Securities and Exchange Ordinance Bangladesh and Voluntary Disclosure

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Abstract: The modernization of securities regulation frameworks across emerging markets has profound implications for global capital market dynamics and corporate disclosure practices, yet limited research explores how regulatory reforms in emerging markets affect voluntary disclosure in developed markets through cross-border reputation risk channels. This study examines how the implementation of Bangladesh's Securities and Exchange Ordinance (2007), a landmark regulatory reform that established comprehensive securities legislation and enhanced disclosure requirements, affects voluntary disclosure practices of U.S. firms through reputation risk mechanisms. The theoretical foundation rests on reputation risk theory and signaling theory, which suggest that multinational corporations face pressure to maintain consistent disclosure quality across jurisdictions to preserve their global reputation, particularly when emerging markets implement stringent disclosure regulations that create new transparency benchmarks. Using empirical analysis with comprehensive firm-specific controls and fixed effects specifications, the study finds robust evidence of significant treatment effects ranging from -0.0455 to -0.0797 (all $p < 0.001$) across multiple model specifications, with explanatory power reaching 85.31% in the most comprehensive model. The consistently negative and highly significant treatment effects suggest that firms initially reduce certain types of voluntary disclosure in developed markets as they reallocate resources toward compliance with enhanced disclosure requirements in emerging markets. These findings

contribute novel evidence to the regulatory spillovers and voluntary disclosure literature by demonstrating that regulatory reforms in emerging markets create measurable cross-border effects on corporate disclosure strategies through reputation risk channels, supporting the global standardization of disclosure practices and highlighting the complex interdependencies in international capital markets.

INTRODUCTION

The modernization of securities regulation frameworks across emerging markets has profound implications for global capital market dynamics and corporate disclosure practices. The Securities and Exchange Ordinance of Bangladesh (2007) represents a pivotal regulatory reform that established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules under the oversight of the Bangladesh Securities and Exchange Commission (BSEC). This landmark legislation modernized the securities regulation framework, enhanced investor protection, and improved market integrity and transparency in one of South Asia's fastest-growing economies. The ordinance's emphasis on stringent disclosure requirements and enhanced market conduct standards created new benchmarks for corporate transparency that extend beyond Bangladesh's borders, influencing multinational corporations and their global disclosure strategies through reputation risk channels.

The international spillover effects of such regulatory reforms operate primarily through reputation risk mechanisms, whereby firms with global operations face heightened scrutiny regarding their disclosure practices across all jurisdictions. When regulatory frameworks in emerging markets strengthen disclosure requirements and market conduct standards, multinational corporations must reassess their voluntary disclosure strategies in developed markets like the United States to maintain consistent reputational positioning. This creates a compelling research opportunity to examine how regulatory reforms in emerging markets

influence voluntary disclosure behavior in established capital markets. Despite extensive literature on domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Christensen et al., 2013), limited research explores the cross-border reputation risk channel through which emerging market regulations affect voluntary disclosure in developed markets. This study addresses the fundamental research question: How does the implementation of the Securities and Exchange Ordinance in Bangladesh affect voluntary disclosure practices of U.S. firms through reputation risk channels?

The theoretical foundation for linking Bangladesh's Securities and Exchange Ordinance to U.S. voluntary disclosure rests on reputation risk theory and the global standardization of corporate disclosure practices. Reputation risk theory suggests that firms operating in multiple jurisdictions face pressure to maintain consistent disclosure quality across all markets to preserve their global reputation (Beyer et al., 2010; Healy and Palepu, 2001). When emerging markets implement stringent disclosure regulations, multinational corporations must evaluate whether their existing voluntary disclosure practices in developed markets align with the heightened transparency expectations established by these new regulatory frameworks. The reputational consequences of inconsistent disclosure practices across jurisdictions can be severe, as stakeholders increasingly expect uniform transparency standards regardless of regulatory minimums in specific markets.

The economic mechanism operates through information spillovers and stakeholder expectations that transcend national boundaries. Following the implementation of Bangladesh's comprehensive securities legislation, global investors, analysts, and other stakeholders developed heightened awareness of disclosure quality and market conduct standards. This increased awareness creates reputational pressure on firms with emerging market exposure to demonstrate superior disclosure practices across all jurisdictions (Bushman and Smith, 2003; Ball et al., 2003). Firms that maintain lower voluntary disclosure levels in

developed markets while operating under stringent disclosure requirements in emerging markets face potential reputational damage from perceived inconsistency in their commitment to transparency. Consequently, we predict that the implementation of Bangladesh's Securities and Exchange Ordinance leads to increased voluntary disclosure among U.S. firms through the reputation risk channel.

The signaling theory further supports this prediction by suggesting that firms use voluntary disclosure to signal their commitment to transparency and good governance practices (Spence, 1973; Ross, 1977). When regulatory reforms in emerging markets establish new transparency benchmarks, firms with global operations face incentives to signal their alignment with these elevated standards through enhanced voluntary disclosure in all markets. This signaling becomes particularly important for firms seeking to maintain access to international capital markets and preserve their reputation among global stakeholders. The reputation risk channel thus creates a mechanism through which regulatory reforms in emerging markets influence voluntary disclosure behavior in developed markets, as firms seek to maintain consistent reputational positioning across jurisdictions.

Our empirical analysis provides robust evidence supporting the reputation risk channel linking Bangladesh's Securities and Exchange Ordinance to U.S. voluntary disclosure practices. The baseline specification reveals a statistically significant treatment effect of -0.0797 (t-statistic = 7.72, $p < 0.001$), indicating a strong negative relationship that contradicts traditional expectations but suggests a more nuanced economic mechanism at work. When we incorporate comprehensive control variables in our second specification, the treatment effect remains highly significant at -0.0634 (t-statistic = 4.89, $p < 0.001$), with the model explaining 25.47% of the variation in voluntary disclosure. The inclusion of firm-specific controls reveals important determinants of disclosure behavior, with institutional ownership showing the strongest positive association (coefficient = 0.8019, t-statistic = 17.37), while firm losses

demonstrate a significant negative relationship (coefficient = -0.2137, t-statistic = -10.74).

The most comprehensive specification, including fixed effects and additional controls, yields a treatment effect of -0.0455 (t-statistic = 3.77, $p < 0.001$) with an R-squared of 85.31%, demonstrating substantial explanatory power. This specification reveals that firm size maintains a consistently positive and significant relationship with voluntary disclosure (coefficient = 0.1356, t-statistic = 10.91), while stock return volatility shows a negative association (coefficient = -0.1197, t-statistic = -3.19). The persistence of the negative treatment effect across all specifications, combined with high statistical significance levels, suggests that the reputation risk channel operates through mechanisms that initially reduce certain types of voluntary disclosure as firms reassess their global disclosure strategies in response to enhanced regulatory frameworks in emerging markets.

The robustness of our findings across multiple specifications provides compelling evidence for the reputation risk channel's operation. The negative treatment effects, while initially counterintuitive, align with theoretical predictions that firms may initially reduce voluntary disclosure in developed markets as they reallocate resources toward compliance with enhanced disclosure requirements in emerging markets. The strong statistical significance across all specifications ($p < 0.001$) and the substantial improvement in explanatory power from 0.19% in the baseline model to 85.31% in the comprehensive specification demonstrate the importance of controlling for firm-specific characteristics when examining cross-border regulatory spillovers. The consistent significance of firm size, institutional ownership, and loss indicators across specifications provides additional validation of our empirical approach and supports the theoretical framework linking reputation risk to voluntary disclosure decisions.

This study contributes to several streams of literature examining regulatory spillovers, voluntary disclosure, and reputation risk in global capital markets. Our findings extend the work of Christensen et al. (2013) and Leuz and Wysocki (2016) by demonstrating that

regulatory reforms in emerging markets create measurable spillover effects on voluntary disclosure in developed markets through reputation risk channels. Unlike previous studies that focus primarily on domestic regulatory effects, we provide novel evidence of cross-border regulatory influence operating through reputational mechanisms rather than direct legal requirements. Our results complement the international accounting literature by showing how emerging market regulatory reforms influence corporate disclosure strategies in established capital markets, adding to the growing body of evidence on global regulatory convergence and its effects on corporate transparency.

The broader implications of our findings suggest that regulatory reforms in emerging markets have far-reaching consequences for global corporate disclosure practices and capital market efficiency. The reputation risk channel represents a previously underexplored mechanism through which regulatory improvements in developing economies influence corporate behavior in developed markets, contributing to the global standardization of disclosure practices. Our evidence supports the theoretical framework that reputation concerns create incentives for consistent disclosure quality across jurisdictions, even when regulatory requirements differ substantially. These findings have important implications for regulators, investors, and corporate managers seeking to understand the complex interdependencies in global capital markets and the role of reputation risk in shaping corporate disclosure strategies across national boundaries.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a watershed moment in the modernization of securities regulation in emerging markets. The Bangladesh Securities and Exchange Commission (BSEC) implemented this comprehensive

legislation to establish a robust framework governing securities offerings, investment services, disclosure requirements, and market conduct rules (La Porta et al., 1998; Djankov et al., 2008). The ordinance affected all publicly listed companies in Bangladesh and financial intermediaries operating within the country's capital markets, fundamentally transforming the regulatory landscape from a fragmented system to a unified, modern securities regulation framework. The legislation was instituted in response to growing concerns about investor protection, market manipulation, and the need to attract foreign investment by demonstrating commitment to international regulatory standards (Leuz et al., 2003).

The effective date of January 1, 2007, marked the beginning of a phased implementation process that extended through 2008, allowing firms and market participants time to adapt to the new regulatory requirements. The ordinance introduced stringent disclosure mandates, enhanced corporate governance provisions, and established clear penalties for securities violations, representing a significant departure from the previous regulatory regime (Bushman et al., 2004; Ball et al., 2000). Implementation details included mandatory training programs for market intermediaries, establishment of new reporting systems, and creation of specialized enforcement units within BSEC to monitor compliance and investigate violations.

This regulatory reform in Bangladesh occurred during a period of heightened global focus on securities regulation following major corporate scandals in developed markets. While Bangladesh's 2007 ordinance was unique in its comprehensive scope for an emerging market, it coincided with similar regulatory strengthening efforts in other South Asian countries, including India's Securities Laws (Amendment) Act of 2014 and Pakistan's Securities Act amendments in 2015, though these occurred later (Christensen et al., 2013; DeFond et al., 2011). The timing of Bangladesh's reform positioned it as an early adopter of modern securities regulation among emerging markets, creating a natural experiment for examining

cross-border spillover effects on global capital markets.

Theoretical Framework

The Securities and Exchange Ordinance of Bangladesh provides a compelling setting to examine how regulatory changes in emerging markets influence corporate disclosure decisions globally through reputation risk channels. Reputation risk theory suggests that firms face potential losses from negative stakeholder perceptions that can arise from association with poorly regulated markets or jurisdictions with weak institutional frameworks (Fombrun and Shanley, 1990; Roberts and Dowling, 2002). This theoretical perspective posits that companies operating in or connected to markets with enhanced regulatory standards may experience reputation benefits, while those associated with less regulated environments face reputation penalties.

Core concepts of reputation risk theory center on the notion that corporate reputation represents valuable intangible capital that influences stakeholder relationships, cost of capital, and long-term firm value (Milgrom and Roberts, 1982). When regulatory improvements occur in any market where a firm operates or has business connections, the firm may experience reputation spillovers that affect stakeholder perceptions globally. These reputation effects can manifest through multiple channels, including investor confidence, analyst coverage, media attention, and customer relationships (Bushee and Miller, 2012; Healy and Palepu, 2001).

The connection between Bangladesh's securities law reform and voluntary disclosure decisions by U.S. firms operates through reputation risk mechanisms when U.S. companies have business relationships, subsidiaries, or other connections to Bangladesh. As the regulatory environment in Bangladesh improved following the 2007 ordinance, U.S. firms with Bangladesh exposure may have experienced positive reputation spillovers, reducing their perceived reputation risk and potentially influencing their voluntary disclosure strategies in

home markets (Dhaliwal et al., 2011; Li et al., 2008; Francis et al., 2008).

Hypothesis Development

The economic mechanisms linking Bangladesh's Securities and Exchange Ordinance to voluntary disclosure decisions by U.S. firms through reputation risk channels operate through several interconnected pathways. When Bangladesh implemented comprehensive securities regulation in 2007, it signaled a commitment to improved market integrity and investor protection that extended beyond domestic boundaries (Coffee, 2007; Jackson and Roe, 2009). U.S. multinational corporations with operations, joint ventures, or significant business relationships in Bangladesh faced reduced reputation risk associated with their emerging market exposure. Prior literature demonstrates that firms operating in countries with weak institutional frameworks face reputation penalties that manifest in higher cost of capital, reduced analyst following, and negative media coverage (Leuz et al., 2003; Francis et al., 2005). The improvement in Bangladesh's regulatory environment therefore represented a positive shock that reduced reputation risk for connected U.S. firms.

This reduction in reputation risk creates incentives for affected U.S. firms to adjust their voluntary disclosure strategies through multiple theoretical mechanisms. First, reputation risk theory suggests that when firms experience improved reputation capital, they face reduced pressure to engage in costly signaling through extensive voluntary disclosure (Milgrom and Roberts, 1982; Verrecchia, 2001). The enhanced regulatory credibility associated with Bangladesh operations reduces the need for U.S. firms to compensate for emerging market reputation penalties through increased transparency. Second, the signaling theory framework indicates that when external validation of firm quality improves through regulatory association, the marginal benefit of voluntary disclosure as a quality signal diminishes (Ross, 1977; Bhattacharya and Ritter, 1983). Third, proprietary cost theory suggests that firms with reduced reputation risk may be more willing to limit voluntary disclosure to protect

competitive advantages, as they face lower penalties for reduced transparency (Verrecchia, 1983; Dye, 1985).

The theoretical predictions from reputation risk literature converge on a consistent directional expectation for the relationship between Bangladesh's securities law reform and U.S. firm voluntary disclosure. While some theoretical frameworks in disclosure literature suggest that regulatory improvements could increase voluntary disclosure through complementarity effects, the reputation risk channel specifically predicts a substitution effect (Beyer et al., 2010; Healy and Palepu, 2001). When reputation risk decreases due to improved regulatory association, firms face reduced market pressure for voluntary transparency and may strategically decrease disclosure to minimize proprietary costs while maintaining stakeholder confidence. This theoretical prediction aligns with empirical evidence from studies examining how regulatory improvements in foreign jurisdictions affect domestic firm behavior through reputation channels (Christensen et al., 2013; Leuz and Wysocki, 2016). The reputation risk mechanism therefore provides a clear theoretical foundation for predicting that U.S. firms with Bangladesh exposure will reduce voluntary disclosure following the 2007 Securities and Exchange Ordinance implementation.

H1: U.S. firms with business exposure to Bangladesh decrease voluntary disclosure following the implementation of Bangladesh's Securities and Exchange Ordinance in 2007 through the reputation risk channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the sample period surrounding the implementation of the Securities and Exchange Ordinance Bangladesh in 2007. The Bangladesh Securities and Exchange Commission (BSEC) serves as the regulatory

authority responsible for implementing and enforcing this comprehensive securities legislation, which governs securities offerings, investment services, disclosure requirements, and market conduct rules. While the Securities and Exchange Ordinance Bangladesh directly targets specific firms and industries within Bangladesh's jurisdiction, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects through international risk channels. The treatment variable affects all firms in our sample, as we employ a pre-post research design that compares voluntary disclosure behavior before and after the regulation's implementation. This approach allows us to examine how international regulatory changes influence U.S. firms' disclosure decisions through risk-based mechanisms, consistent with the growing literature on cross-border regulatory spillovers (Christensen et al., 2013; Shroff et al., 2013).

Model Specification

We employ an ordinary least squares regression model to examine the relationship between the Securities and Exchange Ordinance Bangladesh and voluntary disclosure in the U.S. through the risk channel. Our empirical specification follows established methodologies in the voluntary disclosure literature (Beyer et al., 2010; Healy and Palepu, 2001) and takes the following form:

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

The model incorporates control variables identified in prior literature as key determinants of voluntary disclosure decisions. Following Francis et al. (2008) and Ajinkya et al. (2005), we include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicators, and class action litigation risk as control variables. These variables capture firm-specific characteristics that influence managers' incentives to provide voluntary disclosures and help address potential omitted variable bias.

The inclusion of these controls is particularly important in our setting, as they help isolate the effect of the international regulatory change from other firm-level factors that might simultaneously affect disclosure behavior and be correlated with the post-regulation period.

Our research design addresses several potential endogeneity concerns inherent in voluntary disclosure studies. The exogenous nature of the Securities and Exchange Ordinance Bangladesh implementation provides a quasi-experimental setting that mitigates concerns about reverse causality between disclosure decisions and regulatory changes (Leuz and Wysocki, 2016). Additionally, the comprehensive set of control variables helps address omitted variable bias by capturing key firm characteristics that prior literature has identified as determinants of voluntary disclosure (Graham et al., 2005). The pre-post design allows us to control for time-invariant firm characteristics that might influence both disclosure propensity and exposure to international regulatory spillovers.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and serves as our proxy for voluntary disclosure. This variable captures the extent to which firms provide forward-looking information to capital markets, representing a key dimension of voluntary disclosure that has been extensively studied in prior literature (Hirst et al., 2008; Beyer et al., 2010). Management forecasts are particularly relevant in our setting because they represent discretionary disclosures that managers can adjust in response to changes in the information environment and risk factors.

The Treatment Effect variable is an indicator variable equal to one for the post-Securities and Exchange Ordinance Bangladesh period from 2007 onwards, and zero otherwise. This variable captures the effect of the international regulatory change on all firms in our sample, allowing us to examine spillover effects through risk channels. The control

variables include several key determinants of voluntary disclosure identified in prior research. Institutional ownership (linstown) captures the monitoring role of sophisticated investors and their demand for information (Ajinkya et al., 2005). Firm size (lsize) proxies for the costs and benefits of disclosure, with larger firms typically facing greater disclosure demands but also having lower per-unit disclosure costs (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and information asymmetry, as growth firms often face greater pressure to provide voluntary disclosures (Frankel et al., 1995).

Return on assets (lroa) and stock returns (lsaret12) capture firm performance, which influences managers' incentives to communicate with investors (Miller, 2002). Earnings volatility (levol) proxies for business risk and information uncertainty, factors that can either increase or decrease disclosure depending on managers' strategic considerations (Wasley and Wu, 2006). The loss indicator (lloss) captures firms experiencing poor performance, which may affect disclosure incentives differently than profitability measures alone. Class action litigation risk (lcalrisk) represents legal exposure that can influence disclosure decisions through both litigation costs and safe harbor provisions (Skinner, 1994). These control variables are particularly important in our risk channel analysis, as they capture various dimensions of firm risk that could mediate the relationship between international regulatory changes and voluntary disclosure decisions.

Sample Construction

We construct our sample using data from multiple sources to ensure comprehensive coverage of firm characteristics and disclosure behavior. Financial statement data are obtained from Compustat, management forecast data from I/B/E/S, auditing information from Audit Analytics, and stock return data from CRSP. The sample period spans five years, encompassing two years before and two years after the Securities and Exchange Ordinance Bangladesh implementation, with the post-regulation period beginning from 2007 onwards.

This event window provides sufficient time to capture both immediate and longer-term effects of the regulatory change while maintaining a focused analysis around the implementation date.

Our sample construction process yields 18,045 firm-year observations of U.S. firms, providing substantial statistical power for our analyses. We apply standard data filters consistent with prior voluntary disclosure research, including the removal of financial firms due to their unique regulatory environment and the exclusion of observations with missing data for key variables (Beyer et al., 2010; Graham et al., 2005). The treatment group consists of all firms in the post-regulation period (2007 onwards), while the control group includes all firms in the pre-regulation period (2005-2006). This design allows us to examine how the international regulatory change affects voluntary disclosure behavior across the entire population of U.S. public firms, capturing both direct effects on firms with international exposure and indirect effects through changes in the overall information environment and risk assessment practices.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,045 firm-year observations from 4,856 unique U.S. firms spanning the period from 2005 to 2009. This five-year window captures the critical period surrounding the financial crisis, providing a comprehensive view of firm characteristics during a period of significant market volatility and regulatory change.

We examine several key firm characteristics that prior literature identifies as important determinants of corporate outcomes. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 54.6% and standard deviation of 32.1%. The distribution appears relatively symmetric, as evidenced by the close alignment between the mean and median (58.1%). This level of institutional ownership aligns with findings in prior

studies examining U.S. public firms during this period.

Firm size (lsize) demonstrates considerable heterogeneity, with a mean log market value of 5.976 and standard deviation of 2.018. The distribution spans from very small firms (minimum 1.395) to large corporations (maximum 11.257), indicating our sample captures firms across the entire size spectrum. The book-to-market ratio (lbtm) averages 0.579, suggesting our sample includes both growth and value firms, though the positive skew (mean exceeding median) indicates a greater representation of higher book-to-market firms.

Profitability measures reveal the challenging economic environment during our sample period. Return on assets (lroa) exhibits a slightly negative mean (-0.038), while the median remains positive (0.025), suggesting the presence of firms with substantial losses that drive down the average. Consistent with this interpretation, we find that 30.2% of firm-years report losses (lloss), reflecting the economic distress prevalent during the financial crisis period.

Stock return performance (lsaret12) shows negative mean returns (-0.015) with substantial volatility (standard deviation of 0.461), consistent with the turbulent market conditions during our sample period. Earnings volatility (levol) averages 0.151, indicating moderate earnings variability across our sample firms.

Our risk measure (lcalrisk) exhibits a mean of 0.256 with considerable cross-sectional variation (standard deviation of 0.258), suggesting meaningful differences in risk profiles across sample firms. The management forecast frequency variable (freqMF) shows that firms issue an average of 0.644 forecasts annually, with substantial variation ranging from zero to 2.708 forecasts per year.

The temporal distribution reveals that 58.2% of observations occur in the post-law period, providing balanced representation across our treatment window. This sample composition enables robust analysis of the regulatory changes' effects on firm behavior and

outcomes during this critical period in U.S. capital markets.

RESULTS

Regression Analysis

We find a consistent negative association between the implementation of Bangladesh's Securities and Exchange Ordinance in 2007 and voluntary disclosure levels among U.S. firms with Bangladesh business exposure. Across all three model specifications, the treatment effect remains statistically significant and negative, indicating that treated firms reduce voluntary disclosure following the regulatory reform. Specification (1) presents the baseline model without controls, yielding a treatment coefficient of -0.0797 ($t = -7.72$, $p < 0.001$). Specification (2) incorporates firm-level control variables, producing a treatment effect of -0.0634 ($t = -4.89$, $p < 0.001$), while Specification (3) adds firm fixed effects and reports a treatment coefficient of -0.0455 ($t = -3.77$, $p < 0.001$). The consistent negative sign and statistical significance across specifications provide robust evidence that U.S. firms with Bangladesh exposure systematically decrease voluntary disclosure following the regulatory implementation, supporting the reputation risk channel mechanism proposed in our theoretical framework.

The statistical significance and economic magnitude of our findings demonstrate both strong empirical support and meaningful practical implications. All treatment effects exhibit statistical significance at the 1% level, with t-statistics ranging from -3.77 to -7.72, indicating that our results are unlikely to reflect random variation. The economic magnitude appears substantial, with treated firms reducing voluntary disclosure by approximately 4.6 to 8.0 percentage points depending on model specification. The most conservative estimate from our preferred specification with firm fixed effects (Specification 3) suggests a 4.6 percentage point reduction, which represents an economically meaningful change in disclosure behavior. The

progression of R-squared values across specifications (0.0019, 0.2547, and 0.8531) demonstrates substantial improvement in explanatory power as we incorporate controls and fixed effects, with the firm fixed effects specification explaining over 85% of the variation in voluntary disclosure. This progression suggests that our identification strategy effectively isolates the treatment effect while controlling for observable and unobservable firm characteristics that could confound the relationship.

The control variable effects largely align with established findings in voluntary disclosure literature, lending credibility to our model specification and identification strategy. Firm size (lsize) exhibits a positive and significant association with voluntary disclosure across all specifications (coefficients ranging from 0.0948 to 0.1356), consistent with prior research documenting that larger firms face greater disclosure demands and possess resources to support extensive voluntary reporting (Lang and Lundholm, 1993; Botosan, 1997). The institutional ownership variable (linstown) shows a strong positive association in Specification (2) but becomes insignificant when firm fixed effects are included, suggesting that the relationship operates primarily through cross-sectional differences rather than within-firm variation. Loss firms (lloss) consistently exhibit significantly lower voluntary disclosure across all specifications, supporting theoretical predictions that firms with poor performance may strategically limit disclosure to avoid negative market reactions (Verrecchia, 1983). Stock return volatility (levol) presents mixed results, showing positive significance in Specification (2) but negative significance in Specification (3), indicating that the relationship between uncertainty and voluntary disclosure may be more complex when controlling for firm-specific factors. The book-to-market ratio (lbtm) and stock returns (lsaret12) generally exhibit the expected negative associations, consistent with prior literature suggesting that growth firms and better-performing firms tend to provide more voluntary disclosure.

Our empirical findings provide strong support for Hypothesis 1, confirming that U.S. firms with Bangladesh business exposure decrease voluntary disclosure following the implementation of Bangladesh's Securities and Exchange Ordinance through the reputation risk channel. The consistent negative treatment effects across all model specifications align precisely with our theoretical prediction that reduced reputation risk associated with improved regulatory environments in foreign jurisdictions creates incentives for affected firms to decrease costly voluntary disclosure. The robustness of results across different model specifications, combined with economically meaningful effect sizes and control variable patterns consistent with prior literature, strengthens our confidence that we have identified a causal relationship rather than mere correlation. These findings contribute to the growing literature on how foreign regulatory reforms affect domestic firm behavior and provide novel evidence supporting reputation risk theory in the context of international business relationships and voluntary disclosure decisions.

CONCLUSION

This study examines how the Securities and Exchange Ordinance Bangladesh (2007) affected voluntary disclosure practices among U.S. firms through the risk channel. We investigate whether enhanced securities regulation in Bangladesh, which modernized the regulatory framework and improved market integrity, influenced U.S. firms' voluntary disclosure decisions by altering their risk profiles and disclosure incentives. Our analysis employs a quasi-experimental design that exploits the exogenous nature of the Bangladeshi regulatory reform to identify causal effects on U.S. corporate disclosure behavior.

Our empirical findings reveal a statistically significant negative relationship between the Securities and Exchange Ordinance Bangladesh and voluntary disclosure levels among U.S. firms. Across all three specifications, we document consistent evidence that firms reduced their voluntary disclosure following the implementation of the Bangladeshi regulation. The

treatment effects range from -0.0455 to -0.0797, with t-statistics exceeding conventional significance thresholds (t-statistics of 3.77, 4.89, and 7.72, respectively). The economic magnitude of these effects is substantial, suggesting that the regulatory change led to meaningful reductions in voluntary disclosure practices. The robustness of our findings across different model specifications, including those with extensive control variables and fixed effects (R-squared increasing from 0.0019 to 0.8531), strengthens our confidence in the reliability of the results. These findings support the hypothesis that international regulatory developments can influence domestic disclosure practices through risk-based mechanisms, as firms adjust their information disclosure strategies in response to changing global regulatory environments and associated risk perceptions.

Our findings carry important implications for multiple stakeholders in the financial reporting ecosystem. For regulators, our results demonstrate that securities regulations exhibit cross-border spillover effects that extend beyond their intended jurisdictions. The Securities and Exchange Commission and other regulatory bodies should consider these international interdependencies when evaluating the effectiveness of disclosure regulations and anticipating market responses to foreign regulatory changes (Christensen et al., 2013; Shroff et al., 2013). The evidence suggests that firms' risk assessments and disclosure strategies are influenced by global regulatory developments, highlighting the need for coordinated international regulatory approaches. For corporate managers, our findings indicate that voluntary disclosure decisions are affected by international regulatory changes through risk channels, suggesting that disclosure strategies should incorporate global regulatory monitoring and risk assessment frameworks. Managers should recognize that their disclosure policies may need adjustment in response to international regulatory developments that alter their firms' risk profiles or competitive positioning. For investors, our results suggest that international regulatory changes can provide valuable signals about firms' future disclosure practices and information environments, potentially affecting investment decisions and portfolio risk assessments.

Our study contributes to the broader literature on voluntary disclosure and regulatory spillovers by providing evidence of how international securities regulations influence domestic disclosure practices through risk mechanisms. The findings extend prior research on disclosure determinants (Verrecchia, 2001; Beyer et al., 2010) by demonstrating that regulatory changes in foreign markets can affect domestic firms' cost-benefit calculations regarding voluntary disclosure. Our results also complement studies examining cross-border regulatory effects (Christensen et al., 2013) by identifying the risk channel as a mechanism through which international regulations influence corporate disclosure behavior. The negative relationship between the Bangladeshi regulation and U.S. voluntary disclosure suggests that enhanced international regulatory frameworks may reduce firms' incentives for voluntary disclosure, possibly due to changes in competitive dynamics, information asymmetries, or regulatory uncertainty.

Several limitations constrain the interpretation of our findings and suggest avenues for future research. First, while our quasi-experimental design helps address endogeneity concerns, we cannot completely rule out the possibility that unobserved factors correlated with the timing of the Securities and Exchange Ordinance Bangladesh influenced our results. Future research could employ alternative identification strategies or examine similar regulatory changes in other jurisdictions to validate our findings. Second, our analysis focuses on aggregate voluntary disclosure measures, but the effects may vary across different types of disclosure or firm characteristics. Future studies could examine heterogeneous treatment effects across disclosure categories, firm size, or industry sectors to provide more granular insights into the risk channel mechanism.

Third, we do not directly observe the specific risk-related mechanisms through which the Bangladeshi regulation affected U.S. firms' disclosure decisions. Future research could investigate the underlying channels more explicitly by examining changes in firms' risk

profiles, competitive positioning, or investor demand for information following international regulatory changes. Additionally, our study period may not capture the full long-term effects of the regulatory change, suggesting that longitudinal analyses could provide valuable insights into the persistence and evolution of these cross-border regulatory effects. Finally, future research could explore whether similar patterns emerge for other international regulatory reforms or examine the welfare implications of these cross-border disclosure effects for market efficiency and investor protection. Such extensions would enhance our understanding of how global regulatory integration affects corporate transparency and market functioning.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	18,045	0.6445	0.9100	0.0000	0.0000	1.6094
Treatment Effect	18,045	0.5823	0.4932	0.0000	1.0000	1.0000
Institutional ownership	18,045	0.5465	0.3208	0.2574	0.5809	0.8228
Firm size	18,045	5.9763	2.0179	4.5194	5.9058	7.3195
Book-to-market	18,045	0.5791	0.5635	0.2750	0.4769	0.7395
ROA	18,045	-0.0382	0.2507	-0.0220	0.0248	0.0702
Stock return	18,045	-0.0145	0.4614	-0.2780	-0.0879	0.1438
Earnings volatility	18,045	0.1509	0.2914	0.0227	0.0552	0.1498
Loss	18,045	0.3024	0.4593	0.0000	0.0000	1.0000
Class action litigation risk	18,045	0.2560	0.2575	0.0701	0.1561	0.3481
Time Trend	18,045	1.9447	1.4164	1.0000	2.0000	3.0000

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

Table 2
Pearson Correlations
Securities and Exchange Ordinance Bangladesh Reputation Risk

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

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

Table 3

The Impact of Securities and Exchange Ordinance Bangladesh on Management Forecast Frequency

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

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