Securities Law Cambodia and Voluntary Disclosure

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Abstract: Securities regulations in emerging markets increasingly serve as catalysts for global capital market integration, fundamentally reshaping disclosure practices across international boundaries. This study examines whether Cambodia's Securities Law implementation, enacted in 2009 under the Securities and Exchange Regulator of Cambodia, affects U.S. firms' voluntary disclosure practices through cross-border equity issuance activities. While extensive literature examines domestic securities regulation effects on disclosure quality, limited research investigates how emerging market securities laws influence voluntary disclosure decisions in developed markets through cross-border equity financing channels. The theoretical foundation rests on regulatory spillover hypothesis and signaling theory, predicting that firms engaging in equity issuance activities involving Cambodian markets face enhanced scrutiny, creating incentives for increased voluntary disclosure to demonstrate compliance readiness and reduce information asymmetries across jurisdictions. The empirical analysis reveals statistically significant but economically complex relationships that contradict initial hypotheses. The baseline specification shows a significant negative treatment effect of -0.0830, while comprehensive specifications reveal a modest but significant negative effect of -0.0248, indicating that affected firms reduce voluntary disclosure by approximately 2.48 percentage points after controlling for firm characteristics and fixed effects. These findings contribute novel evidence of reverse regulatory spillovers, demonstrating that emerging market securities regulations can reduce rather than enhance

voluntary disclosure in developed markets, suggesting firms view regulatory complexity as creating compliance burdens rather than transparency incentives, with important implications for cross-jurisdictional regulatory policy design.

INTRODUCTION

Securities regulations in emerging markets have increasingly become catalysts for global capital market integration, fundamentally reshaping disclosure practices across international boundaries. The Securities Law of Cambodia, enacted in 2009 under the oversight of the Securities and Exchange Regulator of Cambodia (SERC), represents a comprehensive regulatory framework that governs securities offerings, investment services, disclosure requirements, and market conduct rules. This legislation has enhanced securities market development, improved investor protection, and strengthened the regulatory framework for securities transactions within Cambodia's emerging capital markets (Bushman and Smith, 2001; Ball, 2001).

The implementation of Cambodia's Securities Law creates unique spillover effects on U.S. voluntary disclosure practices through the equity issuance channel, as multinational corporations and investment firms operating across both jurisdictions must navigate increasingly complex regulatory landscapes. While extensive literature examines domestic securities regulation effects on disclosure quality (Leuz and Wysocki, 2016), limited research investigates how emerging market securities laws influence voluntary disclosure decisions in developed markets through cross-border equity financing activities. This study addresses a critical gap by examining whether Cambodia's securities regulation implementation affects U.S. firms' voluntary disclosure practices when these firms engage in equity issuance activities that involve Cambodian market participants or regulatory oversight.

The theoretical foundation linking Cambodia's Securities Law to U.S. voluntary disclosure through equity issuance rests on the regulatory spillover hypothesis and signaling theory. When firms engage in cross-border equity issuance activities involving Cambodian markets or investors, they become subject to enhanced scrutiny under Cambodia's comprehensive securities framework, which emphasizes transparency and investor protection (Healy and Palepu, 2001; Beyer et al., 2010). This regulatory exposure creates incentives for firms to increase voluntary disclosure as a signaling mechanism to demonstrate compliance readiness and reduce information asymmetries across multiple jurisdictions.

The equity issuance channel operates through several interconnected mechanisms that amplify disclosure incentives. First, firms seeking to access Cambodian capital or partner with Cambodian entities must demonstrate adherence to enhanced disclosure standards, creating reputational capital that extends beyond the immediate transaction (Diamond and Verrecchia, 1991). Second, the comprehensive nature of Cambodia's securities regulation, which covers investment services and market conduct rules, establishes a higher baseline for transparency expectations among international investors and stakeholders (Bushman et al., 2004). Third, regulatory arbitrage considerations may lead firms to voluntarily adopt higher disclosure standards to maintain consistent practices across jurisdictions and reduce compliance costs.

Building on established theoretical frameworks in voluntary disclosure literature, we predict that firms affected by Cambodia's Securities Law through equity issuance activities will exhibit increased voluntary disclosure to signal quality and reduce regulatory uncertainty (Verrecchia, 2001; Dye, 2001). The signaling benefits of enhanced disclosure become particularly pronounced when firms operate in multiple regulatory environments with varying transparency requirements. We hypothesize that the implementation of Cambodia's Securities Law creates positive spillover effects on U.S. voluntary disclosure practices, as firms seek to establish credible commitments to transparency that satisfy the most stringent regulatory requirements across their operational jurisdictions.

Our empirical analysis reveals statistically significant but economically complex relationships between Cambodia's Securities Law implementation and U.S. voluntary disclosure through the equity issuance channel. In our baseline specification, we find a treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating a statistically significant negative relationship that contradicts our initial hypothesis. However, this specification exhibits low explanatory power with an R-squared of only 0.0021, suggesting that the model captures limited variation in voluntary disclosure practices. The strong statistical significance combined with low explanatory power indicates that while the relationship is detectable, it represents a small component of overall disclosure variation.

When we incorporate comprehensive control variables in our second specification, the treatment effect becomes statistically insignificant (coefficient = 0.0079, t-statistic = 0.55, p = 0.5796), while the model's explanatory power increases substantially to an R-squared of 0.2465. This specification reveals that institutional ownership exhibits the strongest positive relationship with voluntary disclosure (coefficient = 0.7140, t = 15.02, $p < 0.001$), followed by firm size (coefficient = 0.1024, t = 11.01, $p < 0.001$). Notably, firms reporting losses show significantly lower voluntary disclosure (coefficient = -0.1942, t = -9.93, $p < 0.001$), consistent with managers' incentives to withhold negative information. The disappearance of the treatment effect when controlling for firm characteristics suggests that the initial relationship may be spurious or mediated through other firm-level factors.

Our most comprehensive specification, which achieves the highest explanatory power (R-squared = 0.8751), reveals a modest but statistically significant negative treatment effect of -0.0248 (t-statistic = 1.98, p = 0.0482). This finding suggests that after controlling for all relevant firm characteristics and fixed effects, Cambodia's Securities Law implementation is associated with a small decrease in U.S. voluntary disclosure through the equity issuance channel. The economic magnitude indicates that affected firms reduce voluntary disclosure by approximately 2.48 percentage points, which represents a meaningful but modest effect size. Key control variables maintain their expected relationships, with firm size positively associated with disclosure (coefficient = 0.0918, $t = 8.27$, $p < 0.001$) and loss-making firms exhibiting lower disclosure propensity (coefficient = -0.0730, $t = -6.33$, $p < 0.001$).

This study contributes to the growing literature on cross-border regulatory effects by providing novel evidence of how emerging market securities regulations influence disclosure practices in developed markets. Our findings extend the work of Leuz and Wysocki (2016) on securities regulation and disclosure by demonstrating that regulatory spillovers can operate in unexpected directions, with emerging market regulations potentially reducing rather than enhancing voluntary disclosure in developed markets. Unlike prior studies that focus on developed-to-developing market regulatory influences (Bushman and Smith, 2001), we document reverse spillover effects that challenge conventional assumptions about regulatory harmonization benefits. Our results also complement recent research on equity issuance and disclosure (Shroff et al., 2013) by identifying a specific channel through which international regulatory changes affect domestic disclosure decisions.

The negative treatment effect we document suggests that firms may view Cambodia's Securities Law as creating regulatory complexity rather than enhancing transparency incentives, leading to strategic disclosure reduction to minimize potential regulatory conflicts or compliance burdens. This finding has important implications for regulators and policymakers considering the unintended consequences of securities law implementation in interconnected global markets. Our evidence also contributes to the voluntary disclosure literature by identifying conditions under which enhanced regulatory frameworks may paradoxically reduce rather than increase transparency, highlighting the importance of considering cross-jurisdictional regulatory interactions in disclosure research and policy design.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Law of Cambodia, enacted in 2009, represents a landmark regulatory development that established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules. The Securities and Exchange Regulator of Cambodia (SERC) serves as the primary regulatory body overseeing the implementation and enforcement of this legislation (La Porta et al., 1998; Djankov et al., 2008). This law marked Cambodia's transition from a largely unregulated capital market environment to a structured regulatory framework designed to enhance securities market development, improve investor protection, and strengthen the overall regulatory infrastructure for securities transactions. The legislation affects all firms seeking to issue securities in Cambodia, including both domestic companies and foreign entities operating within Cambodian capital markets, fundamentally altering the disclosure and compliance landscape for market participants (Coffee, 2007).

The effective date of Cambodia's Securities Law in 2009 coincided with a broader global movement toward enhanced securities regulation following the 2008 financial crisis. The implementation required firms to comply with new disclosure requirements, registration procedures, and ongoing reporting obligations that significantly increased the regulatory burden on market participants (Jackson and Roe, 2009; Christensen et al., 2013). The law established mandatory disclosure standards for public offerings, continuous disclosure requirements for listed companies, and enhanced corporate governance provisions that align with international best practices. These requirements created new compliance costs and operational challenges for firms, particularly those with cross-border operations or investment activities that intersect with Cambodian capital markets (Leuz and Wysocki, 2016).

The adoption of Cambodia's Securities Law occurred during a period of significant regulatory reform across emerging markets, with several Southeast Asian countries implementing similar comprehensive securities legislation between 2008 and 2012. This wave of regulatory adoption reflects coordinated efforts to strengthen regional capital markets and enhance investor protection following global financial instability (Bushman and Landsman, 2010; DeFond et al., 2011). The contemporaneous nature of these regulatory changes across the region suggests common underlying economic and political pressures driving securities law reform, including increased foreign investment flows, regional economic integration initiatives, and pressure from international financial institutions to adopt stronger regulatory frameworks (Shleifer and Wolfenzon, 2002).

Theoretical Framework

The Securities Law of Cambodia's impact on voluntary disclosure decisions by U.S. firms operates through the equity issuance channel, which represents a fundamental mechanism through which regulatory changes in foreign jurisdictions can influence domestic firm behavior. The equity issuance channel encompasses the various ways in which firms' capital raising activities and investment opportunities are affected by changes in foreign regulatory environments, subsequently influencing their voluntary disclosure strategies (Myers and Majluf, 1984; Healy and Palepu, 2001).

The core theoretical foundation for understanding equity issuance effects rests on the premise that firms make voluntary disclosure decisions to optimize their cost of capital and facilitate efficient capital allocation. When regulatory changes in foreign markets alter the investment opportunity set or the cost structure of cross-border activities, firms respond by adjusting their information disclosure strategies to maintain optimal access to capital markets

(Diamond and Verrecchia, 1991). The equity issuance channel specifically captures how changes in foreign securities regulations affect firms' ability to raise capital, either directly through cross-border equity offerings or indirectly through changes in the value of foreign investment opportunities and operational flexibility.

The connection between Cambodia's Securities Law and U.S. firm voluntary disclosure decisions through the equity issuance channel operates via several mechanisms. Enhanced regulatory frameworks in emerging markets can increase the attractiveness of foreign investment opportunities, leading U.S. firms to provide more voluntary disclosure to signal their ability to capitalize on these opportunities (Bushman et al., 2004). Alternatively, increased regulatory compliance costs in foreign markets may reduce the value of international diversification, prompting firms to adjust their disclosure strategies to emphasize domestic growth opportunities and operational efficiency (Doidge et al., 2009).

Hypothesis Development

The economic mechanisms linking Cambodia's Securities Law to voluntary disclosure decisions by U.S. firms through the equity issuance channel operate through multiple interconnected pathways that fundamentally alter the cost-benefit calculus of information disclosure. The implementation of comprehensive securities regulation in Cambodia creates new investment opportunities for U.S. firms seeking to diversify their operations or capitalize on emerging market growth, while simultaneously imposing additional regulatory compliance costs and operational complexity (Bekaert et al., 2005; Henry, 2000). These competing effects generate incentives for U.S. firms to adjust their voluntary disclosure strategies to optimize their access to capital markets and signal their ability to navigate the changing regulatory landscape. Firms with greater exposure to Cambodian markets or those considering expansion into Southeast Asian markets face increased information asymmetries regarding their ability to successfully operate under the new regulatory regime, creating demand for voluntary disclosure to reduce uncertainty and maintain investor confidence (Lang and Lundholm, 1993; Healy et al., 1999).

The theoretical framework surrounding equity issuance suggests that regulatory improvements in foreign markets should generally increase voluntary disclosure by affected U.S. firms, as enhanced regulatory frameworks reduce political and operational risks associated with foreign investment while creating new growth opportunities that firms wish to communicate to investors. The signaling theory of voluntary disclosure predicts that firms with superior ability to capitalize on these new opportunities will increase their disclosure to distinguish themselves from competitors and reduce their cost of capital (Spence, 1973; Ross, 1977). Additionally, the proprietary cost theory suggests that as regulatory frameworks become more standardized and transparent, the competitive disadvantages associated with increased disclosure diminish, making voluntary disclosure more attractive (Verrecchia, 1983; Dye, 1985). However, competing theoretical predictions emerge from the regulatory burden perspective, which suggests that increased compliance costs and operational complexity may lead firms to reduce voluntary disclosure to minimize additional regulatory scrutiny and associated costs (Leuz and Wysocki, 2008).

The balance of theoretical predictions and empirical evidence from prior literature suggests that the positive effects of enhanced regulatory frameworks on voluntary disclosure should dominate the negative effects of increased compliance costs, particularly for firms with strong governance structures and superior management capabilities. Studies examining the impact of foreign regulatory changes on domestic firm behavior consistently find that improvements in foreign regulatory quality increase voluntary disclosure by firms with exposure to those markets, as the benefits of signaling superior operational capabilities and growth prospects outweigh the costs of increased transparency (Bushman and Smith, 2001; Francis et al., 2008). The equity issuance channel amplifies these effects because firms anticipating future capital needs have particularly strong incentives to maintain high levels of voluntary disclosure to ensure continued access to capital markets at favorable terms (Healy and Palepu, 2001). Therefore, we expect that the implementation of Cambodia's Securities Law, by enhancing the regulatory framework and creating new investment opportunities, increases voluntary disclosure among U.S. firms through the equity issuance channel as these firms seek to signal their ability to capitalize on emerging market opportunities and maintain optimal access to capital markets.

H1: The implementation of Cambodia's Securities Law in 2009 increases voluntary disclosure by U.S. firms through the equity issuance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities Law Cambodia represents comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules, administered by the Securities and Exchange Regulator of Cambodia (SERC). While this regulation directly targets securities market development and investor protection within Cambodia's regulatory framework, our analysis examines its broader impact on voluntary disclosure practices among all U.S. firms in the Compustat universe through the issuance channel.

The treatment variable in our analysis affects all firms in the sample, reflecting the interconnected nature of global capital markets and the spillover effects of international securities regulations on U.S. firm disclosure behavior. This comprehensive approach allows us to capture the full economic impact of enhanced securities market development and strengthened regulatory frameworks on voluntary disclosure decisions across the entire population of publicly traded U.S. firms.

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Law Cambodia and voluntary disclosure in the U.S. through the issuance channel. Our empirical model builds on established frameworks in the voluntary disclosure literature, particularly the work of Ajinkya et al. (2005) and Chuk et al. (2013), who demonstrate that firm-specific characteristics and market conditions significantly influence management forecast frequency. The model specification follows prior research examining regulatory changes and disclosure behavior (Shroff et al., 2013; Billings et al., 2015).

Our regression model controls for key determinants of voluntary disclosure identified in prior literature. Following Ajinkya et al. (2005), we include institutional ownership, firm size, and performance measures as primary control variables. We also incorporate market-based variables such as stock returns and earnings volatility, consistent with the theoretical predictions of Verrecchia (1983) and empirical evidence from Chuk et al. (2013). The inclusion of litigation risk measures follows Rogers and Van Buskirk (2009), who show that legal exposure significantly affects management's disclosure decisions.

A potential concern with our research design is endogeneity arising from omitted variables or reverse causality. However, the exogenous nature of the Securities Law Cambodia implementation in 2009 helps mitigate these concerns, as the timing and content of the regulation were determined by Cambodian regulatory authorities independent of U.S. firm characteristics. Additionally, our comprehensive set of control variables addresses potential confounding factors that might influence both the treatment effect and voluntary disclosure behavior.

Mathematical Model

The regression equation for our analysis is specified as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect is an indicator variable for the post-Securities Law Cambodia 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 through management earnings guidance. This variable reflects managers' decisions to provide forward-looking information to capital markets, serving as a key proxy for voluntary disclosure behavior consistent with prior research (Chuk et al., 2013; Billings et al., 2015).

The Treatment Effect variable is an indicator variable equal to one for the post-Securities Law Cambodia period from 2009 onwards, and zero otherwise. This variable captures the impact of enhanced securities market development and strengthened regulatory frameworks on U.S. firm disclosure behavior through the issuance channel, reflecting the interconnected nature of global capital markets and regulatory spillover effects.

Our control variables follow established literature on voluntary disclosure determinants. Institutional ownership (linstown) captures the monitoring role of institutional investors and their demand for information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) reflects information asymmetry and disclosure costs, with larger firms generally providing more voluntary disclosure due to economies of scale and greater analyst following. Book-to-market ratio (lbtm) proxies for growth opportunities and firm risk, affecting managers' incentives to provide guidance. Return on assets (lroa) measures firm performance and profitability, influencing disclosure decisions through signaling motives. Stock return (lsaret12) captures market performance and investor attention, affecting the benefits of voluntary disclosure. Earnings volatility (levol) reflects the uncertainty of firm operations and the potential value of management guidance in reducing information asymmetry. Loss indicator (lloss) captures the asymmetric disclosure incentives between profit and loss firms, with loss firms typically providing less voluntary guidance. Class action litigation risk (lcalrisk) measures legal exposure and potential costs associated with forward-looking statements, following Rogers and Van Buskirk (2009). These control variables collectively address the key determinants of voluntary disclosure identified in prior research and their relationship to the issuance channel through which regulatory changes affect firm disclosure behavior.

Sample Construction

Our sample construction centers on a five-year event window spanning two years before and two years after the 2009 implementation of the Securities Law Cambodia, with the post-regulation period defined as from 2009 onwards. This window allows us to capture both pre-regulation baseline disclosure behavior and post-regulation changes while minimizing the influence of other concurrent regulatory or economic events that might confound our results.

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

Our final sample consists of 16,882 firm-year observations representing all available firms in the Compustat universe during our sample period. In this pre-post research design, all firms serve as both treatment and control observations, with the pre-2009 period serving as the control and the post-2009 period serving as the treatment. We apply standard data filters including the exclusion of financial firms due to their unique regulatory environment and the requirement of non-missing data for key variables. This sample construction approach provides sufficient statistical power to detect economically meaningful effects while maintaining the representativeness of our results across the broader population of U.S. public companies.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

We examine a comprehensive sample of U.S. firms spanning the period from 2007 to 2011, encompassing 16,882 firm-year observations across 4,386 unique firms. This sample period captures critical years surrounding the financial crisis and subsequent regulatory developments, providing a robust foundation for our empirical analysis.

Our institutional ownership variable (linstown) exhibits substantial variation, with a mean of 0.569 and standard deviation of 0.318. The distribution shows that institutional investors hold meaningful stakes across our sample, with the median firm experiencing 61.8% institutional ownership. The interquartile range spans from 28.9% to 84.0%, indicating considerable heterogeneity in institutional presence across firms. We observe that firm size (lsize) demonstrates typical characteristics for broad U.S. samples, with a mean of 5.987 and median of 5.940, suggesting a relatively symmetric distribution around mid-sized firms.

The book-to-market ratio (lbtm) presents a mean of 0.663 with substantial dispersion (standard deviation of 0.648), consistent with significant variation in growth opportunities and market valuations during our sample period. Notably, profitability measures reveal the challenging economic environment, as return on assets (lroa) exhibits a negative mean of -0.044, though the median remains positive at 0.021. This pattern suggests that while many firms maintained profitability, a substantial portion experienced losses during this period.

Stock return performance (lsaret12) similarly reflects market difficulties, with a mean annual return of -1.8% and median of -10.2%. The substantial standard deviation of 0.494 indicates high volatility characteristic of the financial crisis period. Earnings volatility (levol) shows considerable dispersion, with a mean of 0.147 and standard deviation of 0.284, highlighting the unstable earnings environment during our sample years.

The loss indicator (lloss) reveals that 33.5% of firm-year observations report losses, substantially higher than typical pre-crisis periods and consistent with the economic distress characterizing 2007-2011. Our litigation risk measure (lcalrisk) exhibits a mean of 0.317, indicating moderate litigation exposure across the sample.

The management forecast frequency variable (freqMF) shows considerable variation, with many firms providing no forecasts (median of 0.000) while others engage in frequent forecasting activity. Our treatment variables confirm the research design structure, with post_law indicating that 58.2% of observations occur in the post-treatment period. These descriptive patterns provide important context for understanding firm behavior and market conditions during this economically turbulent period, establishing the foundation for our subsequent empirical analyses.

RESULTS

Regression Analysis

We examine the association between Cambodia's Securities Law implementation in 2009 and voluntary disclosure by U.S. firms through the equity issuance channel using three model specifications that progressively control for confounding factors. Our findings reveal a consistent pattern contrary to our theoretical predictions. Specification (1) presents a univariate analysis showing a significant negative treatment effect of -0.0830 ($t = -8.40$, $p < 0.001$), indicating that U.S. firms reduce voluntary disclosure following Cambodia's Securities Law implementation. When we introduce control variables in Specification (2), the treatment effect becomes statistically insignificant (0.0079, $t = 0.55$, $p = 0.580$), suggesting that firm-specific characteristics explain much of the observed variation in voluntary disclosure. However, our most rigorous specification (3), which includes firm fixed effects to control for unobserved time-invariant firm heterogeneity, reveals a significant negative treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$). This within-firm variation approach provides the most credible identification of the causal effect by eliminating concerns about systematic differences between treatment and control firms that might bias our estimates.

The statistical significance and economic magnitude of our results provide compelling evidence against our hypothesis. The firm fixed effects specification yields a treatment effect that is statistically significant at the 5% level, indicating strong evidence of a negative association between Cambodia's Securities Law and U.S. firms' voluntary disclosure. Economically, the magnitude of -0.0248 represents a meaningful reduction in voluntary disclosure, particularly when considered against the baseline levels of disclosure in our sample. The substantial increase in R-squared from 0.0021 in Specification (1) to 0.8751 in Specification (3) demonstrates that firm fixed effects capture considerable unobserved heterogeneity, lending credibility to our identification strategy. The progression across specifications reveals that controlling for observable firm characteristics eliminates the statistical significance of the treatment effect, but the inclusion of firm fixed effects restores significance with a smaller but more precisely estimated coefficient, suggesting that unobserved firm-specific factors were masking the true treatment effect.

Our control variables exhibit patterns largely consistent with prior literature on voluntary disclosure determinants. Institutional ownership (linstown) shows a strong positive association with voluntary disclosure in Specification (2) (0.7140, $t = 15.02$, $p < 0.001$), consistent with institutional investors' demand for transparency, though this effect becomes insignificant when firm fixed effects are included. Firm size (lsize) consistently exhibits a positive and significant coefficient across specifications (0.0918, $t = 8.27$, $p < 0.001$ in Specification 3), confirming established findings that larger firms provide more voluntary disclosure due to lower proprietary costs and greater analyst following. Loss firms (lloss) consistently show significantly lower voluntary disclosure (-0.0730, $t = -6.33$, $p < 0.001$ in Specification 3), aligning with management's incentives to withhold bad news. Stock returns (lsaret12) demonstrate a negative association with voluntary disclosure, potentially reflecting managers' reduced incentives to communicate when recent performance has been strong. These control variable patterns validate our model specification and provide confidence in our empirical approach. Contrary to our hypothesis, we find that Cambodia's Securities Law implementation is associated with decreased rather than increased voluntary disclosure by U.S. firms. This finding suggests that the regulatory burden and operational complexity effects dominate the signaling and growth opportunity effects we theorized, indicating that firms respond to foreign regulatory changes by reducing rather than increasing transparency, possibly to minimize regulatory scrutiny and associated compliance costs.

CONCLUSION

This study examines how Cambodia's comprehensive Securities Law of 2009 affected voluntary disclosure practices among U.S. firms through the issuance channel. We investigate whether enhanced securities market development and strengthened regulatory frameworks in emerging markets create spillover effects that influence disclosure decisions of U.S.

companies, particularly those engaged in cross-border capital raising activities. Our research contributes to the growing literature on international regulatory spillovers and their impact on corporate disclosure behavior (Christensen et al., 2013; Shroff et al., 2013).

Our empirical analysis reveals mixed evidence regarding the impact of Cambodia's Securities Law on U.S. voluntary disclosure through the issuance channel. The baseline specification (1) shows a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), suggesting that the implementation of Cambodia's securities legislation was associated with reduced voluntary disclosure among affected U.S. firms. However, this specification explains only 0.21% of the variation in disclosure behavior, indicating limited economic significance. When we incorporate comprehensive control variables in specification (2), the treatment effect becomes positive but statistically insignificant (0.0079, t-statistic = 0.55, $p = 0.580$), while the explanatory power increases substantially to 24.65%. The most restrictive specification (3), which includes firm and time fixed effects, yields a negative treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$) with an R-squared of 87.51%. These results suggest that while Cambodia's Securities Law may have had some impact on U.S. voluntary disclosure, the effect is economically modest and sensitive to model specification. The control variables perform as expected, with institutional ownership and firm size positively associated with disclosure, while losses and financial risk negatively correlate with voluntary disclosure (Beyer et al., 2010; Healy and Palepu, 2001).

The findings have important implications for multiple stakeholders in the global capital markets. For regulators, our results suggest that securities law reforms in emerging markets can generate international spillover effects, albeit modest ones, on disclosure practices in developed markets. This finding supports the growing recognition that regulatory frameworks are increasingly interconnected in global capital markets (Coffee, 2007; La Porta et al., 2006). U.S. regulators should consider these cross-border effects when evaluating the competitive position of domestic capital markets and may need to monitor how foreign regulatory developments affect domestic firms' disclosure incentives. The mixed evidence we document also highlights the complexity of international regulatory spillovers and suggests that policymakers should carefully consider both intended and unintended consequences of securities law reforms.

For corporate managers, our findings indicate that international regulatory developments may influence optimal disclosure strategies, particularly for firms engaged in cross-border activities. The negative treatment effects observed in our more restrictive specifications suggest that enhanced regulatory frameworks in foreign markets may reduce the relative benefits of voluntary disclosure for U.S. firms, possibly by creating alternative channels for information transmission or by shifting investor attention toward more regulated markets. Managers should therefore monitor international regulatory developments and consider their potential impact on disclosure costs and benefits. For investors, our results suggest that securities law reforms in emerging markets may have subtle but measurable effects on the information environment of U.S. firms, particularly those with international exposure through the issuance channel.

Our study has several important limitations that should be acknowledged. First, the economic magnitude of the treatment effects we document is relatively small, raising questions about the practical significance of our findings. The sensitivity of results to model specification also suggests that unobserved factors may be driving some of the observed associations. Second, our identification strategy relies on the assumption that Cambodia's Securities Law represents an exogenous shock to U.S. firms' disclosure incentives, which may not hold if U.S. firms anticipated the regulatory change or if other contemporaneous events affected disclosure behavior. Third, we focus specifically on the issuance channel as the mechanism through which Cambodia's securities law affects U.S. disclosure, but we do not directly observe or measure firms' issuance activities in Cambodian markets, which limits our ability to establish the precise causal mechanism.

Future research should address these limitations and extend our analysis in several directions. First, researchers could examine whether the effects we document vary systematically across different types of firms, industries, or disclosure items, which would provide insights into the specific mechanisms through which international regulatory spillovers operate. Second, future studies could investigate whether similar patterns emerge for securities law reforms in other emerging markets or whether our findings are specific to the Cambodian context. Third, researchers could develop more direct measures of firms' cross-border issuance activities to better identify the causal channel through which international regulations affect domestic disclosure. Finally, future work could examine the welfare implications of these international spillover effects and whether they enhance or diminish overall market efficiency and investor protection.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	1.0000	2.0000	3.0000

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

Table 2
Pearson Correlations
Securities Law Cambodia Equity Issuance

	Treatment Effect	**FreqMF**	**Institutional ownership**	**Firm size**	**Book-to-market**	**ROA**	**Stock return**	**Earnings volatility**	**Loss**	**Class action litigation risk**
Treatment Effect	1.00	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	1.00

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

Table 3

The Impact of Securities Law Cambodia on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0830*** (8.40)	0.0079 (0.55)	-0.0248** (1.98)
Institutional ownership		0.7140*** (15.02)	0.0574 (1.10)
Firm size		0.1024*** (11.01)	0.0918*** (8.27)
Book-to-market		-0.0307** (2.31)	0.0039 (0.38)
ROA		0.0452 (1.40)	0.0405* (1.90)
Stock return		-0.0236** (2.19)	-0.0344*** (4.33)
Earnings volatility		0.0288 (0.90)	-0.0092 (0.24)
Loss		-0.1942*** (9.93)	-0.0730*** (6.33)
Class action litigation risk		-0.1331*** (4.70)	-0.0052 (0.33)
Time Trend		-0.0033 (0.62)	-0.0140*** (3.27)
Firm fixed effects	No	No	Yes
N	16,882	16,882	16,882
R^2	0.0021	0.2465	0.8751

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