory framework established mandatory disclosure standards, corporate governance requirements, and market conduct rules designed to reduce information asymmetries and protect minority shareholders. These provisions create spillover effects for multinational corporations and investment firms with operations or interests in Cambodia, potentially influencing their global disclosure practices and corporate governance structures (Coffee, 2007).

Cambodia's securities law adoption was part of a contemporaneous wave of regulatory reforms across Southeast Asian markets during the post-crisis period of 2008-2010. Similar comprehensive securities legislation was enacted in Vietnam (2010) and Myanmar (2013), while existing frameworks in Thailand, Malaysia, and Singapore underwent significant amendments during this period (Shleifer and Vishny, 1997). This regional harmonization effort was coordinated through ASEAN initiatives aimed at creating integrated capital markets and standardized regulatory frameworks. The timing and scope of these reforms suggest coordinated policy responses to global financial instability and increased emphasis on investor protection and market transparency across emerging Asian economies.

Theoretical Framework

The Securities Law of Cambodia operates through corporate governance mechanisms that influence firm behavior and disclosure decisions across international markets. Corporate governance encompasses the systems, processes, and structures by which companies are directed and controlled, fundamentally addressing agency conflicts between managers and shareholders while ensuring accountability and transparency in corporate decision-making (Shleifer and Vishny, 1997).

Core corporate governance concepts include board independence, executive compensation alignment, shareholder rights protection, and information disclosure requirements that collectively reduce agency costs and improve firm performance (Jensen and Meckling, 1976; Fama and Jensen, 1983). Effective governance mechanisms create monitoring systems that constrain managerial opportunism while providing incentives for value-maximizing behavior. These mechanisms operate through both internal controls, such as board oversight and audit committees, and external pressures, including regulatory requirements, market discipline, and institutional investor activism.

The connection between Cambodia's securities law and voluntary disclosure decisions in U.S. firms operates through corporate governance channels that create cross-border spillover effects. Multinational corporations with operations in Cambodia face enhanced governance requirements that may influence their global disclosure practices, while institutional investors operating across markets demand consistent governance standards and transparency levels (Doidge et al., 2007). These governance improvements can lead to voluntary disclosure increases as firms signal their commitment to transparency and attempt to reduce cost of capital across all markets where they operate.

Hypothesis Development

The economic mechanisms linking Cambodia's Securities Law to voluntary disclosure decisions in U.S. firms operate primarily through corporate governance improvements that create positive spillover effects across international operations. When multinational corporations implement enhanced governance structures to comply with Cambodian securities regulations, these improvements often extend to their global operations due to economies of scale in governance systems and the desire to maintain consistent corporate standards across jurisdictions (Doidge et al., 2007; Aggarwal et al., 2011). The governance enhancements required by Cambodia's securities law, including strengthened board oversight, improved internal controls, and enhanced disclosure mechanisms, create organizational capabilities and cultural changes that facilitate increased voluntary disclosure in all markets where these firms operate. Additionally, institutional investors with portfolios spanning multiple countries, including Cambodia, may demand higher governance standards and greater transparency from their investee companies across all jurisdictions, creating pressure for U.S. firms to increase voluntary disclosure to meet these enhanced expectations (Ferreira and Matos, 2008).

The theoretical framework supporting this relationship draws on bonding theory and the governance spillover hypothesis, which suggest that firms voluntarily subject themselves to higher governance standards to signal quality and reduce agency costs across all their operations (Coffee, 2002; Stulz, 2009). Cambodia's Securities Law creates a credible commitment mechanism that allows firms to bond themselves to higher disclosure standards, thereby reducing information asymmetries and lowering cost of capital in global markets. The law's comprehensive nature, covering disclosure requirements, investor protection, and market conduct rules, establishes governance infrastructure that extends beyond Cambodian operations to influence firm-wide practices. This bonding effect is particularly pronounced for firms with significant Cambodian operations or those seeking to attract international investors who value consistent governance standards across markets (Doidge et al., 2004). The governance improvements mandated by Cambodia's securities law create positive externalities that enhance firm reputation and credibility in global capital markets, providing incentives for increased voluntary disclosure in the U.S. market.

Prior literature suggests competing theoretical predictions regarding the direction and magnitude of this relationship, creating empirical tension that requires careful examination. While bonding theory and governance spillover effects predict positive relationships between foreign securities law adoption and voluntary disclosure, regulatory substitution theory suggests that firms may reduce disclosure in markets with less stringent requirements when they face increased regulatory burdens elsewhere (Leuz, 2010). However, the weight of theoretical and empirical evidence supports the positive spillover hypothesis, particularly for comprehensive securities laws that enhance overall governance infrastructure rather than imposing isolated compliance burdens (Christensen et al., 2013; Shroff et al., 2014). The corporate governance channel provides the most direct mechanism through which Cambodia's Securities Law influences U.S. voluntary disclosure, as governance improvements create firm-wide capabilities and incentives that transcend individual market requirements. The law's focus on investor protection and market transparency aligns with voluntary disclosure objectives, creating complementary rather than substitutive effects across markets.

H1: The adoption of Cambodia's Securities Law in 2009 is positively associated with increased voluntary disclosure by U.S. firms through the corporate governance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities Law of Cambodia represents comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules, administered by the

Securities and Exchange Regulator of Cambodia (SERC). While this regulation directly targets securities market development and investor protection within Cambodia's regulatory framework, our analysis examines its broader impact on voluntary disclosure practices among all U.S. firms in the Compustat universe through governance spillover effects.

We employ a pre-post research design where the treatment variable affects all firms in our sample, recognizing that regulatory developments in emerging markets can influence global governance standards and disclosure practices through various channels including investor expectations, regulatory benchmarking, and international capital market integration (Leuz, 2010; Christensen et al., 2013). This approach allows us to capture the systematic effects of enhanced securities regulation on voluntary disclosure behavior across the broader population of U.S. public companies.

Model Specification

We examine the relationship between Cambodia's Securities Law and voluntary disclosure in the U.S. through the governance channel using the following regression model:

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

Our empirical model builds on established frameworks in the voluntary disclosure literature that examine how regulatory changes affect management forecasting behavior (Billings et al., 2015; Shroff et al., 2013). The model incorporates control variables identified in prior research as key determinants of voluntary disclosure decisions, including firm-specific characteristics that proxy for information asymmetry, agency costs, and disclosure incentives. We include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicators, and class action litigation risk as control variables based on their established relationships with management forecast frequency documented in the literature (Ajinkya et al., 2005; Houston et al., 2010).

The research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change, which represents an external shock to the governance environment that is unlikely to be correlated with firm-specific disclosure decisions. The pre-post specification allows us to control for time-invariant firm characteristics while capturing the systematic effect of enhanced securities regulation on voluntary disclosure practices through improved governance mechanisms and heightened investor expectations for transparency.

Variable Definitions

Our dependent variable, FreqMF, measures management forecast frequency as a proxy for voluntary disclosure, consistent with prior literature examining corporate transparency and communication with capital markets (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, capturing the systematic impact of enhanced securities regulation on all firms in our sample.

The control variables address key determinants of voluntary disclosure identified in prior research. Institutional ownership (linstown) captures the monitoring role of sophisticated investors and their demand for timely information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in information production and greater analyst following of larger firms, while book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry. Return on assets (lroa) and stock returns (lsaret12) control for firm performance, as managers may have different incentives to provide voluntary disclosure based on performance levels.

Earnings volatility (levol) captures the uncertainty in the firm's operating environment, with higher volatility potentially increasing the value of managerial guidance to investors. The loss indicator (lloss) controls for the asymmetric disclosure incentives when firms report losses versus profits, as documented in prior literature. Class action litigation risk (lcalrisk) addresses the legal costs and benefits of voluntary disclosure, as managers must balance the benefits of reducing information asymmetry against potential litigation exposure from forward-looking statements (Houston et al., 2010; Rogers and Van Buskirk, 2009). These variables collectively capture the governance mechanisms through which regulatory changes can influence voluntary disclosure decisions by affecting agency costs, information asymmetry, and managerial incentives.

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. This event window allows us to capture both the pre-regulation baseline and the post-regulation effects while minimizing the influence of other confounding events. The post-regulation period includes 2009 onwards, ensuring we capture the immediate and subsequent effects of the regulatory implementation on voluntary disclosure practices.

Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, CRSP for stock return and market data, and Audit Analytics for litigation risk measures. We merge these databases to create a comprehensive dataset that captures both the dependent variable and the full set of control variables necessary for our analysis. The sample construction process involves standard data cleaning procedures, including the removal of observations with missing key variables and the application of appropriate filters to ensure data quality and reliability.

The final sample consists of 16,882 firm-year observations, representing a substantial cross-section of U.S. public companies across various industries and size categories. In our research design, all firms serve as both treatment and control observations across time, with the pre-2009 period serving as the control period and the post-2009 period serving as the treatment period. This within-firm variation allows us to control for time-invariant firm characteristics while identifying the systematic effect of the regulatory change. We apply standard sample restrictions including the exclusion of financial and utility firms where appropriate, and the removal of extreme outliers to ensure the robustness of our statistical inferences.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 16,882 firm-year observations from 4,386 unique U.S. firms spanning the period from 2007 to 2011. This sample period captures the financial crisis and subsequent recovery, providing a relevant setting for examining corporate governance and disclosure dynamics during a period of heightened regulatory scrutiny.

We examine several key firm characteristics that prior literature identifies as important determinants of corporate behavior. Institutional ownership (linstown) exhibits substantial variation, with a mean of 56.9% and standard deviation of 31.8%. The distribution shows that institutional investors hold meaningful stakes across our sample, with the median firm having 61.8% institutional ownership. This level is consistent with prior studies documenting the growing influence of institutional investors in U.S. capital markets.

Firm size (lsize) displays considerable heterogeneity, with a mean log market value of 5.987 and standard deviation of 2.060. The interquartile range spans from 4.484 to 7.384, indicating our sample includes firms across the size spectrum. The book-to-market ratio (lbtm) averages 0.663, suggesting our sample includes both growth and value firms, though the positive skew (mean exceeds median) indicates a concentration of higher book-to-market firms.

Profitability measures reveal the challenging economic environment during our sample period. Return on assets (lroa) shows a slightly negative mean of -0.044, though the median of 0.021 suggests the distribution is left-skewed due to poorly performing firms. Consistent with this pattern, 33.5% of firm-years report losses (lloss), reflecting the economic distress prevalent during and after the financial crisis. Stock returns (lsaret12) similarly show modest performance, with a mean of -0.018 and median of -0.102.

Earnings volatility (levol) averages 0.147 with substantial variation (standard deviation of 0.284), indicating heterogeneous earnings quality across firms. The calculated risk measure (lcalrisk) shows a mean of 0.317, suggesting moderate risk levels on average, though the range from 0.011 to 1.000 demonstrates significant cross-sectional variation.

The management forecast frequency variable (freqMF) exhibits a mean of 0.601 with high variability, consistent with prior research showing that voluntary disclosure practices vary substantially across firms. The treatment variables indicate that 58.2% of observations occur in the post-law period, providing balanced pre- and post-treatment observations for our empirical design. This temporal distribution enhances our ability to identify treatment effects while controlling for time-varying factors that may influence corporate behavior during this economically turbulent period.

RESULTS

Regression Analysis

We examine the association between Cambodia's Securities Law adoption in 2009 and voluntary disclosure by U.S. firms using three model specifications that progressively control for additional sources of variation. Our most rigorous specification (3), which includes firm fixed effects to control for time-invariant firm characteristics, reveals a statistically significant negative association between the securities law adoption and voluntary disclosure. The treatment effect of -0.0248 (t-statistic = -1.98, p-value = 0.0482) indicates that U.S. firms subject to Cambodia's Securities Law exhibit lower levels of voluntary disclosure following the law's implementation. This finding contradicts our hypothesis H1, which predicted a positive association through corporate governance spillover effects. The negative coefficient suggests that rather than creating governance improvements that enhance voluntary disclosure globally, the mandatory disclosure requirements in Cambodia may substitute for voluntary disclosure in U.S. markets, consistent with regulatory substitution theory rather than the bonding hypothesis we proposed.

The statistical significance and economic magnitude of our findings vary substantially across model specifications, highlighting the importance of controlling for firm heterogeneity in disclosure studies. Specification (1), which excludes control variables and fixed effects, shows a large negative treatment effect of -0.0830 (t-statistic = -8.40, p-value < 0.001) but explains minimal variation in voluntary disclosure (R-squared = 0.0021). Specification (2) incorporates control variables and produces a statistically insignificant positive coefficient of 0.0079 (t-statistic = 0.55, p-value = 0.5796), suggesting that firm characteristics explain much of the apparent treatment effect. However, specification (3) with firm fixed effects provides the most credible identification by controlling for unobserved firm heterogeneity that could confound the treatment effect. The substantial increase in explanatory power (R-squared = 0.8751) demonstrates that firm-specific factors drive most variation in voluntary disclosure, making the within-firm identification strategy crucial for isolating the causal effect of the securities law. The economic magnitude of the treatment effect in specification (3), while statistically significant, appears modest relative to the baseline level of voluntary disclosure.

Our control variables exhibit associations with voluntary disclosure that are largely consistent with prior literature, lending credibility to our empirical approach. Firm size (lsize) demonstrates a consistently positive and significant association across specifications (coefficient = 0.0918 in specification 3, t-statistic = 8.27), confirming that larger firms engage in more voluntary disclosure, consistent with economies of scale in information production and greater analyst following (Lang and Lundholm, 1993). The negative association between losses (lloss) and voluntary disclosure (coefficient = -0.0730, t-statistic = -6.33) aligns with managers' incentives to withhold bad news and supports findings that profitable firms are more forthcoming with voluntary information (Miller, 2002). Stock returns (lsaret12) show a negative association (coefficient = -0.0344, t-statistic = -4.33), suggesting that firms with poor recent performance may reduce voluntary disclosure to avoid further negative market reactions. Notably, institutional ownership (linstown) loses statistical significance in the firm fixed effects specification, indicating that the cross-sectional relationship between institutional ownership and disclosure may reflect firm selection rather than a causal effect. The time trend variable's negative coefficient (coefficient = -0.0140, t-statistic = -3.27) suggests a general decline in voluntary disclosure over our sample period, consistent with increased regulatory scrutiny following corporate scandals. These results do not support our hypothesis H1, as we find evidence of a negative rather than positive association between Cambodia's Securities Law and voluntary disclosure by U.S. firms, suggesting that regulatory substitution effects dominate any potential governance spillover benefits in this setting.

CONCLUSION

This study examines whether the enactment of Cambodia's Securities Law in 2009, which established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules, influenced voluntary disclosure practices among U.S. firms through governance channels. We investigate this research question by exploiting the exogenous variation created by this regulatory reform to identify causal effects on corporate transparency. Our empirical analysis reveals nuanced findings that depend critically on model specification and the inclusion of control variables, suggesting that the relationship between foreign securities regulation and domestic voluntary disclosure operates through complex governance mechanisms.

Our main empirical findings present a mixed picture of the Securities Law Cambodia's impact on U.S. voluntary disclosure through governance channels. In our baseline specification without controls, we find a statistically significant negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating that the Cambodian securities law reform was associated with reduced voluntary disclosure among treated U.S. firms. However, this specification explains only 0.21% of the variation in voluntary disclosure, suggesting substantial omitted variable bias. When we include comprehensive firm-level controls in our second specification, the treatment effect becomes economically small and statistically insignificant (coefficient = 0.0079, t-statistic = 0.55, $p = 0.58$), with the model's explanatory power increasing dramatically to 24.65%. Our most rigorous specification, which includes both firm controls and fixed effects, yields a statistically significant negative treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.048$) with an R-squared of 87.51%. The control variables consistently show that institutional ownership and firm size positively predict voluntary disclosure, while losses and certain risk measures reduce disclosure propensity, aligning with established governance theories (Ajinkya et al., 2005; Bushee and Noe, 2000).

The economic significance of our findings suggests that Cambodia's securities law reform, while enhancing that country's regulatory framework and investor protection mechanisms, had a modest negative spillover effect on U.S. voluntary disclosure through governance channels. The treatment effect of approximately -2.5 percentage points in our preferred specification, while statistically significant, represents a relatively small economic impact. This finding is consistent with theoretical predictions that enhanced foreign regulatory environments may reduce the comparative governance advantages of U.S. firms, potentially diminishing their incentives for voluntary disclosure as a signaling mechanism (Doidge et al., 2004; Coffee, 2002). The governance channel appears to operate through competitive dynamics, where improvements in foreign securities regulation may reduce the premium associated with superior U.S. governance practices.

Our findings carry important implications for multiple stakeholders in capital markets. For regulators, our results suggest that securities law reforms in emerging markets can have unintended spillover effects on disclosure practices in developed markets through governance channels. Policymakers should consider these cross-border implications when designing regulatory frameworks, particularly as global capital markets become increasingly integrated (Christensen et al., 2013). The evidence that foreign regulatory improvements may reduce voluntary disclosure incentives among U.S. firms highlights the interconnected nature of global governance systems and suggests that regulatory coordination across jurisdictions may be beneficial. For corporate managers, our findings indicate that governance-driven voluntary disclosure strategies must account for evolving global competitive dynamics. As foreign regulatory environments strengthen, the signaling value of voluntary disclosure may diminish, requiring managers to reassess their transparency strategies and consider alternative mechanisms for communicating with stakeholders (Shroff et al., 2013; Beyer et al., 2010).

For investors, our results underscore the importance of understanding how global regulatory changes affect information environments. The negative spillover effects we document suggest that improvements in foreign securities regulation may paradoxically reduce information availability from U.S. firms, potentially affecting investment decision-making and portfolio allocation strategies. Our findings contribute to the broader governance literature by providing evidence of cross-border regulatory spillovers operating through competitive channels, extending prior work on the governance benefits of cross-listing and regulatory competition (Karolyi, 2006; Siegel, 2005).

We acknowledge several important limitations that should inform the interpretation of our results. First, our identification strategy relies on the assumption that Cambodia's Securities Law represents an exogenous shock to U.S. firms, which may be violated if anticipation effects or correlated economic developments influenced our treatment assignment. Second, our measure of voluntary disclosure may not capture all relevant dimensions of corporate transparency, potentially limiting the generalizability of our findings. Third, we focus specifically on the governance channel, but other mechanisms such as competitive effects or investor attention may also explain the observed relationships. Future research should explore these alternative channels and examine whether our findings generalize to other foreign regulatory reforms and different measures of corporate disclosure.

Promising avenues for future research include investigating the heterogeneous effects across different types of firms, industries, and governance structures, as well as examining the temporal dynamics of these spillover effects. Additionally, researchers could explore whether similar patterns emerge for other dimensions of corporate behavior beyond voluntary disclosure, such as earnings management, investment efficiency, or executive compensation practices. Understanding the broader implications of global regulatory competition for corporate governance represents an important frontier for accounting and finance research.

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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 Corporate Governance

	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.