Securities and Exchange Ordinance Bangladesh and Voluntary Disclosure

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Abstract: The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a landmark regulatory reform that fundamentally transformed the securities market landscape and created significant spillover effects in global capital markets through cross-border equity issuance channels. While extensive research examines how domestic regulatory changes affect local disclosure practices, limited evidence exists on how emerging market regulatory reforms influence voluntary disclosure in developed markets through specific economic mechanisms. This study addresses how the implementation of comprehensive securities regulation in emerging markets affects voluntary disclosure practices of U.S. firms through equity issuance competition and examines the magnitude and persistence of these cross-border regulatory spillover effects. The economic mechanism operates through competitive pressures in global equity markets, where emerging market regulatory improvements create more attractive destinations for international capital flows, theoretically creating competitive pressure on developed market firms to increase voluntary disclosure. Using empirical analysis with multiple specifications, we find robust evidence of significant negative treatment effects of Bangladesh's Securities and Exchange Ordinance on U.S. voluntary disclosure, with baseline treatment effects of -0.0797 (t-statistic = 7.72, $p < 0.001$), contrary to theoretical predictions but revealing important substitution dynamics. The findings suggest that improved emerging market transparency reduced the relative value of U.S.

voluntary disclosure rather than creating competitive enhancement effects. This study contributes novel evidence on cross-border regulatory spillovers, demonstrating that emerging market regulatory reforms can significantly influence developed market disclosure practices through substitution mechanisms rather than competitive enhancement, challenging existing theoretical frameworks and highlighting the complex, interconnected nature of global capital markets.

INTRODUCTION

The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a landmark regulatory reform that fundamentally transformed the securities market landscape in one of South Asia's fastest-growing economies. This comprehensive legislation, administered by the Bangladesh Securities and Exchange Commission (BSEC), established modern securities regulation frameworks governing securities offerings, investment services, disclosure requirements, and market conduct rules, thereby enhancing investor protection and market integrity. The ordinance's implementation created significant spillover effects in global capital markets, particularly through cross-border equity issuance channels that connect emerging market regulatory changes to developed market disclosure practices (Leuz and Wysocki, 2016; Christensen et al., 2013). As multinational corporations and institutional investors increasingly integrate emerging market securities into their portfolios, regulatory changes in markets like Bangladesh create information asymmetries and competitive pressures that influence voluntary disclosure decisions in developed markets, including the United States.

The connection between Bangladesh's securities regulation and U.S. voluntary disclosure through equity issuance channels presents a compelling research opportunity that addresses a significant gap in the international accounting literature. While extensive research examines how domestic regulatory changes affect local disclosure practices (Leuz, 2003;

Bushman and Smith, 2001), limited evidence exists on how emerging market regulatory reforms influence voluntary disclosure in developed markets through specific economic mechanisms. The equity issuance channel represents a particularly important transmission mechanism, as firms seeking to access global capital markets must compete for investor attention and capital allocation decisions that increasingly consider emerging market alternatives (Karolyi, 2006). This study addresses two critical research questions: First, how does the implementation of comprehensive securities regulation in emerging markets affect voluntary disclosure practices of U.S. firms through equity issuance competition? Second, what is the magnitude and persistence of these cross-border regulatory spillover effects on corporate transparency decisions?

The economic mechanism linking Bangladesh's Securities and Exchange Ordinance to U.S. voluntary disclosure operates primarily through competitive pressures in global equity markets. When emerging market jurisdictions implement comprehensive securities regulations that enhance market transparency and investor protection, they become more attractive destinations for international capital flows, creating competitive pressure on firms in developed markets to increase their own voluntary disclosure to maintain investor interest (Durnev and Kim, 2005; Doidge et al., 2007). The equity issuance channel amplifies this effect because firms planning or considering equity offerings face direct competition for investor capital from newly regulated and more transparent emerging market alternatives. This competition mechanism is grounded in portfolio theory and international asset pricing models, which suggest that investors allocate capital based on risk-adjusted returns and information quality across global markets (Bekaert and Harvey, 2000).

Theoretical frameworks in international accounting and finance provide strong foundations for predicting how emerging market regulatory improvements affect developed market disclosure practices. The theory of regulatory competition suggests that jurisdictions compete to attract capital by implementing investor-friendly regulations, creating spillover effects that pressure other markets to enhance their own transparency standards (Coffee, 2002; La Porta et al., 2006). Additionally, the bonding hypothesis indicates that firms increase voluntary disclosure when facing competition from markets with stronger regulatory frameworks, as enhanced transparency serves as a bonding mechanism to assure investors of management quality and reduce information asymmetries (Stulz, 1999; Reese and Weisbach, 2002). Building on these theoretical foundations, we develop testable predictions that the implementation of comprehensive securities regulation in Bangladesh should lead to increased voluntary disclosure among U.S. firms, particularly those in industries or sectors that compete directly for equity capital with Bangladeshi firms. The magnitude of this effect should be stronger for firms with higher information asymmetries, greater growth opportunities, or more active equity issuance plans, as these firms face the most direct competitive pressure from improved emerging market alternatives.

Our empirical analysis provides robust evidence of significant negative treatment effects of Bangladesh's Securities and Exchange Ordinance on U.S. voluntary disclosure, contrary to theoretical predictions but revealing important market dynamics. The baseline specification demonstrates a treatment effect of -0.0797 (t-statistic = 7.72, $p < 0.001$), indicating that the regulatory reform led to a statistically significant decrease in voluntary disclosure among treated U.S. firms. This finding remains robust across multiple specifications, with the treatment effect ranging from -0.0455 to -0.0797, all statistically significant at conventional levels. The consistency of negative coefficients across specifications suggests that the Bangladesh regulatory reform created substitution effects rather than competitive enhancement effects, possibly indicating that improved emerging market transparency reduced the relative value of U.S. voluntary disclosure or shifted investor attention away from traditional disclosure channels.

The control variables provide additional insights into the determinants of voluntary disclosure and the robustness of our main findings. Institutional ownership (linstown) exhibits the strongest positive relationship with voluntary disclosure in Specification 2 (coefficient = 0.8019, t = 17.37, $p < 0.001$), consistent with institutional investors' demand for enhanced transparency (Bushee and Noe, 2000). Firm size (lsize) consistently shows positive associations with disclosure across all specifications (coefficients ranging from 0.0948 to 0.1356, all significant at $p < 0.001$), supporting established findings that larger firms provide more voluntary disclosure due to lower proprietary costs and greater analyst following (Lang and Lundholm, 1993). Loss-making firms (lloss) demonstrate significantly lower voluntary disclosure across specifications (coefficients of -0.2137 and -0.1197, both $p < 0.001$), indicating management's reluctance to provide voluntary information when performance is poor. The substantial increase in R-squared from 0.0019 in the baseline specification to 0.8531 in the full specification demonstrates the importance of firm-specific characteristics in explaining voluntary disclosure variation.

The economic significance of our findings extends beyond statistical significance to meaningful practical implications for corporate disclosure strategies and regulatory policy. The treatment effect magnitude suggests that Bangladesh's regulatory reform led to approximately 4.6 to 8.0 percentage point decreases in voluntary disclosure measures among affected U.S. firms, representing economically meaningful changes in corporate transparency. The negative relationship contradicts traditional competitive enhancement theories but aligns with information substitution hypotheses, where improved transparency in alternative markets reduces the marginal value of voluntary disclosure in established markets (Admati and Pfleiderer, 2000). The robustness of results across specifications with varying R-squared values (from 0.0019 to 0.8531) indicates that the treatment effect operates independently of traditional firm-level determinants of voluntary disclosure. These findings suggest that the equity issuance channel transmits regulatory effects through substitution mechanisms rather than competitive enhancement, highlighting the complex nature of cross-border regulatory spillovers in global capital markets.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers through equity issuance channels. Our findings extend the international accounting literature by demonstrating that emerging market regulatory reforms can significantly influence developed market disclosure practices, contrary to the traditional focus on developed-to-emerging market effects documented in studies such as Leuz and Wysocki (2016) and Christensen et al. (2013). The evidence of substitution rather than competitive enhancement effects challenges existing theoretical frameworks and suggests that regulatory spillovers operate through more complex mechanisms than previously understood. Additionally, our results contribute to the voluntary disclosure literature by identifying international regulatory changes as an important but understudied determinant of corporate transparency decisions, extending beyond traditional firm-level and domestic institutional factors examined in prior research (Healy and Palepu, 2001; Beyer et al., 2010).

The broader implications of our findings extend to regulatory policy and international capital market integration. The evidence that emerging market regulatory improvements can reduce voluntary disclosure in developed markets suggests potential unintended consequences of regulatory harmonization efforts and highlights the interconnected nature of global capital markets. For practitioners and policymakers, these results indicate that regulatory changes in any significant market can have far-reaching effects on corporate disclosure practices worldwide, necessitating consideration of international spillover effects in regulatory impact assessments. The equity issuance channel identified in this study provides a specific mechanism through which such spillovers occur, offering insights for firms' strategic disclosure decisions and regulators' understanding of cross-border regulatory competition. These contributions enhance our understanding of how global capital markets respond to regulatory changes and provide a foundation for future research on international regulatory spillovers through various economic channels.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a landmark reform in the country's capital market regulatory framework. The Bangladesh Securities and Exchange Commission (BSEC) implemented this comprehensive legislation to modernize securities regulation, establishing stringent disclosure requirements, investment service standards, and market conduct rules that fundamentally transformed the regulatory landscape for all publicly traded companies and financial intermediaries operating in Bangladesh's capital markets (La Porta et al., 2006; Djankov et al., 2008). The ordinance was instituted in response to growing concerns about market integrity, investor protection deficiencies, and the need to align Bangladesh's securities regulation with international standards to attract foreign investment and enhance market credibility (Leuz et al., 2003).

The 2007 effective date of the Securities and Exchange Ordinance coincided with a broader wave of securities law reforms across emerging markets, as countries sought to strengthen their regulatory frameworks following global financial market pressures and international regulatory harmonization efforts. The ordinance affected all domestic corporations seeking to raise capital through public offerings, existing listed companies, investment advisors, broker-dealers, and other market intermediaries, requiring enhanced disclosure practices, improved corporate governance mechanisms, and stricter compliance with fiduciary duties (Coffee, 2007; Jackson and Roe, 2009). The implementation created immediate compliance obligations for affected entities, with phased enforcement allowing firms a transition period to adapt their disclosure and governance practices to meet the new regulatory standards.

This regulatory transformation occurred alongside similar securities law adoptions in other emerging economies during the mid-2000s, as countries responded to increased global capital market integration and pressure from international investors and multilateral organizations to strengthen investor protection frameworks. The contemporaneous nature of these reforms reflects broader trends toward regulatory convergence and the adoption of international best practices in securities regulation, creating a natural experiment for examining the cross-border effects of securities law changes on global capital markets (Christensen et al., 2013; Leuz and Wysocki, 2016).

Theoretical Framework

The Securities and Exchange Ordinance of Bangladesh provides a compelling setting to examine how foreign securities law changes influence U.S. firms' voluntary disclosure decisions through the equity issuance channel. The equity issuance mechanism represents a fundamental pathway through which regulatory changes in one jurisdiction can create spillover effects in other markets, as firms seeking to raise capital must navigate varying regulatory environments and investor expectations across different jurisdictions.

The core concept of equity issuance as a transmission mechanism rests on the premise that firms' capital raising activities create interdependencies between regulatory regimes and disclosure practices across markets. When securities laws change in one jurisdiction, firms operating in multiple markets or competing for international capital must reassess their disclosure strategies to maintain their competitive position in global equity markets (Karolyi, 2006; Doidge et al., 2009). The equity issuance channel operates through several mechanisms: competitive pressures from firms in reformed jurisdictions, changing investor expectations for transparency, and the need to maintain access to global capital markets where investors increasingly demand consistent disclosure quality across their investment opportunities.

The connection between foreign securities law changes and U.S. firms' voluntary disclosure decisions through equity issuance channels reflects the integrated nature of global capital markets and the role of disclosure as a strategic tool for attracting investment capital. U.S. firms competing for investor attention and capital must consider how regulatory improvements in other jurisdictions affect investor expectations and the relative attractiveness of investment opportunities, potentially prompting voluntary disclosure enhancements to maintain their competitive position in equity markets (Bushman et al., 2004; Leuz and Wysocki, 2016).

Hypothesis Development

The theoretical relationship between Bangladesh's Securities and Exchange Ordinance and voluntary disclosure by U.S. firms operates through several interconnected economic mechanisms within the equity issuance channel. First, the enhanced regulatory framework in Bangladesh creates a competitive dynamic in global equity markets, where U.S. firms must respond to improved disclosure quality and investor protection standards in competing jurisdictions to maintain their attractiveness to international investors (Bushman and Smith, 2003; Leuz et al., 2003). When Bangladesh firms subject to the new ordinance provide higher quality disclosures and operate under stronger investor protection regimes, international investors may develop heightened expectations for transparency and governance quality across their global investment portfolios. This creates pressure on U.S. firms, particularly those seeking to raise equity capital from international investors or competing with emerging market firms for investment flows, to voluntarily enhance their disclosure practices to signal comparable commitment to transparency and investor protection (Coffee, 2007; Doidge et al., 2009).

The equity issuance channel specifically amplifies these effects because firms actively raising capital face the most direct competitive pressure from improved regulatory environments in other jurisdictions. U.S. firms planning equity offerings must differentiate themselves in increasingly competitive global capital markets, where investors can choose among investment opportunities across multiple jurisdictions with varying regulatory quality (Karolyi, 2006; Christensen et al., 2013). The Securities and Exchange Ordinance's emphasis on enhanced disclosure requirements and market integrity creates a benchmark effect, where international investors familiar with the improved regulatory environment in Bangladesh may expect similar disclosure quality from U.S. firms seeking their investment capital. This mechanism is particularly pronounced for firms with international investor bases or those competing in sectors where emerging market firms represent viable alternative investment opportunities.

Additionally, the signaling value of voluntary disclosure increases when regulatory improvements in other jurisdictions create new standards for investor protection and transparency. Prior literature suggests that voluntary disclosure serves as a mechanism for firms to signal their commitment to transparency and reduce information asymmetry with investors (Healy and Palepu, 2001; Beyer et al., 2010). When securities law reforms in Bangladesh establish higher regulatory standards, U.S. firms may voluntarily increase their disclosure to signal that they meet or exceed these emerging international benchmarks, particularly when seeking to attract equity capital from investors who now have access to better-regulated investment alternatives. The competitive pressure created by improved regulatory frameworks in other jurisdictions should be most pronounced for firms actively participating in equity markets, as these firms face the most direct competition for investor capital and attention.

H1: Following the implementation of Bangladesh's Securities and Exchange Ordinance in 2007, U.S. firms with higher equity issuance activity exhibit greater increases in voluntary disclosure compared to firms with lower equity issuance activity.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of the Securities and Exchange Ordinance Bangladesh in 2007. The Securities and Exchange Ordinance Bangladesh represents comprehensive securities legislation enacted by the Bangladesh Securities and Exchange Commission (BSEC) that governs securities offerings, investment services, disclosure requirements, and market conduct rules. This regulation modernized the securities regulation framework, enhanced investor protection, and improved market integrity and transparency in Bangladesh's capital markets.

While the Securities and Exchange Ordinance Bangladesh directly applies to firms operating within Bangladesh's jurisdiction, our analysis examines its spillover effects on voluntary disclosure practices of all U.S. firms in the Compustat universe. We employ a pre-post research design where the treatment variable affects all firms in our sample, reflecting the global interconnectedness of capital markets and the potential for regulatory changes in one jurisdiction to influence disclosure practices in others through the issuance channel (Leuz and Wysocki, 2016; Christensen et al., 2013). The treatment effect captures changes in voluntary disclosure behavior following the implementation of Bangladesh's enhanced securities regulation framework.

Model Specification

We examine the relationship between the Securities and Exchange Ordinance Bangladesh and voluntary disclosure in the U.S. through the issuance channel using the following regression model:

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

Our empirical model builds on established voluntary disclosure literature that examines the determinants of management forecast frequency (Hirst et al., 2008; Beyer et al., 2010). The dependent variable FreqMF captures the frequency of management earnings forecasts, serving as our primary measure of voluntary disclosure. The coefficient of interest, β_1, measures the treatment effect of the Securities and Exchange Ordinance Bangladesh on U.S. firms' voluntary disclosure practices.

We include comprehensive control variables based on prior literature examining voluntary disclosure determinants (Ajinkya et al., 2005; Houston et al., 2010). These controls address potential endogeneity concerns by capturing firm-specific characteristics that influence both the propensity to provide voluntary disclosures and exposure to regulatory spillover effects. Our research design mitigates endogeneity concerns inherent in voluntary disclosure studies by exploiting the exogenous timing of Bangladesh's regulatory reform, which is unlikely to be directly influenced by individual U.S. firms' disclosure decisions (Balakrishnan et al., 2014).

Variable Definitions

The dependent variable FreqMF represents the frequency of management earnings forecasts issued by firms during our sample period, consistent with prior voluntary disclosure research (Chuk et al., 2013). Our primary explanatory variable, Treatment Effect, is an indicator variable equal to one for the post-Securities and Exchange Ordinance Bangladesh period from 2007 onwards, and zero otherwise. This variable captures the potential spillover effects of enhanced securities regulation in Bangladesh on U.S. firms' voluntary disclosure practices through the issuance channel.

Our control variables follow established voluntary disclosure literature and include several key determinants. Institutional Ownership (linstown) measures the percentage of shares held by institutional investors, with higher institutional ownership typically associated with increased voluntary disclosure due to sophisticated investor demand for information (Ajinkya et al., 2005). Firm Size (lsize) controls for the natural logarithm of market capitalization, as larger firms generally provide more voluntary disclosures due to greater analyst following and investor attention. Book-to-Market (lbtm) captures growth opportunities, with growth firms more likely to provide forward-looking disclosures. ROA (lroa) measures firm profitability, as more profitable firms tend to provide more voluntary disclosures. Stock Return (lsaret12) controls for recent stock performance, while Earnings Volatility (levol) captures earnings uncertainty. Loss (lloss) is an indicator for loss-making firms, and Class Action Litigation Risk (lcalrisk) measures potential legal exposure from disclosure decisions.

Sample Construction

We construct our sample using data from multiple sources over a five-year window surrounding the 2007 implementation of the Securities and Exchange Ordinance Bangladesh. The sample period spans two years before and two years after the regulation, with the post-regulation period beginning from 2007 onwards. We obtain financial statement data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. This multi-source approach ensures comprehensive coverage of the variables necessary for our analysis (Li and Zhang, 2015).

Our final sample consists of 18,045 firm-year observations representing U.S. firms during the 2005-2009 period. We apply standard sample restrictions including the exclusion of financial firms due to their unique regulatory environment and the requirement of non-missing data for key variables used in our regression specifications. The treatment group includes all sample firms in the post-2007 period, while the control group comprises the same firms in the pre-2007 period. This within-firm variation helps control for unobserved firm-specific characteristics that might influence voluntary disclosure decisions (Shroff et al., 2013). We winsorize continuous variables at the 1st and 99th percentiles to mitigate the influence of outliers on our results.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,045 firm-year observations from 4,856 unique U.S. firms spanning the period 2005 to 2009. This sample period captures a critical era in financial markets, encompassing both pre-crisis and crisis years, providing a robust setting for examining firm characteristics and performance dynamics.

We examine several key firm characteristics that prior literature identifies as important determinants of corporate outcomes. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 54.6% and standard deviation of 32.1%. The distribution spans from minimal institutional presence (0.1%) to complete institutional ownership, with the interquartile range extending from 25.7% to 82.3%. This wide dispersion aligns with prior studies documenting heterogeneous institutional investment patterns across firms.

Firm size (lsize) demonstrates considerable cross-sectional variation, with a mean log value of 5.976 and standard deviation of 2.018. The distribution appears reasonably symmetric, as evidenced by the proximity of mean and median values (5.906). Book-to-market ratios (lbtm) average 0.579 with notable right-skewness, consistent with the presence of high book-to-market value firms in our sample.

Profitability measures reveal interesting patterns. Return on assets (lroa) exhibits a slightly negative mean (-0.038) but positive median (0.025), suggesting the presence of firms with substantial losses that pull down the sample average. This interpretation finds support in our loss indicator (lloss), which shows that 30.2% of firm-year observations report losses. Stock returns over the prior twelve months (lsaret12) average -1.5%, reflecting the challenging market conditions during our sample period, particularly given the inclusion of the 2008 financial crisis.

Earnings volatility (levol) displays substantial variation, with a mean of 0.151 and standard deviation of 0.291. The highly right-skewed distribution, evidenced by the median (0.055) falling well below the mean, indicates that while most firms exhibit relatively stable earnings, a subset experiences significant earnings volatility. Similarly, crash risk (lcalrisk) shows meaningful variation across firms, with a mean of 0.256 and standard deviation of 0.258.

The management forecast frequency variable (freqMF) exhibits considerable dispersion, with many firms providing no forecasts (median of 0.000) while others engage in frequent forecasting activities. Our treatment variables indicate that 58.2% of observations fall in the post-law period, providing balanced representation across the regulatory change period. These descriptive patterns establish a rich empirical setting for examining the research questions while highlighting the substantial heterogeneity that characterizes our sample firms.

RESULTS

Regression Analysis

We examine the association between Bangladesh's Securities and Exchange Ordinance implementation in 2007 and voluntary disclosure by U.S. firms through a difference-in-differences research design. Our results present a striking contradiction to our theoretical predictions. Across all three model specifications, we find a consistently negative and statistically significant treatment effect, indicating that U.S. firms with higher equity issuance activity actually decreased their voluntary disclosure following the Bangladesh regulatory reform. The treatment coefficients range from -0.0797 in the baseline specification to -0.0455 in the firm fixed effects model, suggesting that the competitive pressure mechanism we hypothesized operates in the opposite direction. Rather than responding to enhanced regulatory standards in Bangladesh by increasing voluntary disclosure to maintain competitiveness in global capital markets, U.S. firms appear to have reduced their disclosure intensity.

The statistical significance of our findings remains robust across all specifications, with t-statistics ranging from -7.72 to -3.77 and p-values consistently below 0.001. The economic magnitude of the effect, while statistically significant, represents a relatively modest decrease in voluntary disclosure of approximately 4.6 to 8.0 percentage points for firms with higher equity issuance activity. The progression from Specification (1) to (3) demonstrates the importance of model specification choices, as the R-squared increases dramatically from 0.0019 to 0.8531 when we incorporate control variables and firm fixed effects. The attenuation of the treatment effect from -0.0797 to -0.0455 as we add controls and fixed effects suggests that firm-specific characteristics and time-invariant heterogeneity partially explain the observed relationship, though the core finding remains economically and statistically significant. The firm fixed effects specification (3) represents our most rigorous test, as it controls for all time-invariant firm characteristics that might confound the treatment effect.

Our control variable results generally align with established findings in the voluntary disclosure literature. We find that firm size (lsize) consistently exhibits a positive and significant association with voluntary disclosure across all specifications, supporting prior research that larger firms face greater public scrutiny and have more resources to support extensive disclosure programs (Lang and Lundholm, 1993). The institutional ownership variable (linstown) shows a positive coefficient in Specification (2) but becomes insignificant when firm fixed effects are included, suggesting that the cross-sectional relationship between institutional ownership and disclosure may be driven by firm-specific factors rather than a causal relationship. Consistent with prior literature, we find that firms reporting losses (lloss) provide significantly less voluntary disclosure, likely reflecting managers' incentives to withhold information when performance is poor (Verrecchia, 1983). The negative coefficient on stock returns (lsaret12) aligns with theoretical predictions that managers have less incentive to voluntarily disclose information following periods of strong performance. However, our results fundamentally contradict Hypothesis 1, which predicted that U.S. firms with higher equity issuance activity would increase voluntary disclosure following Bangladesh's regulatory reform. The consistently negative treatment effects across all specifications suggest that competitive dynamics in global capital markets may operate through different mechanisms than we theorized, potentially indicating that regulatory improvements in emerging markets may actually reduce disclosure incentives for U.S. firms if investors' attention becomes more focused on mandatory disclosure requirements rather than voluntary disclosures, or if the competitive threat from emerging markets leads U.S. firms to become more conservative in their disclosure strategies.

CONCLUSION

This study examines whether the Securities and Exchange Ordinance of Bangladesh (2007) influenced voluntary disclosure practices of U.S. firms through the issuance channel.

We investigate how this comprehensive securities legislation, which modernized Bangladesh's regulatory framework and enhanced investor protection, affected the disclosure behavior of U.S. companies with potential exposure to Bangladeshi capital markets or business operations. Our analysis focuses specifically on the issuance channel, recognizing that firms contemplating securities offerings or capital raising activities may adjust their disclosure strategies in response to evolving international regulatory environments that could affect their access to global capital markets.

Our empirical findings provide robust evidence of a significant negative relationship between the implementation of Bangladesh's Securities and Exchange Ordinance and voluntary disclosure levels among affected U.S. firms. Across all three specifications, we document consistently negative treatment effects ranging from -0.0455 to -0.0797, all statistically significant at the 1% level with t-statistics between 3.77 and 7.72. The economic magnitude of these effects is substantial, suggesting that firms reduced their voluntary disclosure by approximately 4.6 to 8.0 percentage points following the ordinance's implementation. The robustness of our results across specifications with varying levels of controls—from a basic specification with an R-squared of 0.0019 to our most comprehensive model explaining 85.31% of the variation in voluntary disclosure—strengthens confidence in our findings. The inclusion of firm-specific controls such as institutional ownership, size, book-to-market ratio, profitability, stock returns, volatility, and loss indicators demonstrates that the negative treatment effect persists even after accounting for fundamental determinants of disclosure policy.

The negative association between Bangladesh's securities regulation and U.S. voluntary disclosure through the issuance channel suggests that firms may have strategically reduced their disclosure in response to the enhanced regulatory environment. This finding aligns with theoretical predictions that firms facing increased regulatory scrutiny in potential capital markets may adopt more conservative disclosure strategies to minimize regulatory risk and compliance costs (Leuz and Wysocki, 2016; Christensen et al., 2013). The magnitude and persistence of the effect across our specifications indicate that the issuance channel represents a meaningful mechanism through which international regulatory changes influence corporate disclosure decisions, consistent with prior research documenting spillover effects of regulatory reforms on cross-border corporate behavior (Shroff et al., 2013).

Our findings carry important implications for multiple stakeholder groups. Regulators should recognize that securities legislation in one jurisdiction can have unintended consequences for disclosure practices in other markets through the issuance channel. The Securities and Exchange Commission and other regulatory bodies may need to consider these cross-border spillover effects when evaluating the overall impact of international regulatory coordination efforts. Our results suggest that enhanced securities regulation in emerging markets may inadvertently reduce information availability in developed markets, potentially creating information asymmetries that could harm market efficiency (Healy and Palepu, 2001). For corporate managers, our findings highlight the importance of considering international regulatory developments when formulating disclosure strategies, particularly for firms with global operations or capital raising plans. The significant negative effects we document suggest that managers view enhanced international securities regulation as increasing the costs or risks associated with voluntary disclosure, leading them to adopt more restrictive information policies.

Investors should be aware that international regulatory changes can affect the information environment of their portfolio companies through channels that may not be immediately apparent. The reduction in voluntary disclosure we document could increase information asymmetry and potentially affect stock price efficiency and liquidity (Diamond and Verrecchia, 1991). Our findings contribute to the growing literature on the international dimensions of corporate disclosure by demonstrating that the issuance channel represents a significant mechanism through which regulatory changes in one country influence disclosure practices in another, extending prior work on regulatory spillovers and international disclosure coordination (Brochet et al., 2013).

We acknowledge several limitations that provide opportunities for future research. Our analysis focuses specifically on the Bangladesh Securities and Exchange Ordinance and its effects on U.S. firms, which may limit the generalizability of our findings to other regulatory contexts or country pairs. Future research could examine whether similar patterns emerge following securities regulation changes in other emerging markets or whether the effects vary based on the economic ties between countries. Additionally, our study examines aggregate voluntary disclosure measures, but future work could investigate whether specific types of disclosure (forward-looking information, segment reporting, or risk disclosures) are differentially affected through the issuance channel. Researchers might also explore the temporal dynamics of these effects to determine whether the negative impact on voluntary disclosure represents a temporary adjustment or a permanent shift in corporate disclosure strategy. Finally, future studies could investigate the mechanisms underlying our findings by examining whether the effects are concentrated among firms with specific characteristics such as international operations, foreign investor bases, or cross-listing arrangements that would make them more sensitive to international regulatory developments through the issuance channel.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	18,045	0.6445	0.9100	0.0000	0.0000	1.6094
Treatment Effect	18,045	0.5823	0.4932	0.0000	1.0000	1.0000
Institutional ownership	18,045	0.5465	0.3208	0.2574	0.5809	0.8228
Firm size	18,045	5.9763	2.0179	4.5194	5.9058	7.3195
Book-to-market	18,045	0.5791	0.5635	0.2750	0.4769	0.7395
ROA	18,045	-0.0382	0.2507	-0.0220	0.0248	0.0702
Stock return	18,045	-0.0145	0.4614	-0.2780	-0.0879	0.1438
Earnings volatility	18,045	0.1509	0.2914	0.0227	0.0552	0.1498
Loss	18,045	0.3024	0.4593	0.0000	0.0000	1.0000
Class action litigation risk	18,045	0.2560	0.2575	0.0701	0.1561	0.3481
Time Trend	18,045	1.9447	1.4164	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 and Exchange Ordinance Bangladesh Equity Issuance

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.04**	**0.12**	-0.01	**0.16**	**-0.05**	**-0.03**	0.01	**0.06**	**-0.15**
FreqMF	**-0.04**	1.00	**0.44**	**0.44**	**-0.13**	**0.23**	**-0.02**	**-0.14**	**-0.26**	0.00
Institutional ownership	**0.12**	**0.44**	1.00	**0.63**	**-0.07**	**0.26**	**-0.13**	**-0.20**	**-0.20**	0.01
Firm size	-0.01	**0.44**	**0.63**	1.00	**-0.30**	**0.35**	**0.02**	**-0.25**	**-0.38**	**0.07**
Book-to-market	**0.16**	**-0.13**	**-0.07**	**-0.30**	1.00	**0.03**	**-0.21**	**-0.12**	**0.12**	**-0.14**
ROA	**-0.05**	**0.23**	**0.26**	**0.35**	**0.03**	1.00	**0.19**	**-0.52**	**-0.62**	**-0.15**
Stock return	**-0.03**	**-0.02**	**-0.13**	**0.02**	**-0.21**	**0.19**	1.00	**-0.04**	**-0.20**	**-0.06**
Earnings volatility	0.01	**-0.14**	**-0.20**	**-0.25**	**-0.12**	**-0.52**	**-0.04**	1.00	**0.36**	**0.23**
Loss	**0.06**	**-0.26**	**-0.20**	**-0.38**	**0.12**	**-0.62**	**-0.20**	**0.36**	1.00	**0.18**
Class action litigation risk	**-0.15**	0.00	0.01	**0.07**	**-0.14**	**-0.15**	**-0.06**	**0.23**	**0.18**	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 and Exchange Ordinance Bangladesh on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0797*** (7.72)	-0.0634*** (4.89)	-0.0455*** (3.77)
Institutional ownership		0.8019*** (17.37)	-0.0587 (0.93)
Firm size		0.0948*** (10.65)	0.1356*** (10.91)
Book-to-market		-0.0328** (2.29)	-0.0204 (1.51)
ROA		0.1178*** (3.68)	0.0275 (0.97)
Stock return		-0.0423*** (3.47)	-0.0376*** (4.06)
Earnings volatility		0.0816*** (2.66)	-0.1197*** (3.19)
Loss		-0.2137*** (10.74)	-0.1197*** (8.31)
Class action litigation risk		-0.0311 (1.04)	-0.0227 (1.16)
Time Trend		-0.0227*** (3.86)	-0.0016 (0.28)
Firm fixed effects	No	No	Yes
N	18,045	18,045	18,045
R^2	0.0019	0.2547	0.8531

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