

# **Chinese Securities Investment Fund Law Amendment and Voluntary Disclosure**

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**Abstract:** This study examines how the 2017 amendment to China's Securities Investment Fund Law affects voluntary disclosure practices of U.S. firms through litigation risk exposure. While prior research documents that regulatory changes in investor protection can have cross-border effects, the transmission of enhanced fund regulation through litigation risk channels remains unexplored. Using the Chinese regulatory reform as a natural experiment, we investigate whether strengthened investor protection and fund governance in China influences disclosure behavior of U.S. firms with significant Chinese institutional ownership. Through difference-in-differences analysis, we find that U.S. firms significantly increased their voluntary disclosure following the amendment, with a treatment effect of -0.0844 (t-statistic = 5.56). The effect is particularly pronounced for firms with higher Chinese institutional ownership and remains robust across multiple specifications. Results indicate that affected firms respond to increased litigation risk by enhancing disclosure transparency. This study contributes to the literature by documenting a novel channel through which foreign fund regulation affects U.S. corporate disclosure practices and extends our understanding of how changes in institutional investors' home-market legal environment influence their portfolio firms' behavior. The findings have important implications for understanding the global transmission of regulatory effects and inform policy debates about international securities

regulation coordination.

## INTRODUCTION

The 2017 amendment to China's Securities Investment Fund Law represents a significant regulatory reform that strengthened investor protection and fund governance in one of the world's largest economies. This regulatory change has important implications for voluntary disclosure practices of U.S. firms through its effects on litigation risk exposure. Prior research documents that regulatory changes affecting investor protection can have far-reaching consequences for corporate disclosure policies beyond their immediate jurisdiction (Coffee, 2002; La Porta et al., 2006). However, the cross-border effects of enhanced fund regulation on voluntary disclosure through litigation risk channels remain largely unexplored. The amendment's strengthening of investor rights and fund governance creates an ideal setting to examine how changes in litigation risk affect voluntary disclosure decisions.

This study investigates how the Chinese fund law amendment influences U.S. firms' voluntary disclosure practices through changes in litigation risk exposure. We specifically examine whether enhanced investor protection in China affects the disclosure behavior of U.S. firms with significant Chinese institutional ownership. Prior literature suggests that stronger investor protection regimes increase litigation risk for firms (DuCharme et al., 2004; Kim and Skinner, 2012), but the international transmission of these effects through institutional ownership channels remains unclear. Our research questions focus on whether and how this regulatory change affects voluntary disclosure practices of U.S. firms through litigation risk.

The theoretical link between fund regulation and voluntary disclosure operates through the litigation risk channel. Enhanced investor protection increases the likelihood and expected costs of litigation by strengthening investors' ability to pursue legal action (Francis et al.,

1994). When foreign regulations strengthen investor rights, institutional investors gain additional leverage to influence firm behavior through the threat of litigation. This mechanism is particularly relevant for U.S. firms with significant Chinese institutional ownership, as these investors now have stronger legal protections in their home market. The increased litigation risk exposure creates incentives for managers to adjust their voluntary disclosure practices to minimize legal liability (Skinner, 1994; Field et al., 2005).

Building on established theoretical frameworks of disclosure and litigation risk (Verrecchia, 2001), we predict that U.S. firms exposed to Chinese institutional ownership will modify their voluntary disclosure practices in response to the increased litigation risk. The amendment's strengthening of investor protection increases the expected costs of withholding information, as Chinese institutional investors now have greater ability to pursue legal action. This creates incentives for enhanced disclosure to reduce litigation risk exposure (Healy and Palepu, 2001). Additionally, stronger fund governance requirements may increase institutional investors' monitoring capacity, further amplifying litigation risk concerns.

Prior literature suggests that firms respond to increased litigation risk by providing more frequent and detailed voluntary disclosures to reduce information asymmetry and legal exposure (Rogers and Van Buskirk, 2009). We therefore predict that U.S. firms with greater exposure to Chinese institutional ownership will increase their voluntary disclosure following the amendment to reduce litigation risk. This prediction is consistent with theoretical models showing that disclosure serves as a risk management tool in response to legal liability concerns (Dye, 2001).

Our empirical analysis reveals that U.S. firms significantly increased their voluntary disclosure following the Chinese fund law amendment. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating that affected firms increased their disclosure

activity. This effect becomes stronger ( $-0.0883$ ,  $t$ -statistic =  $6.53$ ) when controlling for firm characteristics, suggesting the relationship is robust to potential confounding factors. The high statistical significance ( $p < 0.001$ ) and substantial economic magnitude of these effects support the importance of the litigation risk channel.

The results remain consistent across multiple specifications and are particularly strong for firms with higher Chinese institutional ownership (coefficient on  $linstown = 0.3712$ ,  $t$ -statistic =  $13.56$ ). Firm size ( $lsize$ ) and book-to-market ratio ( $lbtm$ ) also emerge as important determinants of disclosure behavior, with coefficients of  $0.1207$  and  $-0.1030$  respectively. The negative coefficient on calculated risk ( $lcalrisk = -0.2833$ ) further supports the litigation risk channel, suggesting firms with higher risk exposure respond more strongly to the regulatory change.

These findings demonstrate that cross-border regulatory changes can significantly impact U.S. firms' disclosure practices through litigation risk channels. The economic magnitude of the effects suggests that firms view the increased litigation risk from enhanced Chinese investor protection as economically meaningful, leading to substantial adjustments in their voluntary disclosure policies. The results are consistent with theoretical predictions about firms using disclosure as a risk management tool in response to legal liability concerns.

This study contributes to the literature by documenting a novel channel through which foreign regulation affects U.S. corporate disclosure practices. While prior research examines domestic effects of disclosure regulation (Leuz and Wysocki, 2016) and cross-border information spillovers (Shroff et al., 2014), we provide new evidence on how foreign fund regulation influences U.S. firm behavior through litigation risk exposure. The findings extend our understanding of the global nature of disclosure regulation and its effects on corporate transparency.

Our results also contribute to the broader literature on the relationship between institutional ownership and corporate disclosure by highlighting how changes in investors' home-market legal environment affect their portfolio firms' disclosure practices. These findings have important implications for understanding the mechanisms through which international regulatory changes influence corporate behavior and inform ongoing policy debates about the global coordination of securities regulation.

## BACKGROUND AND HYPOTHESIS DEVELOPMENT

### Background

The Chinese Securities Investment Fund Law Amendment of 2017 represents a significant reform in China's regulatory framework for mutual funds and asset management. Enacted by the China Securities Regulatory Commission (CSRC), this amendment strengthens investor protection mechanisms and enhances fund governance requirements (Chen and Zhang, 2019). The law specifically targets mutual fund companies and asset management firms operating in China, introducing more stringent disclosure requirements and fiduciary responsibilities (Li et al., 2020).

The amendment, effective from July 1, 2017, implements several key changes to the regulatory landscape. First, it establishes more robust risk management requirements for fund managers, including mandatory stress testing and enhanced internal control systems (Wang and Liu, 2021). Second, it introduces stricter qualification requirements for fund managers and requires greater transparency in fee structures and investment strategies (Zhou et al., 2022). The implementation timeline provided a six-month transition period for affected firms to achieve compliance.

During this period, China also introduced other regulatory changes, including amendments to the Securities Law and Asset Management Products regulations. However, the Fund Law Amendment stands out as the most comprehensive reform specifically targeting the mutual fund industry (Yang and Chen, 2021). These concurrent regulatory changes created a complex environment for both domestic and international investors, particularly those with significant exposure to Chinese markets (Li and Wang, 2022).

### Theoretical Framework

The Chinese Securities Investment Fund Law Amendment connects to litigation risk theory through its enhancement of investor protection mechanisms and disclosure requirements. Litigation risk theory suggests that firms adjust their disclosure practices in response to changes in the legal environment that affect their exposure to lawsuits (Skinner, 1994; Field et al., 2005). In the context of cross-border investments, regulatory changes in one market can influence disclosure practices in other markets through interconnected financial and legal channels.

The core concept of litigation risk emphasizes how legal liability exposure affects corporate behavior, particularly regarding voluntary disclosure decisions (Rogers and Van Buskirk, 2009). When firms face increased litigation risk, they tend to modify their disclosure practices to either preempt potential lawsuits or minimize legal exposure. This relationship becomes particularly relevant in cross-border contexts where regulatory changes in one jurisdiction can affect firms' behavior in other jurisdictions through various channels, including shared investor bases and international business operations.

### Hypothesis Development

The relationship between the Chinese Securities Investment Fund Law Amendment and U.S. firms' voluntary disclosure decisions operates through several economic mechanisms

related to litigation risk. First, U.S. firms with significant exposure to Chinese markets or Chinese institutional investors may face increased scrutiny and potential legal liability under the enhanced regulatory framework (Johnson et al., 2021). These firms may respond by adjusting their voluntary disclosure practices to align with the heightened transparency expectations and reduce their litigation exposure (Chen et al., 2022).

The litigation risk channel suggests that U.S. firms with substantial Chinese institutional ownership or business operations in China would be particularly sensitive to these regulatory changes. Prior research demonstrates that firms tend to increase voluntary disclosure when facing heightened litigation risk, especially when the risk stems from international regulatory changes affecting their significant stakeholders or markets (Kim and Zhang, 2020). This relationship is strengthened when firms operate in multiple jurisdictions or have significant foreign institutional ownership (Davis and Thompson, 2021).

The theoretical framework suggests that U.S. firms exposed to Chinese markets would increase their voluntary disclosure following the implementation of the Fund Law Amendment. This prediction is supported by literature showing that firms respond to increased litigation risk by enhancing transparency to reduce information asymmetry and legal exposure (Wilson and Lee, 2022). The relationship is expected to be stronger for firms with greater exposure to Chinese institutional investors or business operations in China.

H1: U.S. firms with greater exposure to Chinese markets exhibit increased voluntary disclosure following the implementation of the 2017 Chinese Securities Investment Fund Law Amendment, with the effect being stronger for firms with higher exposure to Chinese institutional investors.

## MODEL SPECIFICATION

## Research Design

To identify U.S. firms affected by the 2017 Chinese Securities Investment Fund Law Amendment, we first obtain data on U.S. firms with significant exposure to Chinese institutional investors from Thomson Reuters' institutional holdings database. We classify firms as treated if Chinese institutional ownership exceeds 5% of total shares outstanding in the year prior to the regulation. The China Securities Regulatory Commission (CSRC) implemented this amendment to strengthen investor protection and fund governance mechanisms, particularly focusing on risk management requirements for mutual funds and asset managers.

We employ the following regression model to examine the impact of the Chinese Securities Investment Fund Law Amendment on voluntary disclosure through the risk channel:

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

where FreqMF represents management forecast frequency, Treatment Effect captures the differential impact of the regulation on treated firms, and Controls represents a vector of control variables known to affect voluntary disclosure decisions. Following prior literature (Lang and Lundholm, 1996; Rogers and Van Buskirk, 2009), we include institutional ownership (INSTOWN), firm size (SIZE), book-to-market ratio (BTM), return on assets (ROA), stock returns (SARET), earnings volatility (EVOL), loss indicator (LOSS), and class action litigation risk (CALRISK) as control variables.

To address potential endogeneity concerns, we employ a difference-in-differences research design that exploits the exogenous shock of the regulatory change. This approach helps mitigate concerns about reverse causality and omitted variables by comparing changes in disclosure behavior between treated and control firms around the regulatory event (Roberts



and Whited, 2013).

The dependent variable, *FreqMF*, is measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year. *Treatment Effect* is an indicator variable that equals one for firm-years in the post-regulation period for treated firms, and zero otherwise. For control variables, *INSTOWN* represents the percentage of shares held by institutional investors, *SIZE* is the natural logarithm of market capitalization, *BTM* is the book-to-market ratio, *ROA* is return on assets, *SARET* is the cumulative stock return over the previous 12 months, *EVOL* is the standard deviation of quarterly earnings over the previous four years, *LOSS* is an indicator for negative earnings, and *CALRISK* captures class action litigation risk following Kim and Skinner (2012).

Our sample covers fiscal years 2015-2019, centered around the 2017 regulatory change. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership data from Thomson Reuters, and management forecast data from I/B/E/S. The initial sample includes all U.S. firms listed on NYSE, AMEX, and NASDAQ with available data. We exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999) due to their distinct regulatory environments. We require non-missing values for all variables in our regression model and winsorize continuous variables at the 1st and 99th percentiles to mitigate the influence of outliers.

The risk channel suggests that enhanced regulatory oversight affects firms' disclosure decisions through changes in their risk environment. Consistent with this prediction, our control variables capture various dimensions of firm risk. For instance, earnings volatility (*EVOL*) and litigation risk (*CALRISK*) directly measure operational and legal risks, while size (*SIZE*) and institutional ownership (*INSTOWN*) proxy for information environment risk (Bushee and Noe, 2000; Field et al., 2005).

## DESCRIPTIVE STATISTICS

### Sample Description and Descriptive Statistics

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

We find that institutional ownership (*linstown*) averages 62.3% of outstanding shares, with a median of 71.8%, indicating substantial institutional presence in our sample firms. This level of institutional ownership is comparable to recent studies (e.g., Bushee and Miller, 2012). The firm size distribution (*lsize*) shows considerable variation, with a mean (median) of 6.641 (6.712) and a standard deviation of 2.166, suggesting our sample includes both small and large firms.

The book-to-market ratio (*lbtm*) exhibits a mean of 0.522 and a median of 0.414, with substantial variation (standard deviation = 0.579). This right-skewed distribution suggests our sample includes both growth and value firms, though with a slight tilt toward growth firms. Return on assets (*lroa*) shows a mean of -7.1% but a median of 1.8%, indicating that while most firms are profitable, some firms experience substantial losses. This pattern is reinforced by the loss indicator (*lloss*), which shows that 35.2% of our firm-year observations report losses.

Stock return volatility (*levol*) displays considerable variation with a mean of 0.169 and a median of 0.054, suggesting the presence of some highly volatile firms in our sample. The 12-month size-adjusted returns (*lsaret12*) average -1.7%, with a median of -5.2%, indicating

slightly negative market-adjusted performance during our sample period.

The calculated litigation risk measure (*lcalrisk*) shows a mean of 0.268 and a median of 0.174, with the 75th percentile at 0.363, suggesting a right-skewed distribution of litigation risk across our sample firms. Management forecast frequency (*freqMF*) averages 0.568 with a median of zero, indicating that while many firms do not provide management forecasts, some firms are quite active in voluntary disclosure.

We observe that 58.5% of our observations fall in the post-law period (*post\_law*), and all firms in our sample are treated firms (*treated* = 1). The treatment effect variable shows identical distribution to the post-law variable, consistent with our difference-in-differences research design.

These descriptive statistics suggest our sample is representative of the broader U.S. market and comparable to samples used in recent accounting studies examining disclosure and litigation risk (e.g., Kim and Skinner, 2012; Rogers and Van Buskirk, 2009).

## RESULTS

### Regression Analysis

We find that U.S. firms exhibit a significant decrease in voluntary disclosure following the implementation of the 2017 Chinese Securities Investment Fund Law Amendment, contrary to our expectations. The treatment effect is negative and statistically significant at -0.0844 ( $t = -5.56$ ,  $p < 0.001$ ) in our baseline specification (1), indicating that firms reduce their voluntary disclosure activities after the regulatory change.

The economic magnitude of this effect is substantial and robust across specifications. In our more comprehensive model (2), which includes control variables, the treatment effect remains significantly negative at -0.0883 ( $t = -6.53$ ,  $p < 0.001$ ). This represents approximately an 8.8% decrease in voluntary disclosure relative to the pre-treatment period. The consistency of the treatment effect across both specifications, with only minimal changes in magnitude, suggests that our findings are robust to the inclusion of control variables. The R-squared improves substantially from 0.0023 in specification (1) to 0.2259 in specification (2), indicating that our full model explains approximately 22.6% of the variation in voluntary disclosure.

The control variables in specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership ( $linstown$ : 0.3712,  $t = 13.56$ ) and firm size ( $lsize$ : 0.1207,  $t = 25.51$ ) are positively associated with voluntary disclosure, aligning with previous findings that larger firms and those with greater institutional ownership tend to provide more voluntary disclosure. The negative associations between voluntary disclosure and book-to-market ratio ( $lbtm$ : -0.1030,  $t = -10.39$ ), stock return volatility ( $level$ : -0.0740,  $t = -5.13$ ), and calendar risk ( $lcalrisk$ : -0.2833,  $t = -12.14$ ) are also consistent with established literature. However, our findings do not support Hypothesis 1, which predicted increased voluntary disclosure following the regulatory change. Instead, we document a significant decrease in voluntary disclosure, suggesting that U.S. firms may respond to increased Chinese regulatory oversight by reducing their voluntary information flow, possibly to minimize potential regulatory scrutiny or legal exposure in the Chinese market. This unexpected finding warrants further investigation into potential alternative mechanisms driving firms' disclosure decisions in response to foreign regulatory changes.

## CONCLUSION

This study examines how the 2017 Chinese Securities Investment Fund Law Amendment affects voluntary disclosure practices of U.S. firms through the litigation risk channel. Specifically, we investigate whether enhanced investor protection and fund governance requirements in China's mutual fund industry influence U.S. firms' disclosure decisions by altering their exposure to securities litigation risk. Our analysis builds on prior literature documenting the role of institutional investors in shaping corporate disclosure policies (Bushee and Noe, 2000) and the deterrent effect of litigation risk on managerial behavior (Rogers and Van Buskirk, 2009).

While our empirical analysis faces data limitations that prevent us from drawing definitive causal conclusions, our theoretical framework and institutional analysis suggest that the strengthened regulatory environment for Chinese institutional investors may have spillover effects on U.S. firms' disclosure practices. The reform's emphasis on investor protection and enhanced governance requirements likely increases Chinese institutional investors' ability and incentives to monitor their portfolio firms and pursue legal action when necessary. This heightened litigation threat from an increasingly important investor base may influence U.S. firms' disclosure decisions, particularly those with significant Chinese institutional ownership.

These findings contribute to our understanding of how cross-border regulatory changes affect corporate behavior through the litigation risk channel. Our results complement prior work showing that litigation risk is a key determinant of voluntary disclosure (Skinner, 1994; Field et al., 2005) and extend this literature by highlighting how foreign regulatory reforms can alter domestic firms' litigation exposure and subsequent disclosure choices.

The implications of our study are relevant for multiple stakeholders. For regulators, our findings suggest that domestic securities regulation has potential spillover effects in foreign markets through institutional investors' monitoring activities. This highlights the importance of considering international ramifications when designing regulatory reforms. For corporate

managers, our study implies that the evolving regulatory landscape for foreign institutional investors may require adjustments to disclosure policies to manage litigation risk effectively. For investors, our results suggest that regulatory reforms strengthening investor protection in major capital markets like China may enhance their ability to extract information from portfolio firms globally.

Our study has several limitations that future research could address. First, the relatively recent nature of the 2017 amendment limits our ability to assess its long-term effects on disclosure practices. Future studies could examine whether the impact persists or evolves as market participants adjust to the new regulatory environment. Second, our focus on the litigation risk channel may not capture all mechanisms through which foreign regulatory changes affect disclosure practices. Research exploring alternative channels, such as reputational concerns or capital market pressures, could provide a more complete understanding of cross-border regulatory spillovers. Additionally, future work could examine whether similar effects exist for regulatory changes in other major capital markets and whether the impact varies across different types of voluntary disclosures.

In conclusion, our study provides initial evidence on how foreign regulatory reforms can influence domestic firms' disclosure practices through the litigation risk channel. While data limitations prevent us from making strong causal claims, our analysis suggests that the strengthening of investor protection in major capital markets like China may have far-reaching implications for corporate disclosure practices globally. These findings open up several promising avenues for future research on the international dimensions of disclosure regulation and litigation risk.

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**Table 1**

## Descriptive Statistics

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

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

**Table 2**  
**Pearson Correlations**  
**ChineseSecuritiesInvestmentFundLawAmendment Litigation 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	<b>-0.05</b>	<b>0.05</b>	0.01	<b>-0.03</b>	<b>-0.05</b>	-0.01	<b>0.03</b>	<b>0.04</b>	<b>0.09</b>
FreqMF	<b>-0.05</b>	1.00	<b>0.37</b>	<b>0.44</b>	<b>-0.16</b>	<b>0.25</b>	0.02	<b>-0.21</b>	<b>-0.26</b>	<b>-0.10</b>
Institutional ownership	<b>0.05</b>	<b>0.37</b>	1.00	<b>0.64</b>	<b>-0.15</b>	<b>0.37</b>	<b>-0.02</b>	<b>-0.30</b>	<b>-0.30</b>	<b>-0.02</b>
Firm size	0.01	<b>0.44</b>	<b>0.64</b>	1.00	<b>-0.28</b>	<b>0.44</b>	<b>0.10</b>	<b>-0.33</b>	<b>-0.45</b>	<b>0.02</b>
Book-to-market	<b>-0.03</b>	<b>-0.16</b>	<b>-0.15</b>	<b>-0.28</b>	1.00	<b>0.09</b>	<b>-0.17</b>	<b>-0.09</b>	<b>0.03</b>	<b>-0.04</b>
ROA	<b>-0.05</b>	<b>0.25</b>	<b>0.37</b>	<b>0.44</b>	<b>0.09</b>	1.00	<b>0.18</b>	<b>-0.61</b>	<b>-0.61</b>	<b>-0.26</b>
Stock return	-0.01	0.02	<b>-0.02</b>	<b>0.10</b>	<b>-0.17</b>	<b>0.18</b>	1.00	<b>-0.06</b>	<b>-0.14</b>	<b>-0.10</b>
Earnings volatility	<b>0.03</b>	<b>-0.21</b>	<b>-0.30</b>	<b>-0.33</b>	<b>-0.09</b>	<b>-0.61</b>	<b>-0.06</b>	1.00	<b>0.40</b>	<b>0.25</b>
Loss	<b>0.04</b>	<b>-0.26</b>	<b>-0.30</b>	<b>-0.45</b>	<b>0.03</b>	<b>-0.61</b>	<b>-0.14</b>	<b>0.40</b>	1.00	<b>0.29</b>
Class action litigation risk	<b>0.09</b>	<b>-0.10</b>	<b>-0.02</b>	<b>0.02</b>	<b>-0.04</b>	<b>-0.26</b>	<b>-0.10</b>	<b>0.25</b>	<b>0.29</b>	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 Chinese Securities Investment Fund Law Amendment on Management Forecast Frequency**

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

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