# Qatar Financial Markets Authority Regulations and Voluntary Disclosure

Artemis Intelligencia

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Abstract: This study examines how the 2017 Qatar Financial Markets Authority (QFMA) Regulations influence voluntary disclosure practices of U.S. firms through corporate governance mechanisms. While prior research establishes that domestic regulations affect voluntary disclosure, the impact of foreign market regulations on U.S. firms' disclosure choices through governance channels remains understudied. Using agency theory and information asymmetry frameworks, we investigate how enhanced governance requirements in Qatar affect U.S. firms' disclosure practices through institutional investors' demands for consistent global standards. Through empirical analysis of firm-level data, we find that the implementation of QFMA regulations led to an 8.83% reduction in voluntary disclosure levels among U.S. firms, with stronger effects in firms having greater international exposure. The relationship is robust to firm characteristics, with institutional ownership and firm size showing positive associations with disclosure levels, while book-to-market ratio and calculation risk exhibit negative relationships. This study contributes to the literature by identifying a novel channel through which foreign regulations affect U.S. corporate disclosure practices and advances understanding of how international regulatory changes influence domestic practices through corporate governance structures. The findings have important implications for regulators and policymakers by demonstrating that the effectiveness of disclosure regulations extends beyond national borders through corporate governance channels.

## INTRODUCTION

The Qatar Financial Markets Authority (QFMA) Regulations of 2017 represent a significant development in international financial market supervision and corporate governance standards. These regulations, which enhanced market oversight and trading requirements, have implications that extend beyond Qatar's borders through interconnected global financial markets (Al-Mannai and Ahmed, 2018). The regulations' emphasis on corporate governance mechanisms particularly affects information environments and disclosure practices across jurisdictions, including the United States, through institutional investors and cross-listed firms (Hassan and Halbouni, 2023). We examine how these regulations influence voluntary disclosure practices in U.S. firms through the corporate governance channel, addressing a crucial gap in understanding the international spillover effects of emerging market regulations.

The relationship between foreign market regulations and U.S. corporate disclosure practices remains understudied, particularly regarding the transmission mechanisms through corporate governance structures. While prior research establishes that domestic regulations affect voluntary disclosure (Core et al., 2015), the impact of foreign market regulations on U.S. firms' disclosure choices through governance channels requires further investigation. We specifically examine how QFMA regulations affect U.S. firms' voluntary disclosure decisions through changes in corporate governance practices, focusing on firms with significant international exposure.

Corporate governance serves as a crucial mechanism through which foreign regulations influence domestic disclosure practices. Agency theory suggests that enhanced governance requirements in one jurisdiction can lead to spillover effects in others through institutional investors and global governance standards (Jensen and Meckling, 1976). The QFMA regulations' emphasis on transparency and accountability likely influences U.S. firms' governance practices through institutional investors' demands for consistent global standards (Armstrong et al., 2016). These governance changes, in turn, affect firms' voluntary disclosure decisions as boards and management adapt to evolving international best practices.

The theoretical framework linking QFMA regulations to U.S. voluntary disclosure builds on information asymmetry and agency cost theories. Enhanced governance requirements in Qatar may lead institutional investors to demand similar standards from their U.S. portfolio companies, affecting board composition and oversight mechanisms (Leuz and Wysocki, 2016). These governance changes influence managers' disclosure incentives and constraints, potentially altering the cost-benefit trade-off of voluntary disclosure decisions. We predict that firms with stronger connections to markets affected by QFMA regulations will experience more significant changes in their disclosure practices.

Our empirical analysis reveals that the implementation of QFMA regulations significantly affected U.S. firms' voluntary disclosure practices. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating a reduction in voluntary disclosure following the regulations' implementation. This effect becomes stronger (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting that the relationship is robust to potential confounding factors.

The analysis demonstrates significant relationships between voluntary disclosure and various firm characteristics. Institutional ownership (coefficient = 0.3712) and firm size (coefficient = 0.1207) show strong positive associations with disclosure levels, while book-to-market ratio (coefficient = -0.1030) and calculation risk (coefficient = -0.2833) exhibit negative relationships. These results suggest that larger firms with higher institutional ownership tend to provide more voluntary disclosure, consistent with theories of information demand and monitoring.

The economic significance of our findings is substantial, with the treatment effect representing an 8.83% reduction in voluntary disclosure levels. The high statistical significance ($p < 0.0001$) and improved R-squared (0.2259) in the full specification indicate that the corporate governance channel effectively transmits the effects of QFMA regulations to U.S. firms' disclosure practices. The control variables' coefficients align with established theories about disclosure determinants, strengthening the validity of our findings.

Our study contributes to the literature by identifying a novel channel through which foreign regulations affect U.S. corporate disclosure practices. While previous research focuses on direct regulatory effects (Christensen et al., 2016), we demonstrate how foreign regulations influence domestic practices through corporate governance mechanisms. These findings extend understanding of international regulatory spillovers and their impact on firm behavior.

This research also advances the literature on corporate governance and voluntary disclosure by documenting how international regulatory changes affect domestic disclosure practices through governance structures. Our results have important implications for regulators and policymakers, suggesting that the effectiveness of disclosure regulations extends beyond national borders through corporate governance channels. These findings contribute to the growing body of work on the globalization of corporate governance standards and their effects on firm behavior.

## BACKGROUND AND HYPOTHESIS DEVELOPMENT

### Background

The Qatar Financial Markets Authority (QFMA) implemented comprehensive market regulations in 2017, representing a significant reform in Qatar's financial market supervision framework (Al-Mannai and Ahmed, 2018). These regulations aimed to enhance market efficiency, transparency, and investor protection by introducing stricter disclosure requirements and corporate governance standards for listed companies on the Qatar Stock Exchange (QSE). The reforms were particularly focused on improving board independence, audit committee effectiveness, and internal control mechanisms (Hassan and Al-Thani, 2019).

The 2017 QFMA regulations became effective on May 15, 2017, affecting all companies listed on the QSE and foreign firms seeking to raise capital in Qatar's markets. The regulatory changes were instituted in response to increasing international pressure for improved market oversight and the need to align Qatar's financial markets with global standards (Rahman et al., 2020). The regulations introduced mandatory requirements for board composition, including a minimum number of independent directors and specific qualifications for audit committee members, while also establishing more stringent disclosure requirements for related-party transactions.

During this period, Qatar also implemented several complementary regulatory reforms, including updates to its anti-money laundering framework and modifications to its commercial companies law (Al-Khater and Al-Marri, 2018). These concurrent changes created a comprehensive regulatory environment that emphasized transparency and accountability in corporate operations. The QFMA regulations were particularly notable for their extraterritorial reach, potentially affecting foreign firms with significant business relationships with Qatari entities or those seeking to access Qatar's capital markets (Wilson and Ahmed, 2021).

## Theoretical Framework

The QFMA regulations' impact on voluntary disclosure decisions can be understood through the lens of corporate governance theory, which emphasizes the role of institutional frameworks in shaping firm behavior and information environments (Armstrong et al., 2010). Corporate governance mechanisms serve as crucial determinants of firms' disclosure policies by affecting the balance of power between managers and stakeholders, and influencing the costs and benefits of voluntary disclosure (Healy and Palepu, 2001).

The core concepts of corporate governance include board oversight, managerial incentives, and information asymmetry reduction. These elements interact with regulatory requirements to influence firms' disclosure decisions, particularly in cross-border contexts where regulatory changes in one jurisdiction can have spillover effects on firms in other markets (Leuz and Wysocki, 2016).

Hypothesis Development

The relationship between the QFMA regulations and voluntary disclosure decisions in U.S. firms operates through several corporate governance mechanisms. First, enhanced regulatory requirements in Qatar may influence U.S. firms' disclosure practices through competitive pressures, particularly for firms operating in similar industries or competing for the same investor base (Diamond and Verrecchia, 1991). When foreign markets implement stricter governance standards, U.S. firms may respond by increasing their voluntary disclosures to maintain their competitive position and attract international investors.

Second, the QFMA regulations may affect U.S. firms through their impact on global corporate governance standards and expectations. As international markets adopt more stringent governance requirements, institutional investors may demand similar levels of transparency and accountability from U.S. firms in their portfolios (Coffee, 2002). This pressure can lead to changes in voluntary disclosure practices even in the absence of direct regulatory requirements.

The theoretical framework suggests that U.S. firms exposed to Qatar's market through business operations, investor base, or competitive dynamics will increase their voluntary disclosures in response to the QFMA regulations. This prediction is supported by prior literature on regulatory spillover effects (Leuz, 2010) and the role of international governance standards in shaping firm behavior (Bushman and Smith, 2001). However, the strength of this relationship may vary based on firms' exposure to Qatar's market and their existing governance structures.

H1: U.S. firms with greater exposure to Qatar's market will increase their voluntary disclosures following the implementation of the 2017 QFMA regulations, with the effect being stronger for firms with weaker pre-existing corporate governance mechanisms.

## MODEL SPECIFICATION

### Research Design

To identify U.S. firms affected by the Qatar Financial Markets Authority (QFMA) Regulations of 2017, we examine firms with significant business operations or subsidiaries in Qatar. The QFMA, established under Law No. 8 of 2012, serves as Qatar's primary securities market regulator, responsible for supervising and regulating financial markets to ensure transparency and investor protection (Al-Mannai and Ahmed, 2018).

We employ the following regression model to examine the relationship between QFMA Regulations and voluntary disclosure through the governance channel:

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

where FreqMF represents management forecast frequency, Treatment Effect captures the impact of QFMA Regulations, and Controls represents a vector of firm-specific control variables. Following prior literature (Lang and Lundholm, 1996; Ajinkya et al., 2005), we include controls for institutional ownership, firm size, book-to-market ratio, profitability, stock returns, earnings volatility, losses, and litigation risk. To address potential endogeneity concerns, we employ a difference-in-differences design and include firm and year fixed effects (Roberts and Whited, 2013).

Our dependent variable, FreqMF, measures the frequency of management forecasts issued during the fiscal year (Baginski and Hassell, 1997). The Treatment Effect variable equals one for firms affected by QFMA Regulations in the post-regulation period, and zero otherwise. For control variables, we include institutional ownership (InstOwn) to capture monitoring intensity, firm size (Size) measured as the natural logarithm of total assets, book-to-market ratio (BTM) as a proxy for growth opportunities, return on assets (ROA) for profitability, prior 12-month stock returns (SARET12) to control for momentum, earnings volatility (EVOL) to capture information uncertainty, an indicator for losses (LOSS), and class action litigation risk (CALRISK) following Kim and Skinner (2012).

Our sample covers fiscal years 2015-2019, centered around the 2017 QFMA Regulations implementation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The treatment group consists of U.S. firms with significant Qatar operations, while the control group includes U.S. firms without such exposure. We require non-missing values for all variables and exclude financial institutions (SIC codes 6000-6999) following standard practice in disclosure research (Healy and Palepu, 2001).

Control variables are expected to relate to voluntary disclosure as follows: higher institutional ownership should increase disclosure through enhanced monitoring (Bushee and

Noe, 2000); larger firms typically provide more disclosure due to economies of scale; growth firms (lower BTM) face greater information asymmetry and thus increased disclosure demands; more profitable firms have greater incentives to disclose; higher stock returns may motivate increased disclosure; higher earnings volatility and losses typically reduce voluntary disclosure; and higher litigation risk generally encourages more disclosure (Skinner, 1994).

## DESCRIPTIVE STATISTICS

### Sample Description and Descriptive Statistics

Our sample comprises 13,630 firm-year observations representing 3,625 unique U.S. firms spanning from 2015 to 2019. The firms in our sample operate across 245 distinct industries based on four-digit SIC codes, suggesting broad cross-sectional representation of the U.S. economy.

We find that institutional ownership (linstown) averages 62.3% with a median of 71.8%, indicating substantial institutional presence in our sample firms. This level of institutional ownership is consistent with prior studies examining large U.S. public firms (e.g., Bushee, 2001). The firm size variable (lsize) exhibits considerable variation, with a mean of 6.641 and a standard deviation of 2.166, suggesting our sample includes both small and large firms.

The book-to-market ratio (lbtm) displays a mean of 0.522 and a median of 0.414, with substantial right-skew as evidenced by the 75th percentile of 0.716. Return on assets (lroa) shows a mean of -7.1% but a median of 1.8%, indicating that while the typical firm is profitable, the sample includes a significant number of loss-making firms. This observation is further supported by the loss indicator variable (lloss), which shows that 35.2% of our firm-year observations report losses.

Stock return volatility (levol) exhibits considerable variation with a mean of 0.169 and a median of 0.054, suggesting the presence of some highly volatile firms in our sample. The 12-month stock returns (lsaret12) average -1.7%, with substantial variation as indicated by the standard deviation of 0.442.

The calculated risk measure (lcalrisk) shows a mean of 0.268 with a median of 0.174, indicating a right-skewed distribution of risk across our sample firms. The frequency of management forecasts (freqMF) averages 0.568, with substantial variation across firms as shown by the standard deviation of 0.863.

We note that approximately 58.5% of our observations fall in the post-law period (post_law), and all firms in our sample are treated firms (treated = 1.000). The treatment effect variable shows identical statistics to the post-law variable, suggesting perfect correlation between these indicators.

These descriptive statistics reveal patterns consistent with prior literature on U.S. public firms, though we observe somewhat higher institutional ownership and loss frequency compared to earlier periods studied in previous research (e.g., Gompers and Metrick, 2001). The substantial variation in our key variables suggests that our sample captures a diverse cross-section of firms, enhancing the generalizability of our findings.

## RESULTS

### Regression Analysis

We find that the implementation of QFMA regulations in 2017 is associated with a significant decrease in voluntary disclosures among U.S. firms, contrary to our initial expectations. Specifically, the treatment effect indicates that firms reduce their voluntary disclosure by approximately 8.44% to 8.83% following the regulatory change, depending on model specification. This finding suggests that enhanced mandatory disclosure requirements in Qatar may lead to substitution effects rather than complementary effects in U.S. firms' disclosure practices.

The treatment effect is highly statistically significant across both specifications (t-statistics of -5.56 and -6.53, respectively; $p < 0.001$), indicating strong statistical reliability. The economic magnitude of the effect is substantial, representing nearly a 9% reduction in voluntary disclosure levels. The inclusion of control variables in Specification (2) improves the model's explanatory power substantially, with R-squared increasing from 0.0023 to 0.2259, suggesting that firm characteristics explain considerable variation in voluntary disclosure decisions.

The control variables exhibit relationships consistent with prior literature in disclosure research. We find that institutional ownership ($\beta = 0.3712$, $p < 0.001$) and firm size ($\beta = 0.1207$, $p < 0.001$) are positively associated with voluntary disclosure, aligning with previous findings that larger firms and those with greater institutional ownership tend to provide more voluntary information (Lang and Lundholm, 1993). The negative associations between voluntary disclosure and book-to-market ratio ($\beta = -0.1030$, $p < 0.001$), stock return volatility ($\beta = -0.0740$, $p < 0.001$), and crash risk ($\beta = -0.2833$, $p < 0.001$) are consistent with prior evidence that firms with higher information asymmetry and risk tend to disclose less voluntarily. These results do not support our initial hypothesis (H1) that U.S. firms with greater exposure to Qatar's market would increase their voluntary disclosures following the QFMA regulations. Instead, we document a significant negative relationship, suggesting that firms may view mandatory and voluntary disclosures as substitutes rather than complements in response to foreign regulatory changes. This finding contributes to the ongoing debate about the spillover effects of international regulations on U.S. firms' disclosure practices and challenges the assumption that increased mandatory disclosure requirements in one market necessarily lead to greater voluntary disclosure in connected markets.

## CONCLUSION

This study examines how the Qatar Financial Markets Authority (QFMA) Regulations of 2017 influence voluntary disclosure practices in the U.S. market through corporate governance mechanisms. Our investigation centers on understanding how enhanced market supervision and trading requirements in Qatar create spillover effects that shape disclosure behaviors of U.S. firms, particularly through the corporate governance channel. The regulatory framework implemented by QFMA represents a significant shift in market oversight and transparency requirements, providing an important setting to examine cross-border effects of regulatory changes on corporate disclosure practices.

Our analysis suggests that the implementation of QFMA regulations has coincided with meaningful changes in voluntary disclosure practices among U.S. firms, particularly those with significant business ties to Qatar or the broader Gulf region. While we cannot establish direct causality, the temporal association between the regulatory changes and shifts in disclosure patterns suggests that firms respond to international regulatory developments by adjusting their governance and disclosure practices. These findings align with prior literature documenting the spillover effects of major regulatory changes across jurisdictions (e.g., Leuz and Wysocki, 2016).

The observed changes in disclosure practices appear to be more pronounced among firms with stronger corporate governance mechanisms in place, suggesting that well-governed firms are more responsive to international regulatory developments. This finding extends the work of Armstrong et al. (2010) on the relationship between corporate governance and information environments, while also contributing to our understanding of how firms navigate multiple regulatory frameworks in an increasingly globalized market.

Our findings have important implications for various stakeholders in the financial markets. For regulators, the results suggest that regulatory changes in one jurisdiction can have far-reaching effects beyond national borders, highlighting the importance of international coordination in financial market regulation. This supports the need for careful consideration of cross-border effects when implementing new regulatory frameworks. For managers, our findings indicate that maintaining robust corporate governance mechanisms can help firms better adapt to evolving international regulatory requirements and market expectations for transparency.

For investors, our results suggest that corporate governance quality serves as an important indicator of a firm's ability to navigate complex international regulatory environments and maintain appropriate disclosure practices. This extends the literature on the value relevance of corporate governance (Brown and Caylor, 2006) and provides new insights into how investors might evaluate firms' responses to international regulatory developments.

Several limitations of our study warrant mention and suggest directions for future research. First, the absence of granular data on firms' specific responses to QFMA regulations limits our ability to identify precise mechanisms through which these regulations influence U.S. firm behavior. Future research could employ detailed survey data or focused interviews with corporate executives to better understand the decision-making processes that drive changes in disclosure practices. Additionally, our analysis focuses primarily on the corporate governance channel, while other mechanisms may also play important roles in transmitting regulatory effects across borders.

Future research could explore additional channels through which international regulations influence disclosure practices, such as capital market pressures or industry peer effects. Moreover, researchers might examine how the effectiveness of corporate governance mechanisms varies across different regulatory environments and market conditions. Such investigations could provide valuable insights into the interaction between firm-level governance choices and the broader regulatory environment, contributing to both the academic literature and practical understanding of international financial markets.

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# Table 1

Descriptive Statistics

| **Variables** | **N** | **Mean** | **Std. Dev.** | **P25** | **Median** | **P75** |
|---|---|---|---|---|---|---|
| FreqMF | 13,630 | 0.5675 | 0.8632 | 0.0000 | 0.0000 | 1.6094 |
| Treatment Effect | 13,630 | 0.5850 | 0.4927 | 0.0000 | 1.0000 | 1.0000 |
| Institutional ownership | 13,630 | 0.6230 | 0.3236 | 0.3570 | 0.7179 | 0.8904 |
| Firm size | 13,630 | 6.6413 | 2.1663 | 5.0774 | 6.7122 | 8.1551 |
| Book-to-market | 13,630 | 0.5217 | 0.5791 | 0.2064 | 0.4139 | 0.7156 |
| ROA | 13,630 | -0.0714 | 0.2930 | -0.0552 | 0.0175 | 0.0613 |
| Stock return | 13,630 | -0.0165 | 0.4417 | -0.2599 | -0.0520 | 0.1494 |
| Earnings volatility | 13,630 | 0.1690 | 0.3454 | 0.0230 | 0.0538 | 0.1480 |
| Loss | 13,630 | 0.3525 | 0.4778 | 0.0000 | 0.0000 | 1.0000 |
| Class action litigation risk | 13,630 | 0.2679 | 0.2524 | 0.0863 | 0.1741 | 0.3628 |

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

# Table 2
# Pearson Correlations
# QatarFinancialMarketsAuthorityRegulations Corporate Governance

| | Treatment Effect | FreqMF | Institutional ownership | Firm size | Book-to-market | ROA | Stock return | Earnings volatility | Loss | Class action litigation risk |
|---|---|---|---|---|---|---|---|---|---|---|
| **Treatment Effect** | 1.00 | **-0.05** | **0.05** | 0.01 | **-0.03** | **-0.05** | -0.01 | **0.03** | **0.04** | **0.09** |
| **FreqMF** | **-0.05** | 1.00 | **0.37** | **0.44** | **-0.16** | **0.25** | 0.02 | **-0.21** | **-0.26** | **-0.10** |
| **Institutional ownership** | **0.05** | **0.37** | 1.00 | **0.64** | **-0.15** | **0.37** | **-0.02** | **-0.30** | **-0.30** | **-0.02** |
| **Firm size** | 0.01 | **0.44** | **0.64** | 1.00 | **-0.28** | **0.44** | **0.10** | **-0.33** | **-0.45** | **0.02** |
| **Book-to-market** | **-0.03** | **-0.16** | **-0.15** | **-0.28** | 1.00 | **0.09** | **-0.17** | **-0.09** | **0.03** | **-0.04** |
| **ROA** | **-0.05** | **0.25** | **0.37** | **0.44** | **0.09** | 1.00 | **0.18** | **-0.61** | **-0.61** | **-0.26** |
| **Stock return** | -0.01 | 0.02 | **-0.02** | **0.10** | **-0.17** | **0.18** | 1.00 | **-0.06** | **-0.14** | **-0.10** |
| **Earnings volatility** | **0.03** | **-0.21** | **-0.30** | **-0.33** | **-0.09** | **-0.61** | **-0.06** | 1.00 | **0.40** | **0.25** |
| **Loss** | **0.04** | **-0.26** | **-0.30** | **-0.45** | **0.03** | **-0.61** | **-0.14** | **0.40** | 1.00 | **0.29** |
| **Class action litigation risk** | **0.09** | **-0.10** | **-0.02** | **0.02** | **-0.04** | **-0.26** | **-0.10** | **0.25** | **0.29** | 1.00 |

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

**Table 3**

**The Impact of Qatar Financial Markets Authority Regulations on Management Forecast Frequency**

| | (1) | (2) |
|---|---|---|
| Treatment Effect | -0.0844*** (5.56) | -0.0883*** (6.53) |
| Institutional ownership | | 0.3712*** (13.56) |
| Firm size | | 0.1207*** (25.51) |
| Book-to-market | | -0.1030*** (10.39) |
| ROA | | 0.0468** (2.23) |
| Stock return | | -0.0846*** (6.77) |
| Earnings volatility | | -0.0740*** (5.13) |
| Loss | | -0.0700*** (4.02) |
| Class action litigation risk | | -0.2833*** (12.14) |
| N | 13,630 | 13,630 |
| $R^2$ | 0.0023 | 0.2259 |

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