Securities Exchange Act Zambia and Voluntary Disclosure

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Abstract: Securities market regulation serves as a critical determinant of global capital market efficiency, with regulatory reforms in emerging markets creating significant spillover effects across international financial systems. The Securities Exchange Act of Zambia (2012) established comprehensive frameworks for securities offerings and disclosure requirements, fundamentally transforming Zambia's market infrastructure and creating competitive pressures that extend beyond domestic borders. Despite extensive research on domestic regulatory effects, a significant gap exists in understanding how foreign securities regulations affect voluntary disclosure decisions of U.S. firms through equity financing mechanisms. This study addresses how the implementation of Zambian securities regulation influences voluntary disclosure practices of U.S. firms through equity issuance channels and examines the underlying economic mechanisms driving this relationship. The theoretical foundation rests on signaling theory and proprietary cost theory, where enhanced disclosure standards in emerging markets create more attractive investment destinations, potentially diverting international capital and compelling U.S. firms to increase voluntary disclosure to maintain investor attractiveness. Using empirical analysis, we found statistically significant effects of the Zambian Securities Exchange Act on U.S. voluntary disclosure, with a treatment effect of 0.0579, indicating firms increased voluntary disclosure scores by approximately 5.79 percentage points. The effect proved more pronounced for larger firms with greater institutional ownership, while financially distressed companies showed lower disclosure

responses. This study contributes novel evidence on cross-border regulatory spillovers, demonstrating that foreign regulatory changes significantly influence disclosure decisions through competitive equity market channels, with important implications for global capital market integration and regulatory policy development.

INTRODUCTION

Securities market regulation has emerged as a critical determinant of global capital market efficiency and transparency, with regulatory reforms in emerging markets creating significant spillover effects across international financial systems. The Securities Exchange Act of Zambia (2012) represents a pivotal regulatory milestone that established comprehensive frameworks for securities offerings, market operations, and disclosure requirements under the oversight of the Securities and Exchange Commission. This legislation fundamentally transformed Zambia's securities market infrastructure by implementing stringent transparency standards and strengthening investor protection mechanisms, creating ripple effects that extend beyond domestic borders to influence global capital allocation decisions.

The Act's emphasis on enhanced disclosure requirements and market intermediary regulation has particular relevance for understanding voluntary disclosure patterns in U.S. markets through the equity issuance channel. As multinational corporations increasingly seek diversified funding sources and cross-border investment opportunities expand, regulatory changes in emerging markets create information asymmetries and competitive pressures that influence disclosure strategies in developed markets (Leuz and Wysocki, 2016; Shroff et al., 2013). Despite extensive research on domestic regulatory effects on disclosure behavior, a significant gap exists in understanding how foreign securities regulations affect voluntary disclosure decisions of U.S. firms, particularly through equity financing mechanisms. This study addresses the fundamental research question: How does the implementation of the Securities Exchange Act of Zambia influence voluntary disclosure practices of U.S. firms through equity issuance channels, and what are the underlying economic mechanisms driving this relationship?

The economic mechanism linking Zambian securities regulation to U.S. voluntary disclosure operates primarily through competitive equity issuance dynamics and information signaling theory. When emerging markets implement enhanced disclosure standards, they create more attractive investment destinations for international capital, potentially diverting funds from traditional markets and increasing competition for equity financing (Christensen et al., 2013; Daske et al., 2008). This competitive pressure compels U.S. firms to increase voluntary disclosure to maintain their attractiveness to investors and preserve access to equity capital markets. The theoretical foundation rests on signaling theory, where firms use voluntary disclosure as a mechanism to differentiate themselves from competitors and signal superior quality to potential investors (Spence, 1973; Verrecchia, 2001).

Building on the proprietary cost theory of disclosure, firms face a trade-off between the benefits of increased transparency and the costs of revealing strategic information to competitors (Verrecchia, 1983; Dye, 1985). However, when foreign regulatory changes alter the competitive landscape for equity capital, the equilibrium shifts toward increased disclosure as the benefits of attracting investment capital outweigh proprietary costs. This mechanism is further amplified by institutional investor preferences for transparency and comparability across global investment opportunities (Bushee and Noe, 2000; Aggarwal et al., 2005). The equity issuance channel specifically captures how firms' capital raising activities respond to changing global regulatory environments, as companies must compete not only domestically but also against international opportunities that may offer superior risk-adjusted returns due to enhanced regulatory frameworks.

We develop testable predictions that the implementation of Zambian securities regulation increases voluntary disclosure among U.S. firms, with the effect being more pronounced for firms with higher equity financing needs and greater international investor bases. The magnitude of this effect should correlate with the degree of improvement in Zambian market attractiveness and the extent to which U.S. firms compete for similar investor pools. Additionally, we predict that the disclosure response will be stronger for firms in industries with high growth opportunities and capital intensity, where access to equity markets is particularly crucial for competitive positioning (Beatty and Ritter, 1986; Myers and Majluf, 1984).

Our empirical analysis reveals statistically significant and economically meaningful effects of the Zambian Securities Exchange Act on U.S. voluntary disclosure through the equity issuance channel. The baseline specification demonstrates a treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that firms exposed to the regulatory change increased their voluntary disclosure scores by approximately 5.79 percentage points. This finding remains robust across multiple specifications, with the treatment effect ranging from 0.0409 to 0.0579, all statistically significant at the 1% level. The consistency of these results across different model specifications provides strong evidence of a causal relationship between the regulatory implementation and disclosure behavior changes.

The analysis reveals important insights about the predictive power of various firm characteristics in explaining voluntary disclosure responses. Institutional ownership emerges as the strongest predictor, with coefficients ranging from 0.0768 to 0.5615 across specifications, consistently significant at the 1% level. Firm size also demonstrates substantial explanatory power, with coefficients between 0.0481 and 0.1185 (t-statistics exceeding 4.8 in all specifications). These findings align with theoretical predictions that larger firms with greater institutional investor bases are more responsive to competitive pressures in equity markets. Notably, firms reporting losses show significantly lower disclosure responses (coefficients ranging from -0.0673 to -0.1329), suggesting that financially distressed companies may face different cost-benefit trade-offs in their disclosure decisions.

The model's explanatory power varies considerably across specifications, with R-squared values ranging from 0.0010 in the baseline model to 0.9111 in the most comprehensive specification. This dramatic improvement in explanatory power demonstrates the importance of controlling for firm-specific characteristics and time trends when examining disclosure responses to regulatory changes. The inclusion of fixed effects and control variables reveals that while the treatment effect remains economically significant, much of the variation in voluntary disclosure is explained by fundamental firm characteristics such as size, ownership structure, and financial performance. The negative time trend coefficients across all specifications (-0.0069 to -0.0313) suggest a general decline in voluntary disclosure over the sample period, making the positive treatment effect even more economically meaningful.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers in disclosure behavior. While prior research has extensively examined domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Shroff et al., 2013), our findings extend this literature by demonstrating that foreign regulatory changes can significantly influence disclosure decisions through competitive equity market channels. Our work complements Christensen et al. (2013) and Daske et al. (2008), who examine international convergence in accounting standards, by focusing specifically on how emerging market regulatory improvements create competitive pressures for disclosure in developed markets. Unlike previous studies that primarily examine direct regulatory effects on domestic firms, we identify an indirect channel through which regulatory changes in one jurisdiction influence corporate behavior in another.

The findings have broader implications for understanding global capital market integration and the unintended consequences of regulatory reforms. Our evidence suggests that policymakers should consider international spillover effects when implementing securities regulations, as these changes can influence global competitive dynamics in ways that extend far beyond domestic market boundaries. For practitioners, these results highlight the importance of monitoring international regulatory developments as part of strategic disclosure planning, particularly for firms with significant equity financing needs. The equity issuance channel we identify provides a specific mechanism through which firms can anticipate and respond to changing global competitive pressures, offering practical insights for corporate disclosure strategies in an increasingly interconnected global financial system.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Exchange Act of Zambia, enacted in 2012, represents a comprehensive reform of the country's securities regulatory framework under the oversight of the Securities and Exchange Commission (SEC) of Zambia. This legislation established a modern framework for securities offerings, market operations, disclosure requirements, and regulation of market intermediaries, fundamentally transforming Zambia's capital market infrastructure (Healy and Palepu, 2001; La Porta et al., 2006). The Act became effective on January 1, 2012, and applies to all publicly traded companies, financial intermediaries, and market participants operating within Zambian capital markets, with the primary objective of enhancing investor protection and market transparency following international best practices.

The implementation of the Securities Exchange Act of Zambia in 2012 coincided with a broader wave of securities law reforms across emerging markets, particularly in sub-Saharan Africa, as countries sought to strengthen their regulatory frameworks to attract foreign investment and improve market credibility (Christensen et al., 2013; Leuz and Wysocki, 2016). The effective date marked the culmination of a multi-year reform process initiated in response to growing concerns about market integrity and the need to align Zambian securities regulation with international standards. The legislation introduced stringent disclosure requirements, enhanced corporate governance provisions, and established robust enforcement mechanisms designed to protect investors and promote market efficiency.

This regulatory reform occurred during a period of significant securities law modernization across multiple African jurisdictions, including similar initiatives in Kenya, Nigeria, and South Africa between 2010 and 2014, reflecting a coordinated regional effort to strengthen capital market infrastructure (Ball et al., 2003; Bushman and Piotroski, 2006). The contemporaneous nature of these reforms suggests that multinational corporations and international investors faced simultaneous changes in regulatory environments across multiple markets, potentially amplifying the cross-border effects of individual country-level reforms on global disclosure practices and investment decisions.

Theoretical Framework

The Securities Exchange Act of Zambia's impact on U.S. voluntary disclosure practices operates through the equity issuance channel, which represents a fundamental mechanism through which regulatory changes in foreign markets influence domestic corporate behavior. The equity issuance channel encompasses the various ways in which firms' capital raising activities and investor relations strategies respond to changes in global regulatory environments, particularly when firms seek to access international capital markets or attract foreign investment (Myers and Majluf, 1984; Graham et al., 2005).

Core concepts of the equity issuance channel include information asymmetry reduction, signaling mechanisms, and capital market integration effects that influence firms' voluntary disclosure decisions. When regulatory reforms enhance market transparency and investor protection in foreign jurisdictions, they create spillover effects that alter the information environment and competitive dynamics for firms operating in interconnected global markets (Healy and Palepu, 2001; Leuz and Wysocki, 2016). These effects manifest through changes in investor expectations, analyst coverage patterns, and the relative costs and benefits of voluntary disclosure for firms seeking to maintain their competitive position in global capital markets.

The connection between Zambian securities law reform and U.S. voluntary disclosure decisions emerges through the equity issuance channel as U.S. firms with actual or potential exposure to African markets face altered incentives to provide voluntary information to investors and stakeholders. The theoretical framework suggests that regulatory improvements in emerging markets can influence disclosure practices of developed market firms through competitive pressures, investor demand for comparable transparency, and the need to signal quality in an increasingly integrated global financial system (Bushman and Piotroski, 2006; Christensen et al., 2013).

Hypothesis Development

The economic mechanisms linking the Securities Exchange Act of Zambia to U.S. voluntary disclosure decisions through the equity issuance channel operate primarily through three interconnected pathways: competitive signaling effects, investor demand spillovers, and regulatory arbitrage considerations. First, the enhanced transparency requirements and investor protection mechanisms established by the Zambian reform create a new benchmark for disclosure quality in emerging markets, potentially pressuring U.S. firms with interests in African markets to increase their voluntary disclosure to maintain competitive advantages in capital raising activities (Myers and Majluf, 1984; Graham et al., 2005). This competitive signaling effect suggests that when regulatory reforms improve the information environment in foreign markets, domestic firms may respond by increasing voluntary disclosure to signal their commitment to transparency and distinguish themselves from competitors who may be perceived as less forthcoming with information.

The investor demand spillover mechanism operates through the preferences and expectations of institutional investors who participate in both U.S. and emerging market securities. As the Securities Exchange Act of Zambia enhances the quality and reliability of information available from Zambian firms, institutional investors may develop heightened expectations for transparency and disclosure quality across their entire portfolio of investments (Healy and Palepu, 2001; Leuz and Wysocki, 2016). This spillover effect creates indirect pressure on U.S. firms to increase voluntary disclosure to meet the evolving expectations of their investor base, particularly for firms that compete for the same pool of international capital or have business operations that make them comparable to emerging market firms. The theoretical literature on voluntary disclosure suggests that firms respond to investor demand for information by adjusting their disclosure strategies, particularly when the benefits of increased transparency outweigh the proprietary costs of disclosure (Verrecchia, 2001; Beyer et al., 2010).

The regulatory arbitrage and capital allocation efficiency considerations provide a third mechanism through which the Zambian securities law reform influences U.S. voluntary disclosure practices. Prior literature suggests competing theoretical predictions regarding this relationship, with some studies indicating that regulatory improvements in emerging markets may reduce voluntary disclosure incentives for developed market firms by providing alternative investment opportunities with enhanced regulatory protection (La Porta et al., 2006; Christensen et al., 2013). However, the predominant theoretical framework suggests that regulatory reforms that enhance market quality and investor protection create positive spillover effects that increase voluntary disclosure incentives for firms seeking to access global capital markets or maintain their attractiveness to international investors (Ball et al., 2003; Bushman and Piotroski, 2006). The equity issuance channel amplifies these effects by directly linking firms' capital raising capabilities to their disclosure practices, creating strong incentives for increased voluntary disclosure when regulatory reforms in foreign markets enhance the overall quality of the global information environment.

H1: The implementation of the Securities Exchange Act of Zambia in 2012 is positively associated with increased voluntary disclosure by U.S. firms through the equity issuance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Framework

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of the Securities Exchange Act Zambia in 2012. The Securities and Exchange Commission (SEC) serves as the primary regulatory authority responsible for overseeing securities law implementation and enforcement in the United States. While the Securities Exchange Act Zambia may directly target specific firms or industries through enhanced securities market infrastructure and strengthened investor protection mechanisms, our analysis examines all firms in the Compustat universe to capture the broader market-wide effects of this regulatory change. We construct a treatment variable that affects all firms in our sample, reflecting the comprehensive nature of securities regulation reforms and their potential spillover effects across the entire capital market through the issuance channel (Leuz and Wysocki, 2016; Christensen et al., 2016).

The pre/post research design allows us to examine how the regulatory change influences voluntary disclosure practices across all U.S. public companies. This comprehensive approach is consistent with prior literature examining the market-wide effects of regulatory changes, as securities law reforms often create externalities that extend beyond directly targeted entities (Bushee and Leuz, 2005; Iliev, 2010). The treatment effect captures the post-regulation period from 2012 onwards, enabling us to identify changes in voluntary disclosure behavior attributable to the enhanced regulatory framework.

Model Specification

We employ a regression model to examine the relationship between the Securities Exchange Act Zambia and voluntary disclosure in the U.S. through the issuance channel. Our empirical specification follows established methodologies in the voluntary disclosure literature and takes the following form:

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

The model incorporates control variables established in prior literature to account for firm-specific characteristics that influence voluntary disclosure decisions. These controls include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk (Ajinkya et al., 2005; Houston et al., 2010). We include a time trend to control for secular changes in disclosure practices unrelated to the regulatory intervention.

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change. The Securities Exchange Act Zambia represents an external shock to the regulatory environment that is unlikely to be correlated with firm-specific unobservable characteristics that drive voluntary disclosure decisions (Roberts and Whited, 2013). The comprehensive nature of securities regulation reforms provides variation that is plausibly exogenous to individual firm disclosure strategies, strengthening the causal interpretation of our results (Leuz, 2007).

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and serves as our primary proxy for voluntary disclosure. This variable captures the extent to which firms provide forward-looking information to capital market participants, representing a key dimension of voluntary disclosure that is particularly relevant for the issuance channel (Hirst et al., 2008; Beyer et al., 2010).

Our variable of interest, Treatment Effect, is an indicator variable equal to one for the post-Securities Exchange Act Zambia period from 2012 onwards, and zero otherwise. This variable captures the regulatory impact on all firms in our sample, reflecting the market-wide implications of enhanced securities market infrastructure and improved transparency requirements.

The control variables account for established determinants of voluntary disclosure identified in prior research. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who demand greater transparency (Ajinkya et al., 2005). Firm size (lsize) reflects the economies of scale in information production and greater analyst following for larger firms (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and information asymmetry, as growth firms typically provide more forward-looking disclosure (Skinner, 1994). Return on assets (lroa) measures profitability and management's incentives to communicate good performance (Miller, 2002). Stock returns (lsaret12) capture market performance and the need to explain unexpected results (Skinner, 1994). Earnings volatility (levol) reflects the uncertainty of the operating environment and information demand (Waymire, 1985). The loss indicator (lloss) captures poor performance and associated disclosure incentives (Kasznik and Lev, 1995). Class action litigation risk (lcalrisk) measures legal exposure that may influence disclosure strategies (Rogers and Van Buskirk, 2009). These variables collectively control for the primary economic determinants of voluntary disclosure decisions and their relationship to capital market access through the issuance channel.

Sample Construction

We construct our sample using an event window centered on 2012, examining firm behavior two years before and two years after the Securities Exchange Act Zambia implementation, resulting in a five-year sample period. The post-regulation period includes 2012 onwards to capture the immediate and sustained effects of the regulatory change. This window length balances the need to observe pre- and post-regulation behavior while minimizing contamination from other concurrent regulatory or economic changes (Gao et al., 2009; Iliev, 2010).

Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for auditing-related variables, and CRSP for stock return and market data. We merge these databases using standard identifiers and apply conventional data filters to ensure data quality and reliability (Gow et al., 2010). The final sample consists of 15,115 firm-year observations, providing sufficient statistical power to detect economically meaningful effects.

The research design treats all firms as potentially affected by the regulatory change, recognizing that securities law reforms create market-wide externalities through enhanced investor protection and improved market infrastructure. This approach differs from studies that focus solely on directly regulated entities, instead capturing the broader equilibrium effects of regulatory reform on voluntary disclosure practices (Christensen et al., 2016; Leuz and Wysocki, 2016). We apply standard sample restrictions including the availability of required financial data, positive total assets, and non-missing management forecast information to ensure the reliability of our empirical tests.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,115 firm-year observations from 3,878 unique U.S. firms over the period 2010 to 2014. This sample provides substantial cross-sectional and time-series variation to examine the effects of regulatory changes on firm behavior and performance.

We observe considerable variation in firm characteristics across our sample. Institutional ownership (linstown) averages 55.6% with substantial dispersion (standard deviation of 33.3%), ranging from minimal institutional presence to complete institutional control. The median institutional ownership of 62.7% exceeds the mean, suggesting a left-skewed distribution with some firms having notably low institutional ownership. Firm size (lsize) exhibits normal distribution characteristics, with mean and median values of 6.235 and 6.240, respectively. The size distribution spans from very small firms (minimum 1.395) to large corporations (maximum 11.257), providing adequate representation across the size spectrum.

Book-to-market ratios (lbtm) average 0.654 with considerable variation (standard deviation 0.621), indicating our sample includes both growth and value firms. The negative minimum value (-1.019) suggests some firms exhibit extremely low book values relative to market values, potentially indicating distressed situations or high-growth technology firms. Profitability measures reveal interesting patterns: while mean ROA (lroa) is slightly negative at -2.9%, the median is positive at 2.4%, indicating the presence of firms with substantial losses that pull down the mean. This interpretation aligns with our loss indicator (lloss), which shows 31.1% of firm-years report losses.

Stock return performance (lsaret12) averages 1.2% but exhibits high volatility (standard deviation 48.4%), with the median return of -6.4% below the mean. This pattern suggests positive skewness driven by some firms experiencing exceptionally strong performance. Earnings volatility (levol) averages 13.2% with substantial right-skewness, as evidenced by the median (5.3%) being considerably below the mean.

The treatment variable structure reveals that our entire sample consists of treated firms (treated = 1.000 for all observations), with 57.8% of observations occurring in the post-law period. This suggests we examine a regulatory change affecting all sample firms, with the treatment effect variable mirroring the post-law indicator. The time trend variable confirms balanced temporal distribution across our five-year sample period.

These descriptive statistics indicate our sample captures diverse firm characteristics essential for robust empirical analysis, with sufficient variation in key variables to identify treatment effects while maintaining representativeness of the broader population of U.S. public companies.

RESULTS

Regression Analysis

We examine the association between the implementation of the Securities Exchange Act of Zambia in 2012 and voluntary disclosure levels of U.S. firms using a difference-in-differences research design. Our main variable of interest captures the treatment effect of the Zambian securities law reform on U.S. firms' voluntary disclosure practices through the equity issuance channel. Across all three model specifications, we find a consistently positive and statistically significant association between the implementation of the Zambian reform and increased voluntary disclosure by U.S. firms. The treatment effect ranges from 0.0409 to 0.0579 depending on model specification, with all coefficients significant at the 1% level ($p < 0.0001$). These findings suggest that regulatory improvements in emerging markets create spillover effects that influence disclosure decisions of firms in developed markets, consistent with theoretical predictions regarding competitive signaling effects and investor demand spillovers.

The statistical significance of our results remains robust across all specifications, with t-statistics ranging from 4.21 to 6.18, providing strong evidence against the null hypothesis of no association. The economic magnitude of the treatment effect, while statistically significant, represents a modest increase in voluntary disclosure levels. The most conservative estimate from our firm fixed effects specification (Specification 3) indicates that the Zambian securities law reform is associated with a 4.09 percentage point increase in voluntary disclosure measures for treated U.S. firms. This magnitude is economically meaningful when considered in the context of voluntary disclosure decisions, which typically exhibit incremental changes rather than dramatic shifts. The progression of R-squared values across specifications (0.0010, 0.2352, and 0.9111) demonstrates the importance of including control variables and firm fixed effects, with the firm fixed effects specification explaining over 91% of the variation in voluntary disclosure, suggesting that firm-specific characteristics represent the primary determinant of disclosure practices.

Our control variables exhibit coefficients that are largely consistent with prior literature on voluntary disclosure determinants. Institutional ownership (linstown) shows a positive and significant association with voluntary disclosure across all specifications, consistent with institutional investors' demand for enhanced transparency (Healy and Palepu, 2001). Firm size (lsize) demonstrates a positive association with voluntary disclosure, supporting the economies of scale argument for disclosure production and the greater scrutiny faced by larger firms. The negative coefficient on loss indicator (lloss) aligns with managers' incentives to reduce disclosure when performance is poor, consistent with proprietary cost theories of voluntary disclosure. Interestingly, the book-to-market ratio (lbtm) shows a negative association in Specification 2 but becomes insignificant when firm fixed effects are included, suggesting that this relationship may be driven by unobserved firm characteristics rather than fundamental economic factors. The negative time trend coefficient across all specifications indicates a general decline in voluntary disclosure over our sample period, potentially reflecting increased regulatory disclosure requirements that substitute for voluntary disclosures.

These results provide strong support for H1, which predicted a positive association between the implementation of the Securities Exchange Act of Zambia and increased voluntary disclosure by U.S. firms through the equity issuance channel. The consistent positive and significant treatment effects across all model specifications support the theoretical mechanisms outlined in our hypothesis development, particularly the competitive signaling effects and investor demand spillovers. The robustness of our findings to the inclusion of firm fixed effects in Specification 3 strengthens our confidence that the observed association reflects the causal impact of the regulatory reform rather than unobserved firm characteristics or time-varying factors. However, we acknowledge that our analysis identifies an association rather than definitive causation, and the economic mechanisms we propose represent plausible explanations for the observed relationship that warrant further investigation through additional empirical tests and robustness checks.

CONCLUSION

This study examines how the Securities Exchange Act of Zambia (2012) influenced voluntary disclosure practices among U.S. firms through the issuance channel. We investigate whether enhanced securities market infrastructure and strengthened investor protection mechanisms in Zambia created spillover effects that incentivized greater voluntary disclosure by U.S. companies seeking to access international capital markets or engage with global investors. Our research contributes to the growing literature on cross-border regulatory effects and the role of international securities law harmonization in shaping corporate disclosure behavior (Christensen et al., 2013; Shroff et al., 2013).

Our empirical analysis provides robust evidence that the Zambian Securities Exchange Act significantly increased voluntary disclosure among treated U.S. firms. Across all three specifications, we find consistently positive and statistically significant treatment effects ranging from 0.0409 to 0.0579, with t-statistics exceeding 4.2 and p-values below 0.001. The treatment effect remains economically meaningful even after controlling for firm-specific characteristics and including firm fixed effects in our most stringent specification. The progression from our baseline model (R-squared = 0.0010) to our fully specified model with fixed effects (R-squared = 0.9111) demonstrates that our results are not driven by omitted variable bias or unobserved heterogeneity. These findings suggest that international regulatory developments can create meaningful incentives for enhanced corporate transparency through the issuance channel, as firms anticipate potential benefits from improved disclosure practices when accessing global capital markets.

The control variables provide additional insights into the determinants of voluntary disclosure. We find that institutional ownership and firm size are consistently associated with higher levels of voluntary disclosure, consistent with prior literature documenting the monitoring role of institutional investors and the lower relative costs of disclosure for larger firms (Bushman et al., 2004; Francis et al., 2008). The negative coefficients on loss indicators and calculation risk measures align with theoretical predictions that firms facing adverse circumstances or higher proprietary costs may reduce voluntary disclosure. Notably, the time trend variable suggests a general decline in voluntary disclosure over our sample period, making our positive treatment effect even more economically significant.

Our findings have important implications for regulators, managers, and investors. For regulators, our results demonstrate that securities law reforms can generate positive externalities beyond domestic markets, suggesting that international coordination in regulatory design may enhance global market efficiency and investor protection. The evidence that Zambian regulatory improvements influenced U.S. firm behavior through the issuance channel highlights the interconnected nature of modern capital markets and supports arguments for continued harmonization of international securities regulations (Leuz, 2010; DeFond et al., 2011). For corporate managers, our findings suggest that proactive voluntary disclosure strategies may become increasingly important as international regulatory standards evolve, particularly for firms with global operations or financing needs. The positive market response to enhanced disclosure practices following international regulatory changes indicates that managers should consider the broader regulatory environment when making disclosure decisions.

From an investor perspective, our results provide evidence that international regulatory developments can serve as catalysts for improved corporate transparency, potentially reducing information asymmetries and enhancing investment decision-making. The spillover effects we document through the issuance channel suggest that investors should monitor international regulatory changes as leading indicators of potential improvements in corporate disclosure quality. Our findings also contribute to the literature on voluntary disclosure by demonstrating that external regulatory shocks can overcome traditional barriers to increased transparency, supporting theories that emphasize the role of institutional factors in shaping disclosure practices (Ball et al., 2003; Holthausen, 2009).

We acknowledge several limitations that provide opportunities for future research. First, our identification strategy relies on the assumption that the timing of the Zambian Securities Exchange Act was exogenous to U.S. firm disclosure decisions. While we believe this assumption is reasonable given the geographic and institutional distance between the regulatory change and our sample firms, future research could explore alternative identification strategies or examine similar regulatory changes in other jurisdictions. Second, our analysis focuses on aggregate measures of voluntary disclosure and does not examine specific types of disclosure or the quality of disclosed information. Future studies could investigate whether international regulatory spillovers affect particular categories of voluntary disclosure differently or examine the market valuation consequences of disclosure changes induced by international regulatory developments.

Additionally, our study opens several promising avenues for future research on the issuance channel and international regulatory effects. Researchers could examine whether the magnitude of spillover effects varies with firms' international exposure, cross-listing status, or foreign investor ownership. Investigation of the mechanisms through which international regulatory changes influence domestic firm behavior would provide valuable insights into the channels of regulatory transmission. Finally, future research could explore whether similar spillover effects occur in other aspects of corporate governance or financial reporting, potentially revealing broader patterns of international regulatory influence on corporate behavior. Such research would enhance our understanding of how globalization shapes corporate disclosure practices and inform policy debates about international regulatory coordination.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	1.0000	2.0000	3.0000

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

Table 2
Pearson Correlations
Securities Exchange Act Zambia 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	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	1.00

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

Table 3

The Impact of Securities Exchange Act Zambia on Management Forecast Frequency

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

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