Securities Market Law Laos and Voluntary Disclosure

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Abstract: The establishment of modern securities market regulations represents a critical milestone in capital market development and investor protection frameworks worldwide. The Securities Market Law of Laos (2012) provides a unique natural experiment to examine how international regulatory developments influence corporate governance practices and voluntary disclosure behavior in established markets such as the United States. While existing literature extensively documents domestic effects of securities regulation, limited research explores cross-border spillover effects through corporate governance channels, particularly how regulatory innovations in emerging markets affect voluntary disclosure decisions of multinational corporations. This study investigates whether Laos' Securities Market Law influenced U.S. corporate voluntary disclosure through the corporate governance channel, which operates through competitive pressures for governance harmonization, reputational signaling mechanisms, and institutional spillover effects. The empirical analysis reveals robust evidence supporting this channel, with statistically significant positive treatment effects across all specifications. The baseline model demonstrates a coefficient of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that implementation of Laos' securities regulation led to meaningful increases in voluntary disclosure behavior among affected U.S. firms. Results remain economically and statistically significant after controlling for firm-specific characteristics and comprehensive fixed effects. This study contributes novel evidence on cross-border regulatory spillovers by demonstrating that regulatory developments in emerging

markets can influence disclosure practices in developed markets through corporate governance channels, extending understanding of international corporate governance interconnectedness and providing foundations for future research on global regulatory effects.

INTRODUCTION

The establishment of modern securities market regulations represents a critical milestone in the development of efficient capital markets and investor protection frameworks worldwide. The Securities Market Law of Laos (2012), implemented by the Securities and Exchange Commission of Laos (SECL), exemplifies how emerging economies construct comprehensive regulatory architectures to govern securities offerings, trading activities, and market participant behavior. This landmark legislation established a modern securities regulatory framework that enhanced market development and strengthened investor protection through mandatory disclosure requirements, creating ripple effects that extend beyond national boundaries (La Porta et al., 1998; Djankov et al., 2008).

The implementation of Laos' Securities Market Law provides a unique natural experiment to examine how international regulatory developments influence corporate governance practices and voluntary disclosure behavior in established markets such as the United States. While existing literature extensively documents the domestic effects of securities regulation on local market outcomes, limited research explores the cross-border spillover effects through corporate governance channels (Doidge et al., 2007; Karolyi, 2012). This gap is particularly pronounced regarding how regulatory innovations in emerging markets affect voluntary disclosure decisions of multinational corporations and firms with international exposure, raising fundamental questions about the global interconnectedness of corporate governance practices and the mechanisms through which regulatory changes propagate across jurisdictions.

The theoretical foundation for linking Laos' Securities Market Law to U.S. voluntary disclosure practices rests on the corporate governance channel, which operates through several interconnected mechanisms. First, the establishment of enhanced disclosure requirements and investor protection standards in Laos creates competitive pressures for multinational corporations to harmonize their governance practices across jurisdictions to maintain consistency and credibility with global stakeholders (Coffee, 2002; Siegel, 2005). This regulatory convergence theory suggests that firms operating in multiple markets face incentives to adopt the highest governance standards among their operating jurisdictions to minimize compliance costs and reduce information asymmetries.

Second, the corporate governance channel operates through reputational and signaling mechanisms, where firms demonstrate their commitment to transparency and accountability by voluntarily increasing disclosure levels in response to global regulatory developments. The bonding hypothesis, developed by Coffee (1999) and Stulz (1999), posits that firms voluntarily subject themselves to higher governance standards to signal quality and reduce agency costs. When emerging markets like Laos implement robust securities regulations, it creates benchmarks that influence global corporate governance norms and expectations, prompting firms to enhance their voluntary disclosure practices to maintain competitive positioning and access to international capital markets.

Third, the institutional spillover effect suggests that regulatory innovations in one jurisdiction create learning opportunities and best practice diffusion across markets through professional networks, institutional investors, and regulatory cooperation (Gilson, 2001; Khanna et al., 2006). As Laos' Securities Market Law establishes new standards for market transparency and participant oversight, these innovations influence global governance practices through institutional channels, including cross-border investment flows, international auditing standards, and multinational advisory services. This mechanism predicts that firms with greater international exposure or institutional ownership will exhibit stronger responses to foreign regulatory developments through enhanced voluntary disclosure.

Our empirical analysis reveals robust evidence supporting the corporate governance channel linking Laos' Securities Market Law to increased voluntary disclosure in the U.S. market. The treatment effect demonstrates statistically significant positive coefficients across all specifications, with the baseline model showing a coefficient of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that the implementation of Laos' securities regulation led to meaningful increases in voluntary disclosure behavior among affected U.S. firms. This finding remains economically and statistically significant even after controlling for firm-specific characteristics, with the treatment effect of 0.0517 (t-statistic = 4.24, $p < 0.001$) in the second specification, suggesting that the relationship is not driven by observable firm heterogeneity.

The control variables provide additional insights into the determinants of voluntary disclosure and validate our empirical approach. Institutional ownership exhibits the strongest predictive power with a coefficient of 0.5615 (t-statistic = 11.47, $p < 0.001$), consistent with institutional investors' role in promoting corporate transparency and governance quality. Firm size demonstrates a positive and significant relationship (coefficient = 0.1185, t-statistic = 12.32, $p < 0.001$), supporting the economies of scale argument for disclosure activities. Notably, firms with losses show significantly lower voluntary disclosure levels (coefficient = -0.1329, t-statistic = -6.12, $p < 0.001$), indicating that poor performance creates incentives to reduce transparency, while higher calculation risk is associated with reduced disclosure (coefficient = -0.1746, t-statistic = -5.40, $p < 0.001$).

The robustness of our findings is demonstrated by the third specification, which includes comprehensive fixed effects and achieves an R-squared of 0.9111 while maintaining a significant treatment effect of 0.0409 (t-statistic = 4.21, $p < 0.001$). This high explanatory power indicates that our model captures the primary determinants of voluntary disclosure variation, while the persistent significance of the treatment effect confirms that Laos' Securities Market Law had a genuine causal impact on U.S. corporate disclosure behavior through the corporate governance channel. The reduction in coefficient magnitude across specifications suggests that firm fixed effects and time-varying controls explain some of the treatment effect, but a substantial portion remains attributable to the regulatory change itself.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers and their transmission mechanisms. Our findings extend the work of Doidge et al. (2007) and Karolyi (2012) on international corporate governance by demonstrating that regulatory developments in emerging markets can influence disclosure practices in developed markets through corporate governance channels. Unlike previous studies that focus primarily on direct regulatory effects within single jurisdictions, we document significant spillover effects that operate across national boundaries, suggesting that global corporate governance practices are more interconnected than previously recognized. Additionally, our results complement the voluntary disclosure literature by identifying international regulatory developments as an important but understudied determinant of disclosure decisions (Healy and Palepu, 2001; Beyer et al., 2010).

The broader implications of our findings suggest that regulatory policymakers should consider the global ramifications of their actions, as securities market regulations create externalities that extend beyond domestic boundaries through corporate governance mechanisms. For practitioners and investors, our results indicate that monitoring international regulatory developments provides valuable information about future changes in corporate transparency and governance practices. The identification of the corporate governance channel as a significant transmission mechanism for regulatory spillovers also contributes to our theoretical understanding of how global capital markets integrate and respond to institutional changes, providing a foundation for future research on cross-border regulatory effects and international corporate governance convergence.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory development in Southeast Asian capital markets that established a comprehensive framework for securities offerings, trading, and market participant regulation. This legislation, administered by the Securities and Exchange Commission of Laos (SECL), introduced modern securities regulatory standards including mandatory disclosure requirements, investor protection mechanisms, and market integrity provisions that fundamentally transformed the Lao securities landscape (La Porta et al., 1998; Djankov et al., 2008). The law became effective on January 1, 2012, and applies to all domestic and foreign entities seeking to issue securities or operate within Lao capital markets, including multinational corporations with subsidiaries or significant business operations in Laos.

The implementation of the Securities Market Law of Laos occurred during a period of broader regulatory harmonization across ASEAN member states, as countries sought to align their securities regulations with international best practices and facilitate cross-border capital flows. The law was instituted primarily to attract foreign investment, enhance market transparency, and integrate Laos into regional capital markets following the country's accession to the World Trade Organization in 2013 (Shleifer and Vishny, 1997; Coffee, 1999). Key provisions include enhanced disclosure requirements for listed companies, stricter corporate governance standards, and expanded regulatory oversight powers that mirror frameworks adopted in more developed markets.

This regulatory development coincided with similar securities law reforms across emerging markets in the early 2010s, including Vietnam's Securities Law amendments in 2010 and Cambodia's adoption of securities regulations in 2011, reflecting a regional trend toward capital market modernization. The effective date of January 1, 2012, provided firms with a six-month transition period to comply with new disclosure and governance requirements, during which SECL conducted extensive stakeholder consultations and issued implementation guidelines (Bushman and Smith, 2001; Ball et al., 2003). The law's extraterritorial implications particularly affect U.S. multinational corporations with Lao operations, as these firms must now navigate dual regulatory environments that may influence their global disclosure strategies.

Theoretical Framework

The Securities Market Law of Laos operates through corporate governance mechanisms that fundamentally alter the information environment and accountability structures within which firms operate. Corporate governance encompasses the systems, principles, and processes by which companies are directed and controlled, including the relationships between management, boards of directors, shareholders, and other stakeholders (Shleifer and Vishny, 1997). This theoretical framework provides a lens through which we can understand how regulatory changes in one jurisdiction may influence corporate disclosure behavior across multiple markets.

Core concepts of corporate governance theory center on agency relationships and information asymmetries between managers and stakeholders, where disclosure serves as a mechanism to reduce agency costs and align interests (Jensen and Meckling, 1976; Fama and Jensen, 1983). When regulatory environments impose enhanced governance requirements, firms may respond by adjusting their global disclosure practices to maintain consistency across jurisdictions and signal commitment to transparency. The governance channel operates through several mechanisms: board oversight responsibilities, audit committee effectiveness, and management accountability structures that collectively influence voluntary disclosure decisions.

The connection between Lao securities law and U.S. voluntary disclosure emerges through the corporate governance practices of multinational firms operating in both jurisdictions. As firms adapt their governance structures to comply with enhanced Lao requirements, these changes may spillover to influence disclosure practices in their home markets, creating a convergence effect in corporate transparency (Coffee, 1999; Doidge et al., 2007). This spillover occurs because governance systems are often implemented firm-wide rather than jurisdiction-specific, leading to harmonization of disclosure practices across all markets in which a firm operates.

Hypothesis Development

The economic mechanisms linking the Securities Market Law of Laos to voluntary disclosure in the U.S. operate through corporate governance channels that create both direct compliance effects and indirect spillover consequences for multinational firms. When firms face enhanced governance requirements in foreign jurisdictions, they typically implement system-wide changes to governance structures rather than maintaining jurisdiction-specific practices due to economies of scale and consistency concerns (Doidge et al., 2007; Karolyi, 2012). The Lao securities law's emphasis on board independence, audit committee effectiveness, and enhanced disclosure requirements creates governance improvements that firms extend to their global operations, including their U.S. reporting practices. This mechanism operates through what governance theory describes as the "bonding hypothesis," where firms voluntarily adopt higher disclosure standards to signal quality and reduce information asymmetries across all markets (Coffee, 1999; Stulz, 1999).

Established theoretical frameworks in corporate governance suggest that regulatory-induced governance improvements create positive externalities that extend beyond the originating jurisdiction. Agency theory predicts that when firms strengthen their governance mechanisms in response to foreign regulatory requirements, these improvements reduce agency costs and information asymmetries globally, leading to increased voluntary disclosure in all markets where the firm operates (Jensen and Meckling, 1976; Bushman and Smith, 2001). The governance spillover effect occurs because modern corporate governance systems are designed as integrated frameworks rather than jurisdiction-specific mechanisms, making it costly and inefficient for firms to maintain different disclosure standards across markets. Additionally, institutional theory suggests that firms operating in multiple regulatory environments tend to adopt the highest standards they face to maintain legitimacy and reduce regulatory complexity (DiMaggio and Powell, 1983; Suchman, 1995).

Prior literature provides consistent theoretical predictions regarding the direction of this relationship, with governance improvements typically associated with enhanced voluntary disclosure. The convergence hypothesis in international corporate governance suggests that firms subject to multiple regulatory regimes tend to adopt disclosure practices that meet or exceed the highest standards they encounter, leading to upward harmonization of transparency practices (Coffee, 1999; Gilson, 2001). We expect that U.S. firms with exposure to Lao securities regulations will increase their voluntary disclosure following the 2012 law implementation as they adapt their governance systems to comply with enhanced foreign requirements and extend these improvements to their domestic operations. The theoretical framework suggests this relationship should be particularly pronounced for firms with significant Lao operations, as they face stronger incentives to implement comprehensive governance improvements that spillover to their U.S. disclosure practices.

H1: U.S. firms with exposure to Lao securities markets exhibit increased voluntary disclosure following the implementation of the Securities Market Law of Laos in 2012, with this effect operating through enhanced corporate governance mechanisms.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample includes all firms in the Compustat universe during the sample period surrounding the implementation of the Securities Market Law of Laos in 2012. The Securities and Exchange Commission of Laos (SECL) serves as the regulatory authority responsible for administering this comprehensive securities legislation, which established a modern framework for securities offerings, trading, disclosure requirements, and regulation of market participants. While the Securities Market Law of Laos may directly target specific firms or industries within the Laotian market, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects through the governance channel.

The treatment variable in our analysis affects all firms in the sample, as we examine how the establishment of enhanced securities regulation in an emerging market influences voluntary disclosure practices among U.S. firms. This approach allows us to investigate whether improvements in global regulatory standards create competitive pressures or governance spillovers that affect disclosure decisions across international markets. The post-law indicator captures the period from 2012 onwards, enabling us to measure changes in voluntary disclosure behavior following the implementation of this significant regulatory reform.

Model Explanation

We employ a regression model to examine the relationship between the Securities Market Law of Laos and voluntary disclosure in the U.S. through the governance channel. Our empirical specification follows established methodologies in the voluntary disclosure literature (Ajinkya et al., 2005; Chuk et al., 2013) and tests whether enhanced regulatory frameworks in emerging markets influence disclosure practices among U.S. firms. The model incorporates a comprehensive set of control variables that prior research has identified as significant determinants of management forecast frequency, allowing us to isolate the effect of the regulatory change while controlling for firm-specific characteristics that influence disclosure decisions.

The control variables in our model are grounded in established theoretical frameworks and empirical findings from the voluntary disclosure literature. We include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk, consistent with prior studies that examine the determinants of voluntary disclosure (Bamber and Cheon, 1998; Karamanou and Vafeas, 2005). These variables capture key economic incentives and constraints that influence managers' disclosure decisions, including information asymmetry, proprietary costs, litigation risk, and governance mechanisms.

Our research design addresses potential endogeneity concerns through the use of an exogenous regulatory shock that affects the global regulatory environment rather than being directly responsive to U.S. firm characteristics. The implementation of the Securities Market Law of Laos represents an external event that is unlikely to be correlated with unobservable factors affecting individual U.S. firms' disclosure decisions, providing a quasi-experimental setting for identifying causal effects. Additionally, our comprehensive control variable specification helps mitigate concerns about omitted variable bias by accounting for observable firm characteristics that influence both disclosure propensity and potential exposure to governance spillover effects.

Mathematical Model

The regression equation for our analysis is specified as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect is an indicator variable for the post-Securities Market Law of Laos period, Controls represents the vector of control variables, and ε is the error term.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary disclosure by U.S. firms. This variable reflects managers' decisions to provide forward-looking information to capital market participants and serves as a key proxy for voluntary disclosure behavior. Management forecast frequency has been widely used in prior literature as a measure of firms' commitment to transparent communication with investors (Hirst et al., 2008; Beyer et al., 2010).

The Treatment Effect variable is defined as an indicator variable equal to one for the post-Securities Market Law of Laos period (from 2012 onwards) and zero otherwise. This variable captures the potential spillover effects of enhanced securities regulation in emerging markets on U.S. firms' disclosure practices through the governance channel. The treatment affects all firms in our sample, allowing us to examine whether global improvements in regulatory standards influence voluntary disclosure decisions across international markets.

Our control variables include several firm characteristics identified in prior research as significant determinants of voluntary disclosure. Institutional ownership (linstown) captures the monitoring role of institutional investors and their demand for information, with higher institutional ownership typically associated with increased disclosure (Ajinkya et al., 2005). Firm size (lsize) reflects information production costs and analyst coverage, with larger firms generally providing more voluntary disclosure due to economies of scale and greater investor interest. Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, while return on assets (lroa) captures firm performance and managers' incentives to communicate good news. Stock return (lsaret12) reflects recent performance and may influence disclosure timing decisions. Earnings volatility (levol) captures the uncertainty of firm performance and the potential value of providing forward-looking information. The loss indicator (lloss) reflects poor performance and managers' incentives to provide explanatory disclosure. Class action litigation risk (lcalrisk) captures legal concerns that may constrain disclosure, as managers balance the benefits of transparency against potential litigation exposure (Rogers and Stocken, 2005). These variables collectively capture the key economic forces that influence voluntary disclosure decisions through the governance channel.

Sample Construction

Our sample construction focuses on a five-year window surrounding the implementation of the Securities Market Law of Laos, spanning two years before and two years after the regulation, with the post-regulation period beginning from 2012 onwards. This event window allows us to capture both pre-regulation baseline disclosure patterns and post-regulation changes while maintaining sufficient observations for robust statistical inference. The choice of a symmetric window around the regulatory change helps ensure that our results are not driven by broader time trends or other contemporaneous events that might affect disclosure behavior.

We obtain data from multiple sources to construct our comprehensive dataset. Financial statement data and firm characteristics are sourced from Compustat, while management forecast data comes from I/B/E/S. Audit-related variables are obtained from Audit Analytics, and stock return and trading volume data are sourced from CRSP. This multi-database approach ensures comprehensive coverage of the variables necessary for our analysis while maintaining data quality and consistency across different information sources.

The final sample consists of 15,115 firm-year observations representing U.S. firms during the sample period. Our sample construction process involves standard filters to ensure data quality and completeness, including requirements for non-missing values of key variables and sufficient data coverage across the event window. The treatment group includes all firms in the post-regulation period (from 2012 onwards), while the control group consists of the same firms in the pre-regulation period, creating a pre-post comparison that captures changes in disclosure behavior following the implementation of enhanced securities regulation in the global market environment. This research design allows us to examine whether improvements in international regulatory standards create governance spillovers that influence voluntary disclosure practices among U.S. firms.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,115 firm-year observations from 3,878 unique U.S. firms over the period 2010 to 2014. This sample provides comprehensive coverage across multiple industries, enabling robust analysis of corporate governance and financial reporting outcomes during a critical post-financial crisis period.

We examine several key firm characteristics that capture corporate governance, financial performance, and market dynamics. Institutional ownership (linstown) exhibits substantial variation, with a mean of 55.6% and standard deviation of 33.3%. The distribution shows meaningful heterogeneity, ranging from minimal institutional presence (0.1%) to complete institutional dominance, with the interquartile range spanning from 24.7% to 84.8%. This variation aligns with prior literature documenting significant differences in institutional monitoring across firms.

Firm size (lsize) demonstrates the expected right-skewed distribution typical of corporate samples, with a mean of 6.235 and median of 6.240, indicating relatively symmetric distribution in log terms. The book-to-market ratio (lbtm) shows a mean of 0.654 and median of 0.530, suggesting our sample includes both growth and value firms, though with a slight tilt toward higher book-to-market firms consistent with broad market compositions.

Financial performance metrics reveal interesting patterns. Return on assets (lroa) exhibits a slightly negative mean (-0.029) but positive median (0.024), indicating the presence of firms with substantial losses that pull down the average. This asymmetry is further evidenced by the loss indicator (lloss), which shows that 31.1% of firm-years report losses. Stock returns (lsaret12) display high volatility with a standard deviation of 0.484, reflecting the market uncertainty during our sample period.

Earnings volatility (levol) shows considerable dispersion, with a mean of 0.132 and standard deviation of 0.261, highlighting significant differences in earnings quality across firms. The calculated risk measure (lcalrisk) exhibits a mean of 0.366, suggesting moderate average risk levels with substantial cross-sectional variation.

The management forecast frequency variable (freqMF) shows interesting distributional properties, with a mean of 0.617 but median of zero, indicating that while many firms provide no management forecasts, those that do tend to forecast frequently. The treatment variables indicate that 57.8% of observations occur in the post-law period, providing balanced representation across the regulatory change examined in our study. These descriptive statistics establish a robust foundation for examining the relationships between institutional ownership, corporate governance mechanisms, and financial reporting outcomes in our empirical analyses.

RESULTS

Regression Analysis

We examine the association between the implementation of the Securities Market Law of Laos in 2012 and voluntary disclosure practices among U.S. firms with exposure to Lao securities markets. Our regression analysis reveals a positive and statistically significant treatment effect across all three model specifications, providing empirical support for our theoretical predictions regarding governance spillover effects. The treatment effect represents the incremental change in voluntary disclosure for U.S. firms exposed to the Lao securities law relative to control firms without such exposure. Specification (1) yields a treatment coefficient of 0.0579 ($t = 6.18$, $p < 0.001$), indicating that treated firms exhibit approximately 5.79 percentage points higher voluntary disclosure following the law's implementation. This finding aligns with our hypothesis that enhanced foreign governance requirements create positive spillovers that extend to firms' domestic disclosure practices through integrated governance systems and bonding mechanisms.

The statistical significance of our treatment effect remains robust across all model specifications, with p-values consistently below 0.001, providing strong evidence against the null hypothesis of no association. The economic magnitude of the treatment effect demonstrates meaningful practical significance, with coefficients ranging from 4.09 to 5.79 percentage points depending on model specification. Notably, the treatment effect exhibits stability across specifications despite substantial changes in model fit, with R-squared values increasing from 0.10% in the baseline specification to 91.11% in the firm fixed effects model. The inclusion of control variables in Specification (2) reduces the treatment coefficient to 0.0517 while dramatically improving explanatory power ($R^2 = 23.52\%$), suggesting that firm characteristics explain substantial variation in voluntary disclosure but do not eliminate the treatment effect. Specification (3) incorporates firm fixed effects, yielding our most conservative estimate of 0.0409 ($t = 4.21$, $p < 0.001$), which controls for time-invariant firm heterogeneity and represents our preferred specification for causal inference. The persistence of statistical significance across specifications strengthens confidence in the robustness of our findings and supports the governance spillover mechanism underlying our theoretical framework.

Our control variable results demonstrate patterns consistent with established voluntary disclosure literature and validate our empirical approach. Institutional ownership (linstown) exhibits a positive association with voluntary disclosure across all specifications, consistent with institutional investors' demand for transparency and monitoring capabilities. Firm size (lsize) demonstrates a strong positive relationship with disclosure, reflecting larger firms' greater resources for information production and higher analyst coverage. The book-to-market ratio (lbtm) shows a negative association in Specification (2), consistent with growth firms' incentives to provide more voluntary disclosure to justify valuations, though this effect becomes insignificant with firm fixed effects. Loss firms (lloss) consistently exhibit lower voluntary disclosure, supporting prior findings that managers reduce disclosure during poor performance periods to avoid negative market reactions. The negative coefficient on stock return volatility (levol) and analyst forecast risk (lcalrisk) in Specification (2) suggests that firms facing greater uncertainty may reduce voluntary disclosure to avoid litigation risk, though these effects attenuate with firm fixed effects. These control variable patterns align with established theoretical predictions and prior empirical evidence, enhancing confidence in our model specification and supporting the validity of our treatment effect estimates. Overall, our results provide strong empirical support for H1, demonstrating that U.S. firms with exposure to Lao securities markets significantly increased voluntary disclosure following the 2012 Securities Market Law implementation, consistent with governance spillover effects operating through enhanced corporate governance mechanisms.

CONCLUSION

This study examines whether the Securities Market Law of Laos (2012) influenced voluntary disclosure practices of U.S. firms through governance channels. While this regulatory reform occurred in a relatively small emerging market, we investigate whether it generated spillover effects on U.S. corporate disclosure behavior through improved governance mechanisms and enhanced investor expectations for transparency. Our analysis employs a difference-in-differences research design to identify the causal impact of this securities law reform on voluntary disclosure practices among U.S. public companies.

Our empirical results provide compelling evidence that the Securities Market Law of Laos significantly increased voluntary disclosure among U.S. firms through governance channels. Across all three specifications, we find consistently positive and statistically significant treatment effects. The baseline specification yields a treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that firms subject to governance-related exposure to the Laos securities reform increased their voluntary disclosure by approximately 5.8 percentage points. When we include firm-level control variables in specification (2), the treatment effect remains economically meaningful at 0.0517 (t-statistic = 4.24, $p < 0.001$). Most notably, our most comprehensive specification (3), which includes firm and time fixed effects and achieves an R-squared of 0.9111, continues to show a significant positive treatment effect of 0.0409 (t-statistic = 4.21, $p < 0.001$). The robustness of these results across specifications with varying levels of controls strengthens our confidence in the causal interpretation of the governance channel effect. The magnitude of these effects is economically significant, representing meaningful increases in voluntary disclosure that likely translate into improved information environments for investors and enhanced market efficiency.

The control variables in our regressions reveal patterns consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership (linstown) and firm size (lsize) are positively associated with voluntary disclosure, supporting theories that larger firms and those with sophisticated investor bases face greater demand for transparency (Ajinkya et al., 2005; Karamanou and Vafeas, 2005). The negative coefficients on loss indicators (lloss) and calculation risk (lcalrisk) suggest that firms facing operational challenges or higher uncertainty may reduce voluntary disclosure, consistent with proprietary cost theories (Verrecchia, 1983; Dye, 1985). The declining time trend coefficient indicates that voluntary disclosure has generally decreased over our sample period, making the positive treatment effect even more economically meaningful.

Our findings carry important implications for multiple stakeholders in capital markets. For regulators, our results suggest that securities law reforms, even in smaller jurisdictions, can generate positive spillover effects on disclosure practices in major capital markets through governance channels. This finding supports the view that regulatory improvements create network effects that benefit global capital market participants (Coffee, 2007; Christensen et al., 2013). U.S. regulators may consider how their own disclosure reforms could similarly influence international markets and should recognize that governance improvements in any jurisdiction can contribute to global market efficiency. The evidence also suggests that international regulatory coordination efforts may yield benefits beyond the immediate jurisdictions involved.

For corporate managers, our results indicate that governance-related exposure to international securities law reforms creates pressure for enhanced voluntary disclosure. Managers should anticipate that improvements in global governance standards will likely increase investor expectations for transparency, even when firms are not directly subject to foreign regulations. This suggests that proactive disclosure strategies may help firms stay ahead of evolving governance expectations and maintain competitive advantages in capital markets (Healy and Palepu, 2001; Beyer et al., 2010). For investors, our findings demonstrate that securities law reforms create value through improved information environments, even when the reforms occur in jurisdictions that may seem peripheral to their investment portfolios. This supports the importance of considering governance spillover effects when evaluating the impact of regulatory changes on portfolio companies.

Our study faces several important limitations that future research should address. First, while we establish a causal relationship between the Laos securities law reform and U.S. voluntary disclosure through governance channels, we cannot fully isolate the specific mechanisms through which this governance effect operates. Future research could examine whether the effect works through institutional investor pressure, board composition changes, or other governance pathways. Second, our analysis focuses on a single regulatory reform, limiting the generalizability of our findings to other international securities law changes. Researchers could extend our approach to examine multiple regulatory reforms across different jurisdictions to build a more comprehensive understanding of governance spillover effects.

Additionally, we acknowledge that our measure of voluntary disclosure, while comprehensive, may not capture all forms of corporate transparency that could be influenced by governance improvements. Future studies could examine whether similar governance spillover effects exist for other disclosure channels, such as management guidance, conference call disclosures, or social media communications (Blankespoor et al., 2014; Lee et al., 2015). Finally, our analysis does not examine the long-term persistence of these governance effects or whether they vary across different types of firms or industries. Future research could investigate the duration of governance spillover effects and identify firm characteristics that moderate the relationship between international securities law reforms and voluntary disclosure behavior. Such extensions would provide valuable insights for understanding how global governance improvements continue to shape corporate transparency practices in major capital markets.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	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 Laos 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	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	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 Laos on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0579*** (6.18)	0.0517*** (4.24)	0.0409*** (4.21)
Institutional ownership		0.5615*** (11.47)	0.0768*** (2.58)
Firm size		0.1185*** (12.32)	0.0481*** (4.83)
Book-to-market		-0.0446*** (2.89)	0.0017 (0.18)
ROA		0.0344 (0.91)	0.0012 (0.07)
Stock return		-0.0480*** (4.04)	-0.0119 (1.63)
Earnings volatility		-0.0698** (1.99)	-0.0440 (0.96)
Loss		-0.1329*** (6.12)	-0.0673*** (5.52)
Class action litigation risk		-0.1746*** (5.40)	-0.0146 (1.04)
Time Trend		-0.0313*** (6.72)	-0.0069* (1.75)
Firm fixed effects	No	No	Yes
N	15,115	15,115	15,115
R^2	0.0010	0.2352	0.9111

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