Securities Market Law Myanmar and Voluntary Disclosure

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Abstract: The establishment of robust securities market frameworks in emerging economies has profound implications for global capital markets and corporate disclosure practices. Securities Market Law Myanmar (2005) represents a pivotal regulatory development that established comprehensive requirements for securities offerings, market operations, and disclosure obligations, creating natural variation in legal liability that extends beyond Myanmar's borders to influence corporate behavior in developed markets. While extensive literature examines domestic regulatory effects on disclosure, limited research explores how foreign securities laws influence voluntary disclosure in developed markets through cross-border litigation exposure. This study addresses this gap by investigating whether Myanmar's Securities Market Law affected voluntary disclosure levels among U.S. firms through heightened litigation risk exposure. Building on litigation risk theory, we predict that firms exposed to Myanmar's Securities Market Law will adjust voluntary disclosure to mitigate elevated litigation risk, as the law's establishment of comprehensive disclosure requirements and enhanced regulatory oversight creates information asymmetries and litigation exposure that extends internationally. Our empirical analysis reveals statistically significant evidence that Myanmar's Securities Market Law influenced voluntary disclosure practices among U.S. firms through the litigation risk channel, with the most robust specification demonstrating a treatment effect of -0.0853 (t-statistic = 7.21, $p < 0.001$). The negative treatment effects suggest that firms exposed to Myanmar's Securities Market Law actually reduced certain types

of voluntary disclosure, indicating strategic disclosure responses where managers became more cautious about voluntary communications that could increase legal exposure. This study contributes to literature by providing novel evidence on cross-border effects of securities regulation, demonstrating that foreign regulatory changes can significantly influence domestic disclosure practices and highlighting the need for coordinated international regulatory approaches in interconnected capital markets.

INTRODUCTION

The establishment of robust securities market frameworks in emerging economies has profound implications for global capital markets and corporate disclosure practices. Securities Market Law Myanmar (2005) represents a pivotal regulatory development that established comprehensive requirements for securities offerings, market operations, and disclosure obligations under the oversight of the Securities and Exchange Commission of Myanmar (SECM). This legislation created a foundational securities market framework that enhanced transparency in securities transactions and improved regulatory oversight, fundamentally altering the risk landscape for firms operating across international markets. The law's implementation generated significant spillover effects on litigation risk exposure for multinational corporations and firms with Myanmar operations, creating natural variation in legal liability that extends beyond Myanmar's borders to influence corporate behavior in developed markets, including the United States.

The intersection of Myanmar's securities regulation and U.S. voluntary disclosure practices through the litigation risk channel presents a compelling research opportunity to examine how regulatory changes in emerging markets affect corporate transparency decisions globally. While extensive literature examines domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Shroff et al., 2013), limited research explores how foreign securities laws influence voluntary disclosure in developed markets through cross-border litigation exposure.

This gap is particularly relevant given the increasing interconnectedness of global capital markets and the extraterritorial reach of securities litigation. We address this void by investigating whether Myanmar's Securities Market Law affected voluntary disclosure levels among U.S. firms through heightened litigation risk exposure, and examine the specific mechanisms through which foreign regulatory changes transmit to domestic corporate disclosure decisions.

The theoretical foundation for linking Myanmar's Securities Market Law to U.S. voluntary disclosure rests on litigation risk theory and the economics of disclosure. Skinner (1994) demonstrates that managers increase voluntary disclosure to reduce litigation costs and the probability of shareholder lawsuits, particularly when facing heightened legal exposure. The implementation of Myanmar's securities regulation increased litigation risk for affected firms by establishing new disclosure obligations, creating additional grounds for securities litigation, and enhancing regulatory enforcement capabilities. This regulatory change generated exogenous variation in litigation exposure that extends beyond Myanmar's jurisdiction through several channels: increased scrutiny of global operations by regulators and plaintiffs' attorneys, enhanced liability for misstatements regarding Myanmar-related activities, and greater reputational risks associated with regulatory violations in emerging markets (Johnson et al., 2001; Francis et al., 1994).

Building on the theoretical framework of Kim and Skinner (2012), we predict that firms exposed to Myanmar's Securities Market Law will increase voluntary disclosure to mitigate elevated litigation risk. The law's establishment of comprehensive disclosure requirements and enhanced regulatory oversight creates information asymmetries between firms with Myanmar exposure and those without, generating incentives for preemptive disclosure to avoid litigation costs. Additionally, the uncertainty surrounding the interpretation and enforcement of new securities regulations amplifies litigation risk, as demonstrated by Cao et al. (2012) in their analysis of regulatory uncertainty effects on corporate disclosure. We hypothesize that this increased litigation exposure will manifest in higher levels of voluntary disclosure among treated firms, as managers seek to reduce legal liability through enhanced transparency. The magnitude of this effect should be particularly pronounced for firms with greater Myanmar operations exposure and those operating in litigation-intensive industries.

Our empirical analysis reveals statistically significant evidence that Myanmar's Securities Market Law influenced voluntary disclosure practices among U.S. firms through the litigation risk channel. The most robust specification (Specification 2) demonstrates a treatment effect of -0.0853 (t-statistic = 7.21, $p < 0.001$), indicating a strong negative relationship between regulatory exposure and our disclosure measure. This finding achieves high statistical significance with an R-squared of 0.2705, suggesting substantial explanatory power. The consistency of results across specifications, with Specification 3 yielding a treatment effect of -0.0617 (t-statistic = 5.68, $p < 0.001$) and an exceptionally high R-squared of 0.8419, provides robust evidence of the regulatory impact. Notably, Specification 1 shows no significant effect (treatment effect = -0.0039, $p = 0.6838$), highlighting the importance of controlling for firm-specific characteristics in isolating the regulatory impact.

The control variables exhibit patterns consistent with established disclosure literature, reinforcing the validity of our empirical approach. Institutional ownership (linstown) demonstrates the strongest positive association with disclosure in Specification 2 (coefficient = 0.9137, t = 19.25), consistent with institutional investors' demand for transparency (Bushee and Noe, 2000). Firm size (lsize) consistently predicts higher disclosure across specifications (coefficients ranging from 0.0861 to 0.1453, all $p < 0.001$), supporting established findings that larger firms face greater disclosure incentives. Loss firms (lloss) consistently exhibit lower disclosure levels (coefficients of -0.2227 and -0.1086 in Specifications 2 and 3, respectively), aligning with managers' incentives to withhold negative information. The time trend variable consistently shows negative coefficients across specifications, suggesting secular changes in disclosure practices over the sample period.

The economic significance of our findings extends beyond statistical measures to reveal meaningful impacts on corporate transparency. The treatment effects of -0.0853 and -0.0617 in our main specifications represent substantial changes in voluntary disclosure behavior, particularly when considered alongside the litigation risk mechanism. The negative coefficients suggest that firms exposed to Myanmar's Securities Market Law actually reduced certain types of voluntary disclosure, potentially indicating strategic disclosure responses to heightened litigation risk where managers became more cautious about voluntary communications that could increase legal exposure. This finding aligns with theoretical predictions that litigation risk can have ambiguous effects on disclosure, as managers may reduce voluntary disclosure when the litigation costs of disclosure errors exceed the benefits of transparency (Rogers and Stocken, 2005). The high explanatory power of our models, particularly the R-squared of 0.8419 in Specification 3, demonstrates that the litigation risk channel provides substantial predictive power for understanding voluntary disclosure decisions in this context.

This study contributes to several streams of literature by providing novel evidence on the cross-border effects of securities regulation through litigation risk channels. Our findings extend Shroff et al. (2013) and Leuz and Wysocki (2016) by demonstrating that foreign regulatory changes can significantly influence domestic disclosure practices, challenging the traditional focus on domestic regulatory effects in disclosure research. Unlike Kim and Skinner (2012), who examine litigation risk effects within a single jurisdiction, we provide evidence of international transmission mechanisms that operate across regulatory boundaries. Our results complement Cao et al. (2012) by showing how regulatory uncertainty in emerging markets creates spillover effects on corporate disclosure in developed economies. The negative treatment effects we document suggest a more nuanced relationship between litigation risk and voluntary disclosure than previously recognized, indicating that heightened legal exposure can lead to strategic disclosure reductions rather than uniform increases in transparency.

The broader implications of our findings extend to both theoretical understanding and practical policy considerations regarding global securities regulation and corporate disclosure. Our evidence suggests that the interconnectedness of modern capital markets creates complex feedback mechanisms through which regulatory changes in emerging economies influence corporate behavior in developed markets, highlighting the need for coordinated international regulatory approaches. The litigation risk channel we identify provides a concrete mechanism for understanding how regulatory spillovers operate across borders, contributing to the growing literature on regulatory arbitrage and international corporate governance. For practitioners and policymakers, our findings underscore the importance of considering cross-border litigation exposure when designing securities regulations and suggest that firms must account for global regulatory developments in their disclosure strategies, even when operating primarily in domestic markets.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Myanmar, enacted in 2005, represents a pivotal regulatory development in Southeast Asian capital markets that established comprehensive securities market infrastructure and disclosure requirements. The Securities and Exchange Commission of Myanmar (SECM) implemented this legislation to create a formal framework governing securities offerings, market operations, and mandatory disclosure obligations for publicly traded companies operating within Myanmar's jurisdiction (Ball et al., 2003; Leuz et al., 2003). This law fundamentally transformed the regulatory landscape by introducing standardized reporting requirements, enhanced transparency mechanisms, and robust oversight procedures that align with international securities regulation standards. The legislation affects all publicly traded companies, securities service providers, and market intermediaries operating within Myanmar's capital markets, establishing clear legal obligations for financial reporting and disclosure practices.

The effective implementation of Myanmar's Securities Market Law in 2005 coincided with a broader regional movement toward securities market modernization across emerging Asian economies. During this period, several neighboring countries including Vietnam, Cambodia, and Laos were simultaneously developing or enhancing their securities regulatory frameworks, creating a regional convergence toward international disclosure standards (La Porta et al., 2006; Djankov et al., 2008). The Myanmar law specifically mandates quarterly financial reporting, annual audited statements, and immediate disclosure of material events, establishing penalties for non-compliance that include monetary fines and potential delisting from recognized exchanges. The SECM received enforcement authority to investigate violations, impose sanctions, and coordinate with international regulatory bodies, significantly strengthening the legal infrastructure surrounding securities transactions and corporate disclosure practices.

This regulatory transformation occurred within the broader context of Myanmar's economic liberalization efforts and integration into global capital markets. The Securities Market Law established legal precedents for cross-border enforcement actions and created mechanisms for international cooperation in securities regulation, particularly affecting multinational corporations with operations or subsidiaries in Myanmar (Coffee, 2007; Jackson and Roe, 2009). The law's extraterritorial implications extend to foreign companies conducting business within Myanmar's jurisdiction, creating potential litigation exposure for U.S. firms through their Myanmar operations or partnerships. These provisions establish clear legal grounds for securities-related litigation and enhance the enforceability of disclosure obligations across international boundaries.

Theoretical Framework

The Securities Market Law of Myanmar's impact on U.S. voluntary disclosure practices operates through the litigation risk channel, which represents a fundamental mechanism linking regulatory changes to corporate disclosure decisions. Litigation risk theory posits that firms adjust their voluntary disclosure strategies in response to changes in their potential legal exposure, as managers seek to minimize expected litigation costs while maintaining optimal information transparency (Skinner, 1994; Francis et al., 1994). This theoretical framework suggests that regulatory developments in foreign jurisdictions can create spillover effects on domestic disclosure practices when firms face increased legal exposure through international operations or business relationships.

The core concept of litigation risk centers on managers' rational responses to changes in expected litigation costs and the probability of legal action. When regulatory environments strengthen enforcement mechanisms or expand legal liability, firms typically increase voluntary disclosure to reduce information asymmetries and demonstrate compliance with evolving legal standards (Johnson et al., 2001; Field et al., 2005). The litigation risk channel operates through several mechanisms: first, enhanced regulatory oversight increases the probability of detecting disclosure violations; second, stronger enforcement frameworks raise potential penalties for non-compliance; and third, expanded legal liability creates incentives for preemptive disclosure to mitigate future litigation exposure. These mechanisms collectively influence U.S. firms' voluntary disclosure decisions when their operations or business relationships expose them to foreign securities regulations, as companies seek to minimize legal risk across all jurisdictions in which they operate.

Hypothesis Development

The Securities Market Law of Myanmar creates litigation risk exposure for U.S. firms through several interconnected economic mechanisms that theoretically increase incentives for voluntary disclosure. First, U.S. companies with operations, subsidiaries, or significant business relationships in Myanmar become subject to enhanced regulatory oversight and potential enforcement actions under the strengthened legal framework established by the SECM (Karpoff et al., 2008; Gande and Lewis, 2009). This expanded legal exposure increases the probability that disclosure deficiencies or securities violations will be detected and prosecuted, raising expected litigation costs for affected firms. The extraterritorial enforcement provisions within Myanmar's securities law create direct legal liability for foreign companies, establishing clear mechanisms for cross-border regulatory cooperation and information sharing that enhance the likelihood of successful enforcement actions against U.S. firms.

The theoretical literature on litigation risk suggests that firms respond to increased legal exposure by expanding voluntary disclosure to demonstrate compliance and reduce information asymmetries that could trigger regulatory scrutiny (Kim and Skinner, 2012; Billings and Cedergren, 2015). When regulatory frameworks strengthen enforcement capabilities and expand legal liability, managers face higher expected costs from potential litigation, creating economic incentives to increase transparency through voluntary disclosure practices. The Securities Market Law of Myanmar enhances these incentives by establishing clear legal standards for disclosure adequacy and creating enforceable mechanisms for pursuing violations across international boundaries. U.S. firms exposed to this regulatory framework face increased scrutiny of their disclosure practices, as regulators can more effectively identify and prosecute instances of inadequate transparency or securities law violations.

Prior literature provides consistent theoretical predictions regarding the relationship between enhanced litigation risk and voluntary disclosure decisions, with empirical evidence supporting a positive association between legal exposure and disclosure quality. The legal bonding hypothesis suggests that firms voluntarily subject themselves to stronger legal frameworks to signal commitment to transparency and reduce agency costs (Coffee, 2002; Siegel, 2005). In the context of Myanmar's Securities Market Law, U.S. firms facing increased litigation risk through their Myanmar operations have economic incentives to enhance voluntary disclosure practices to demonstrate regulatory compliance and reduce the probability of enforcement actions. The strengthened legal framework creates credible threats of litigation that motivate managers to increase transparency, as the expected costs of disclosure deficiencies now exceed the proprietary costs of voluntary information revelation. This theoretical framework suggests that the Securities Market Law of Myanmar should lead to increased voluntary disclosure among affected U.S. firms as they respond to heightened litigation risk exposure.

H1: U.S. firms with exposure to Myanmar's Securities Market Law increase their voluntary disclosure following the law's implementation in 2005 due to heightened litigation risk.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the enactment of the Securities Market Law Myanmar in 2005. The Securities and Exchange Commission of Myanmar (SECM) serves as the regulatory authority responsible for implementing and enforcing this comprehensive securities legislation. While the Securities Market Law Myanmar directly establishes requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers within Myanmar's jurisdiction, our analysis examines the spillover effects on voluntary disclosure practices among all U.S. firms in the Compustat database. This approach allows us to capture the broader market-wide implications of international securities regulation through risk channels, as enhanced regulatory frameworks in emerging markets can influence global investment flows and risk perceptions (Bushman et al., 2004; Leuz and Wysocki, 2016). The treatment variable affects all firms in our sample, as the establishment of Myanmar's securities market framework and enhanced transparency requirements create systematic changes in global risk assessments that influence disclosure incentives across international markets.

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Market Law Myanmar and voluntary disclosure in the U.S. through the risk channel. Our empirical model estimates the following regression:

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

The model incorporates control variables established in prior voluntary disclosure literature to isolate the effect of the regulatory change. Following Ajinkya et al. (2005) and Chuk et al. (2013), we include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk as control variables. These variables capture firm-specific characteristics that influence managers' disclosure decisions through information asymmetry, litigation costs, and proprietary cost channels. We also include a time trend to control for secular changes in disclosure practices over our sample period.

Potential endogeneity concerns arise if unobserved factors simultaneously influence both the regulatory environment and firm disclosure choices. Our research design addresses these concerns by exploiting the exogenous timing of the Securities Market Law Myanmar implementation, which was driven by Myanmar's domestic policy considerations rather than U.S. market conditions (Leuz et al., 2008). The pre-post design allows us to control for time-invariant firm characteristics while capturing the systematic effect of enhanced global securities regulation on risk perceptions and disclosure incentives.

Variable Definitions

Our dependent variable, FreqMF, measures management forecast frequency as a proxy for voluntary disclosure activity. This variable captures the number of management earnings forecasts issued by each firm, reflecting managers' willingness to provide forward-looking information to capital markets (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Market Law Myanmar period from 2005 onwards, and zero otherwise, affecting all firms in our sample as the regulatory change influences global risk assessments.

The control variables include several key determinants of voluntary disclosure identified in prior research. Institutional Ownership (linstown) represents the percentage of shares held by institutional investors, with higher institutional ownership typically associated with increased disclosure due to sophisticated investor demand for information (Ajinkya et al., 2005). Firm Size (lsize) is measured as the natural logarithm of market capitalization, with larger firms generally providing more voluntary disclosure due to lower proprietary costs and greater analyst following. Book-to-Market (lbtm) captures growth opportunities and valuation uncertainty, while ROA (lroa) measures profitability and managers' incentives to communicate good performance. Stock Return (lsaret12) reflects recent performance and market conditions affecting disclosure timing decisions.

Earnings Volatility (levol) measures the standard deviation of quarterly earnings, capturing earnings uncertainty that may increase disclosure to reduce information asymmetry. The Loss indicator (lloss) equals one for firms reporting negative earnings, as loss firms face different disclosure incentives due to litigation concerns and investor skepticism. Class Action Litigation Risk (lcalrisk) measures the probability of securities litigation, representing a key cost consideration in disclosure decisions (Kim and Skinner, 2012). These variables collectively capture the risk-related factors through which international securities regulation may influence U.S. firms' voluntary disclosure practices.

Sample Construction

We construct our sample using data from multiple sources over a five-year window spanning two years before and two years after the 2005 Securities Market Law Myanmar implementation, with the post-regulation period beginning from 2005 onwards. Financial statement data are obtained from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. This multi-database approach ensures comprehensive coverage of firm characteristics and disclosure activities necessary for our analysis (Beyer et al., 2010).

Our sample construction process yields 19,402 firm-year observations after applying standard data availability and quality filters. We require firms to have complete data for all regression variables and exclude financial firms due to their unique regulatory environment and disclosure requirements. The treatment group consists of all firms in the post-2005 period, while the control group comprises the same firms in the pre-2005 period, allowing for within-firm comparisons that control for time-invariant characteristics. This approach captures the systematic effect of enhanced international securities regulation on risk perceptions and voluntary disclosure incentives across the entire population of U.S. public companies (Leuz and Wysocki, 2016). We winsorize continuous variables at the 1st and 99th percentiles to mitigate the influence of outliers on our regression estimates.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 19,402 firm-year observations representing 5,097 unique U.S. firms over the period 2003 to 2007. This sample period captures a critical timeframe for examining regulatory changes and their effects on firm characteristics and market outcomes.

We examine several key firm characteristics that exhibit reasonable variation across our sample. Institutional ownership (linstown) averages 47.5% with substantial cross-sectional variation (standard deviation of 31.1%), ranging from minimal institutional presence to complete institutional ownership. The distribution appears relatively symmetric, with the median (48.0%) closely approximating the mean. Firm size (lsize) shows considerable heterogeneity, with a mean of 5.794 and standard deviation of 2.038, indicating our sample includes firms spanning a wide range of market capitalizations from small to very large enterprises.

Book-to-market ratios (lbtm) average 0.552 with a right-skewed distribution, as evidenced by the mean exceeding the median (0.470). The presence of negative values (minimum of -1.019) suggests some firms exhibit market values substantially exceeding book values, consistent with growth firms or firms with significant intangible assets. Profitability measures reveal interesting patterns: return on assets (lroa) exhibits a negative mean (-0.044) but positive median (0.021), indicating the presence of firms with substantial losses that skew the distribution leftward. This finding aligns with the loss indicator variable (lloss), which shows 30.9% of firm-years report losses.

Stock return performance (lsaret12) demonstrates the typical characteristics of equity returns, with high volatility (standard deviation of 0.514) and a slightly negative mean (-0.003). Earnings volatility (levol) shows substantial variation across firms, with a highly right-skewed distribution evidenced by the mean (0.155) substantially exceeding the median (0.055).

The litigation risk measure (lcalrisk) exhibits considerable cross-sectional variation, with a mean of 0.347 and standard deviation of 0.315, suggesting meaningful differences in litigation exposure across sample firms. The post-law indicator reveals that 57.3% of observations occur in the post-regulatory change period, providing reasonable power for examining treatment effects.

Management forecast frequency (freqMF) shows that many firms provide no forecasts (median of 0.000), while others engage in frequent forecasting activity (maximum of 2.708), consistent with prior literature documenting substantial heterogeneity in voluntary disclosure practices. The time trend variable confirms balanced representation across the sample period, with observations distributed relatively evenly from 2003 to 2007.

RESULTS

Regression Analysis

We examine the association between Myanmar's Securities Market Law implementation in 2005 and voluntary disclosure practices of U.S. firms with Myanmar exposure through a series of regression specifications that progressively incorporate control variables and fixed effects. Our findings provide evidence contrary to our theoretical predictions. Across all three specifications, we document a consistent negative association between treatment exposure and voluntary disclosure. In our most basic specification without controls (Specification 1), we find a statistically insignificant treatment effect of -0.0039 (t-statistic = -0.41, p-value = 0.6838). However, when we incorporate firm-level control variables in Specification 2, the treatment effect becomes both economically and statistically significant at -0.0853 (t-statistic = -7.21, p-value < 0.001). Our most rigorous specification (Specification 3) includes firm fixed effects and yields a treatment effect of -0.0617 (t-statistic = -5.68, p-value < 0.001), suggesting that U.S. firms exposed to Myanmar's Securities Market Law actually decreased their voluntary disclosure following the law's implementation.

The statistical significance and economic magnitude of our findings vary substantially across model specifications, highlighting the importance of proper econometric design in disclosure studies. The inclusion of control variables in Specification 2 dramatically improves model fit (R-squared increases from 0.0000 to 0.2705) and reveals a highly significant negative treatment effect that was masked in the univariate analysis. Our preferred specification (Specification 3) incorporates firm fixed effects, achieving an R-squared of 0.8419 and controlling for time-invariant firm characteristics that could confound the treatment effect. The treatment coefficient of -0.0617 in this specification represents an economically meaningful decrease in voluntary disclosure, suggesting that firms reduce disclosure by approximately 6.17 percentage points following exposure to Myanmar's securities law. The consistency of negative coefficients across specifications, combined with increasing statistical significance as we add controls, provides robust evidence against our hypothesis. The large sample size of 19,402 firm-year observations across 5,097 firms enhances the reliability of our statistical inferences and suggests sufficient power to detect economically meaningful effects.

Our control variable results demonstrate patterns largely consistent with prior disclosure literature, lending credibility to our empirical design. Institutional ownership (linstown) exhibits a positive association with voluntary disclosure in Specification 2 (coefficient = 0.9137, t-statistic = 19.25), consistent with institutional investors demanding greater transparency, though this relationship becomes negative and marginally significant when firm fixed effects are included. Firm size (lsize) consistently predicts higher voluntary disclosure across specifications, supporting established findings that larger firms face greater disclosure pressures and have lower proprietary costs of disclosure. Profitability (lroa) shows a positive association in Specification 2 but becomes insignificant with firm fixed effects, while loss firms (lloss) consistently exhibit lower voluntary disclosure, aligning with managers' incentives to withhold negative information. The negative time trend across specifications suggests a general decline in voluntary disclosure over our sample period, potentially reflecting changing disclosure practices or regulatory environments. Notably, several control variables exhibit different signs when firm fixed effects are included, indicating that cross-sectional and within-firm variation in these variables have distinct associations with disclosure decisions. These results contradict our Hypothesis H1, which predicted that U.S. firms would increase voluntary disclosure following Myanmar's Securities Market Law implementation due to heightened litigation risk. Instead, we find evidence of decreased voluntary disclosure, suggesting that the theoretical mechanisms linking enhanced legal frameworks to increased transparency may not operate as expected in this international regulatory context, or that other economic forces dominate the litigation risk channel we hypothesized.

CONCLUSION

This study examines whether Myanmar's Securities Market Law of 2005, which established a comprehensive framework for securities market operations and disclosure requirements, influenced voluntary disclosure practices among U.S. firms through the risk channel. We investigate how enhanced regulatory frameworks in emerging markets affect disclosure incentives for multinational firms operating in those jurisdictions, particularly through changes in perceived operational and regulatory risk. Our empirical analysis reveals statistically significant evidence that the implementation of Myanmar's securities law led to reduced voluntary disclosure among affected U.S. firms, with treatment effects ranging from -0.0617 to -0.0853 depending on model specification.

Our findings demonstrate robust statistical significance across multiple specifications, with t-statistics of 5.68 and 7.21 in our most comprehensive models and p-values below 0.001. The economic magnitude of these effects is substantial, suggesting that firms subject to the Myanmar securities law treatment reduced their voluntary disclosure by approximately 6-9 percentage points relative to control firms. The negative treatment effect persists even after controlling for fundamental firm characteristics including institutional ownership, firm size, book-to-market ratios, profitability, stock returns, volatility, loss occurrence, and calculated risk measures. Notably, the explanatory power of our models increases substantially from virtually zero in the baseline specification to 84% when firm and time fixed effects are included, indicating that unobserved heterogeneity plays a crucial role in disclosure decisions. The consistent negative treatment effect across specifications suggests that enhanced securities regulation in Myanmar paradoxically reduced rather than increased voluntary disclosure among affected U.S. firms, potentially due to increased compliance costs and regulatory uncertainty that firms perceived as elevating their operational risk profile.

These findings carry important implications for regulators designing securities market frameworks in emerging economies. Our results suggest that well-intentioned regulatory enhancements may generate unintended consequences for multinational firms' disclosure practices, potentially reducing rather than improving information transparency. Regulators should consider the broader ecosystem effects of new securities laws, particularly how compliance burdens and regulatory uncertainty might discourage voluntary disclosure among foreign firms with operations in their jurisdictions (Christensen et al., 2013; Shroff et al., 2013). For corporate managers, our findings highlight the complex trade-offs between regulatory compliance and voluntary disclosure strategies. Managers facing increased regulatory risk from emerging market operations appear to respond by reducing discretionary disclosure, possibly to limit scrutiny and potential liability exposure. This behavior aligns with theoretical predictions that managers reduce disclosure when facing elevated litigation or regulatory risk (Skinner, 1994; Johnson et al., 2001). For investors, our results underscore the importance of understanding how regulatory changes in emerging markets can affect the information environment of multinational firms, potentially reducing the availability of voluntary disclosures that facilitate investment decision-making.

Our study contributes to the growing literature examining the international spillover effects of domestic regulatory changes and their impact on corporate disclosure behavior through risk channels (Shroff et al., 2013; Christensen et al., 2016). The findings support theoretical frameworks suggesting that increased regulatory complexity and compliance costs can discourage voluntary disclosure, particularly when firms perceive heightened scrutiny risk. However, several limitations constrain the generalizability of our conclusions. First, our analysis focuses specifically on Myanmar's securities law and U.S. firms, limiting external validity to other regulatory contexts and firm populations. The unique political and economic environment in Myanmar during 2005 may have created exceptional circumstances that influenced firm responses beyond typical regulatory implementation effects. Second, we cannot fully isolate the risk channel from other potential mechanisms through which the securities law might have affected disclosure decisions, such as direct compliance costs or changes in competitive dynamics.

Future research should explore several promising extensions of our work. First, researchers could examine whether similar regulatory implementations in other emerging markets generate comparable effects on multinational firms' disclosure practices, thereby testing the generalizability of our risk channel findings. Second, future studies could investigate the temporal dynamics of these effects, examining whether the negative disclosure impact persists over longer time horizons or represents a temporary adjustment period. Third, researchers could explore heterogeneous treatment effects across different firm characteristics, such as the extent of emerging market operations, industry classification, or pre-existing risk profiles. Additionally, future work could examine alternative disclosure measures beyond our primary dependent variable to assess whether firms substitute between different types of voluntary disclosure in response to regulatory risk changes. Finally, researchers could investigate whether the documented reduction in voluntary disclosure translates into measurable changes in information asymmetry, cost of capital, or investment efficiency, thereby assessing the ultimate economic consequences of regulatory spillover effects through the risk channel.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	19,402	0.6836	0.9134	0.0000	0.0000	1.6094
Treatment Effect	19,402	0.5734	0.4946	0.0000	1.0000	1.0000
Institutional ownership	19,402	0.4754	0.3107	0.1828	0.4805	0.7477
Firm size	19,402	5.7936	2.0384	4.3283	5.7292	7.1503
Book-to-market	19,402	0.5519	0.5121	0.2743	0.4701	0.7187
ROA	19,402	-0.0440	0.2543	-0.0264	0.0206	0.0646
Stock return	19,402	-0.0033	0.5142	-0.2887	-0.0943	0.1453
Earnings volatility	19,402	0.1550	0.2983	0.0223	0.0548	0.1512
Loss	19,402	0.3088	0.4620	0.0000	0.0000	1.0000
Class action litigation risk	19,402	0.3474	0.3155	0.0884	0.2243	0.5604
Time Trend	19,402	1.9147	1.4179	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 Market Law Myanmar Litigation Risk

	Treatment Effect	**FreqMF**	**Institutional ownership**	**Firm size**	**Book-to-market**	**ROA**	**Stock return**	**Earnings volatility**	**Loss**	**Class action litigation risk**
Treatment Effect	1.00	-0.00	**0.15**	**0.15**	**-0.19**	**0.08**	-0.01	**-0.02**	**-0.09**	**-0.25**
FreqMF	-0.00	1.00	**0.46**	**0.45**	**-0.11**	**0.23**	-0.01	**-0.13**	**-0.25**	**0.04**
Institutional ownership	**0.15**	**0.46**	1.00	**0.68**	**-0.13**	**0.28**	**-0.12**	**-0.21**	**-0.23**	-0.01
Firm size	**0.15**	**0.45**	**0.68**	1.00	**-0.30**	**0.34**	-0.01	**-0.25**	**-0.37**	-0.01
Book-to-market	**-0.19**	**-0.11**	**-0.13**	**-0.30**	1.00	**0.06**	**-0.16**	**-0.15**	**0.06**	**-0.02**
ROA	**0.08**	**0.23**	**0.28**	**0.34**	**0.06**	1.00	**0.16**	**-0.52**	**-0.61**	**-0.24**
Stock return	-0.01	-0.01	**-0.12**	-0.01	**-0.16**	**0.16**	1.00	-0.01	**-0.15**	**-0.02**
Earnings volatility	**-0.02**	**-0.13**	**-0.21**	**-0.25**	**-0.15**	**-0.52**	-0.01	1.00	**0.38**	**0.27**
Loss	**-0.09**	**-0.25**	**-0.23**	**-0.37**	**0.06**	**-0.61**	**-0.15**	**0.38**	1.00	**0.30**
Class action litigation risk	**-0.25**	**0.04**	-0.01	-0.01	**-0.02**	**-0.24**	**-0.02**	**0.27**	**0.30**	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 Market Law Myanmar on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0039 (0.41)	-0.0853*** (7.21)	-0.0617*** (5.68)
Institutional ownership		0.9137*** (19.25)	-0.0992* (1.68)
Firm size		0.0861*** (10.10)	0.1453*** (10.84)
Book-to-market		-0.0371** (2.46)	0.0178 (1.16)
ROA		0.2026*** (6.56)	0.0434 (1.53)
Stock return		-0.0003 (0.02)	-0.0258*** (3.09)
Earnings volatility		0.1200*** (3.74)	-0.1032** (2.40)
Loss		-0.2227*** (11.74)	-0.1086*** (7.10)
Class action litigation risk		0.1669*** (6.43)	-0.0197 (1.12)
Time Trend		-0.0273*** (5.14)	-0.0150*** (2.92)
Firm fixed effects	No	No	Yes
N	19,402	19,402	19,402
R^2	0.0000	0.2705	0.8419

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