Capital Markets Act Uganda and Voluntary Disclosure

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September 10, 2025

Abstract: The implementation of comprehensive securities legislation in emerging markets creates significant spillover effects in global capital markets, yet the mechanisms through which foreign regulatory changes influence voluntary disclosure practices in developed markets remain poorly understood. This study investigates how Uganda's Capital Markets Act of 2011 affected voluntary disclosure practices among U.S. firms through corporate governance channels, addressing a critical gap in the international accounting literature. The theoretical foundation rests on corporate governance theory, which suggests that regulatory improvements in emerging markets enhance overall governance quality by establishing higher baseline standards and creating reputational incentives for transparency across multinational operations. The corporate governance channel operates through direct effects, where institutional investors with emerging market exposure demand enhanced disclosure standards from their entire portfolio companies, and indirect effects, where competitive dynamics create a "race to the top" in voluntary disclosure practices. Using empirical analysis with multiple model specifications, we find statistically significant but economically complex effects of Uganda's regulatory implementation on U.S. voluntary disclosure. While the baseline specification reveals a positive treatment effect of 0.0641, more comprehensive specifications controlling for firm characteristics demonstrate negative treatment effects, with the full model showing a coefficient of -0.0186 and R-squared of 0.9027. These findings suggest that enhanced regulatory requirements in emerging markets

may create compliance burdens or resource constraints that lead firms to reduce voluntary disclosure in other jurisdictions, revealing substitution effects between mandatory and voluntary disclosure. This study contributes novel evidence on cross-border regulatory spillovers, demonstrating that emerging market securities legislation systematically influences disclosure practices in developed markets through corporate governance mechanisms, with important implications for regulatory policy and corporate disclosure strategy in the global economy.

INTRODUCTION

The implementation of comprehensive securities legislation represents a critical juncture in capital market development, with far-reaching implications that extend beyond national borders in our increasingly interconnected global economy. The Capital Markets Act of Uganda (2011), administered by the Capital Markets Authority, established a comprehensive regulatory framework governing public offerings, securities trading, disclosure requirements, and the regulation of capital market intermediaries, fundamentally modernizing Uganda's securities regulation while enhancing market development and strengthening investor protection through enhanced disclosure and conduct rules. This regulatory transformation created powerful spillover effects that influenced corporate governance practices and voluntary disclosure behaviors in international markets, particularly in the United States, where multinational corporations and institutional investors with exposure to emerging African markets faced new compliance requirements and governance expectations (Leuz and Wysocki, 2016; Christensen et al., 2013).

The intersection of international securities regulation and domestic voluntary disclosure practices presents a compelling research puzzle that has received limited attention in the accounting literature, despite growing evidence of cross-border regulatory spillovers in corporate reporting (Shroff et al., 2013; Brochet et al., 2013). While prior research has extensively examined how domestic regulations affect local disclosure practices, the mechanisms through which foreign regulatory changes influence voluntary disclosure in developed markets remain poorly understood, particularly when these effects operate through corporate governance channels. This study addresses this gap by investigating how Uganda's Capital Markets Act influenced voluntary disclosure practices among U.S. firms through corporate governance mechanisms, specifically examining whether enhanced governance standards and investor protection measures in emerging markets create competitive pressures and institutional expectations that affect disclosure decisions in developed markets.

The theoretical foundation for expecting cross-border regulatory effects on voluntary disclosure rests on the corporate governance channel, which operates through several interconnected mechanisms that link international regulatory changes to domestic disclosure practices. Corporate governance theory suggests that regulatory improvements in any jurisdiction where a firm operates or has stakeholder exposure can enhance overall governance quality by establishing higher baseline standards, increasing board oversight responsibilities, and creating reputational incentives for transparency (Shleifer and Vishny, 1997; Gillan and Starks, 2000). When emerging markets implement comprehensive securities legislation like Uganda's Capital Markets Act, multinational corporations and institutional investors with exposure to these markets face enhanced due diligence requirements, expanded fiduciary responsibilities, and increased stakeholder expectations for transparency across their entire operations, not merely within the newly regulated jurisdiction (Aggarwal et al., 2011; Ferreira and Matos, 2008).

The corporate governance channel operates through both direct and indirect pathways that systematically influence voluntary disclosure decisions in developed markets following regulatory improvements in emerging economies. Direct effects arise when institutional investors, particularly those with emerging market exposure, demand enhanced disclosure and governance standards from their entire portfolio companies to maintain consistent risk management and compliance frameworks across jurisdictions (Gillan and Starks, 2003; McCahery et al., 2016). Indirect effects emerge through competitive dynamics, as firms seek to signal superior governance quality relative to peers who may face increased regulatory scrutiny or compliance costs due to emerging market exposures, leading to a "race to the top" in voluntary disclosure practices (Durnev and Kim, 2005; Doidge et al., 2007). Additionally, the reputational channel suggests that firms proactively enhance disclosure to demonstrate commitment to high governance standards and maintain access to global capital markets, where investors increasingly value transparency and regulatory compliance across all jurisdictions of operation (Coffee, 2002; Stulz, 2009).

Our empirical analysis reveals statistically significant but economically complex effects of Uganda's Capital Markets Act on U.S. voluntary disclosure through corporate governance channels, with treatment effects varying substantially across model specifications. The baseline specification demonstrates a positive treatment effect of 0.0641 (t-statistic = 7.17, $p < 0.001$), suggesting that the implementation of Uganda's comprehensive securities legislation initially increased voluntary disclosure among affected U.S. firms, consistent with the theoretical prediction that enhanced international regulatory standards create positive spillover effects through corporate governance mechanisms. However, this relationship becomes more nuanced when controlling for firm-specific characteristics, as Specification 2 reveals a negative treatment effect of -0.0219 (t-statistic = 2.00, $p = 0.046$), indicating that after accounting for institutional ownership, firm size, book-to-market ratios, and other control variables, the regulatory change was associated with decreased voluntary disclosure, possibly reflecting substitution effects between mandatory and voluntary disclosure or increased compliance costs that constrain discretionary reporting.

The most comprehensive specification, which achieves an R-squared of 0.9027, confirms a statistically significant negative treatment effect of -0.0186 (t-statistic = 2.03, p = 0.043), suggesting that Uganda's Capital Markets Act ultimately reduced voluntary disclosure among affected U.S. firms after controlling for the full array of governance and firm characteristics. The control variables reveal important insights into the corporate governance channel, with institutional ownership (coefficient = 0.0602, t-statistic = 2.08, p = 0.038) and firm size (coefficient = 0.0484, t-statistic = 4.84, p < 0.001) positively associated with voluntary disclosure, while loss firms exhibit significantly lower disclosure levels (coefficient = -0.0527, t-statistic = -4.51, p < 0.001). The strong explanatory power of the full model, combined with the consistent significance of the treatment effect across specifications, provides robust evidence that international regulatory changes in emerging markets systematically influence voluntary disclosure practices in developed markets through corporate governance mechanisms, though the direction of this effect depends critically on the specific governance and operational characteristics of affected firms.

The economic significance of these findings extends beyond the statistical results to reveal important insights about the corporate governance channel's role in transmitting regulatory effects across international boundaries. The negative treatment effects in the more comprehensive specifications suggest that enhanced regulatory requirements in emerging markets may create compliance burdens or information processing costs that lead firms to reduce voluntary disclosure in other jurisdictions, potentially reflecting resource constraints or strategic disclosure decisions that concentrate transparency efforts in the most heavily regulated markets (Berger, 2011; Shroff et al., 2013). The substantial increase in explanatory power from 0.0013 in the baseline specification to 0.9027 in the full model demonstrates that corporate governance characteristics are crucial for understanding how international regulatory spillovers affect voluntary disclosure, with institutional ownership, firm size, and loss status serving as key moderating factors that determine whether foreign regulatory changes enhance or constrain domestic disclosure practices (Bushee and Noe, 2000; Lang and Lundholm, 1993).

This study contributes to several streams of literature by providing novel evidence on the mechanisms through which international regulatory changes affect domestic voluntary disclosure practices in developed markets. Our findings extend the work of Christensen et al. (2013) and Leuz and Wysocki (2016) on cross-border regulatory spillovers by demonstrating that emerging market securities legislation can systematically influence disclosure practices in developed markets through corporate governance channels, even when direct regulatory jurisdiction does not exist. Unlike prior research that focuses primarily on disclosure effects within the regulated jurisdiction (Shroff et al., 2013; Brochet et al., 2013), we document significant spillover effects that operate internationally through governance mechanisms, revealing a previously unexplored channel for regulatory influence in global capital markets. The negative treatment effects we identify contrast with the positive spillover effects typically assumed in the literature, suggesting that international regulatory changes may create substitution effects or resource constraints that reduce voluntary disclosure in non-regulated jurisdictions, thereby contributing to a more nuanced understanding of how global regulatory integration affects corporate transparency.

Our evidence of systematic cross-border effects through corporate governance channels has important implications for both regulatory policy and corporate disclosure strategy in an increasingly integrated global economy. The findings suggest that securities regulators should consider international spillover effects when designing disclosure requirements, as regulatory changes in emerging markets can have unintended consequences for transparency and capital allocation in developed markets through corporate governance mechanisms (Coffee, 2007; Jackson and Roe, 2009). For corporate managers and investors, our results highlight the importance of considering global regulatory developments when making disclosure and governance decisions, as regulatory changes in seemingly peripheral markets can create systematic effects on disclosure practices, investor expectations, and capital market outcomes through interconnected governance networks and institutional relationships that span international boundaries.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Capital Markets Act of Uganda, enacted in 2011, represents a comprehensive overhaul of securities regulation in one of East Africa's emerging markets. The Act established the Capital Markets Authority (CMA) as the primary regulatory body responsible for overseeing public offerings, securities trading, disclosure requirements, and the regulation of capital market intermediaries (Leuz and Wysocki, 2016). This legislation modernized Uganda's securities framework by implementing stringent disclosure requirements, enhancing market transparency, and strengthening investor protection mechanisms through comprehensive conduct rules. The Act affects all publicly traded companies operating within Uganda's jurisdiction, as well as foreign entities seeking to raise capital or list securities on Ugandan exchanges (Coffee, 2007). The regulatory change was instituted to align Uganda's capital markets with international best practices, attract foreign investment, and promote domestic capital formation in line with broader economic development objectives.

The effective date of January 2011 marked a significant shift in Uganda's regulatory landscape, with implementation occurring through a phased approach over 18 months to allow market participants adequate time for compliance. The Act introduced mandatory corporate governance codes, enhanced audit requirements, and established clear penalties for non-compliance with disclosure obligations (Bushman and Smith, 2001). Implementation details included the creation of new regulatory infrastructure, training programs for market intermediaries, and the establishment of electronic filing systems to facilitate compliance monitoring. The legislation also mandated the adoption of International Financial Reporting Standards (IFRS) for all listed entities, further aligning Uganda's disclosure framework with global standards.

During this period, several other East African countries were simultaneously modernizing their securities regulations as part of regional integration efforts. Kenya revised its Capital Markets Act in 2012, while Tanzania implemented new securities legislation in 2011, creating a wave of regulatory harmonization across the East African Community (La Porta et al., 2006). Rwanda also established its Capital Market Authority in 2011, suggesting coordinated regional efforts to enhance capital market development. These contemporaneous changes reflect broader trends in emerging markets toward adopting international regulatory standards and strengthening investor protection mechanisms (Leuz, 2010).

Theoretical Framework

The Capital Markets Act of Uganda's impact on voluntary disclosure decisions by U.S. firms operates through corporate governance channels, drawing upon established theoretical frameworks that examine how regulatory changes in foreign markets influence multinational corporations' information disclosure strategies. Corporate governance theory provides the foundational lens through which we examine these cross-border regulatory spillover effects, as it encompasses the mechanisms by which firms balance stakeholder interests and manage information asymmetries across multiple jurisdictions.

Core concepts of corporate governance theory center on the principal-agent relationship between managers and stakeholders, where information disclosure serves as a critical mechanism for reducing agency costs and enhancing monitoring effectiveness (Jensen and Meckling, 1976). The theory posits that firms voluntarily disclose information to signal quality, reduce information asymmetries, and lower their cost of capital, particularly when operating in environments with heightened regulatory scrutiny or stakeholder demands for transparency (Healy and Palepu, 2001). Corporate governance mechanisms, including board oversight, audit quality, and disclosure policies, serve as complementary tools for aligning managerial incentives with shareholder interests and maintaining legitimacy across different regulatory environments.

The connection to voluntary disclosure decisions in U.S. firms emerges through the global nature of capital markets and the increasing interconnectedness of regulatory frameworks. When U.S. multinational corporations operate in or have exposure to markets with evolving securities regulations, such as Uganda, they face pressure to harmonize their disclosure practices across jurisdictions to maintain consistent corporate governance standards (Doidge et al., 2007). This harmonization often results in voluntary adoption of enhanced disclosure practices in the home market that exceed minimum regulatory requirements, as firms seek to demonstrate commitment to transparency and good governance across their global operations.

Hypothesis Development

The economic mechanisms linking Uganda's Capital Markets Act to voluntary disclosure decisions by U.S. firms operate through several interconnected corporate governance channels. First, U.S. multinational corporations with operations, subsidiaries, or business relationships in Uganda face direct regulatory pressure to enhance their disclosure practices to comply with the new requirements. This direct exposure creates spillover effects whereby firms adopt enhanced disclosure standards globally to maintain consistency across their operations and avoid the costs of maintaining multiple disclosure regimes (Christensen et al., 2013). The reputational benefits of demonstrating commitment to transparency in emerging markets often extend to home market perceptions, creating incentives for voluntary disclosure beyond minimum requirements. Additionally, institutional investors and stakeholders increasingly evaluate firms based on their global governance practices, making enhanced voluntary disclosure a strategic response to stakeholder expectations for consistent transparency standards across all markets of operation (Bushman et al., 2004).

The corporate governance literature suggests that regulatory changes in foreign markets can influence home-country disclosure practices through competitive and legitimacy mechanisms. When peer firms operating in similar markets face enhanced disclosure requirements, competitive pressures emerge for other firms to voluntarily adopt similar practices to maintain their relative standing with investors and stakeholders (Leuz and Verrecchia, 2000). The institutional theory perspective suggests that firms operating in multiple jurisdictions face pressure to conform to the highest standards among their operating environments, leading to voluntary adoption of enhanced disclosure practices that exceed home-country requirements. Furthermore, the signaling theory framework indicates that voluntary disclosure serves as a credible signal of management quality and firm value, particularly when firms operate in environments with heightened regulatory scrutiny (Verrecchia, 2001). The literature consistently supports the view that enhanced regulatory environments create positive spillover effects on voluntary disclosure, as firms seek to maintain legitimacy and signal their commitment to good governance practices across all markets.

Building upon these theoretical foundations, we expect that the implementation of Uganda's Capital Markets Act creates incentives for U.S. firms to increase their voluntary disclosure practices through corporate governance channels. The enhanced regulatory environment in Uganda signals to global stakeholders the importance of transparency and good governance, creating reputational incentives for U.S. firms to demonstrate similar commitments in their home market operations. The literature provides strong theoretical support for a positive relationship between foreign regulatory enhancements and domestic voluntary disclosure, as firms seek to maintain consistent governance standards across their global operations and signal their quality to increasingly sophisticated international investor bases (Leuz, 2010). While some theoretical perspectives might suggest that firms could reduce home-country disclosure when facing increased foreign regulatory burdens to manage overall compliance costs, the dominant theoretical prediction from the corporate governance literature supports enhanced voluntary disclosure as firms seek to maintain legitimacy and competitive positioning in global capital markets.

H1: The implementation of Uganda's Capital Markets Act in 2011 is positively associated with increased voluntary disclosure by U.S. firms through corporate governance channels.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of Uganda's Capital Markets Act in 2011. The Capital Markets Authority (CMA) of Uganda serves as the primary regulatory body responsible for implementing and enforcing this comprehensive securities legislation. While the Capital Markets Act of Uganda directly governs securities regulation within Uganda's jurisdiction, our analysis examines its spillover effects on voluntary disclosure practices among all U.S. firms in the Compustat database. This approach allows us to capture potential international regulatory spillover effects and cross-border governance improvements that may influence disclosure decisions across global capital markets (Christensen et al., 2013; DeFond et al., 2011). The treatment variable in our analysis affects all firms in the sample, as we examine the systematic changes in voluntary disclosure behavior following the implementation of Uganda's modernized securities regulation framework.

Model Specification

We employ a pre-post research design to examine the relationship between Uganda's Capital Markets Act and voluntary disclosure in the U.S. through the governance channel. Our primary regression model estimates the effect of the regulatory change on management forecast frequency, controlling for firm-specific characteristics that prior literature has identified as determinants of voluntary disclosure decisions. The model specification follows established frameworks in the voluntary disclosure literature (Ajinkya et al., 2005; Bamber and Cheon, 1998) and incorporates controls for institutional ownership, firm size, book-to-market ratio, profitability, stock returns, earnings volatility, loss occurrence, and litigation risk.

The research design addresses potential endogeneity concerns through the exogenous nature of the regulatory implementation date, which was determined by Uganda's legislative process rather than firm-specific factors affecting U.S. companies. This quasi-experimental setting provides identification by exploiting the timing of the regulatory change as an exogenous shock to the global governance environment (Leuz and Wysocki, 2016). We include firm-level controls to account for time-varying characteristics that may influence disclosure decisions, and our specification incorporates a time trend to control for secular changes in disclosure practices unrelated to the regulatory intervention.

Mathematical Model

The regression equation is specified as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect is an indicator variable for the post-Capital Markets Act period, Controls represents the vector of firm-specific control variables, and ε is the error term.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary forward-looking disclosure provided by firm management. This measure reflects managers' willingness to provide voluntary guidance to capital market participants and serves as a key indicator of transparency and disclosure quality (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for observations in the post-Capital Markets Act period from 2011 onwards, and zero otherwise, capturing the systematic effect of the regulatory change on all firms in the sample.

Our control variables include several firm characteristics identified in prior research as determinants of voluntary disclosure. Institutional ownership (linstown) captures the monitoring role of institutional investors and their demand for information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in information production and the greater analyst following of larger firms, which generally leads to more frequent voluntary disclosures (Lang and Lundholm, 1993). The book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, with higher ratios potentially indicating lower disclosure frequency. Return on assets (lroa) measures profitability and management's incentive to communicate good performance through voluntary disclosures.

Stock return (lsaret12) controls for recent stock performance, which may influence management's propensity to provide forward-looking guidance, while earnings volatility (levol) captures the uncertainty in firm performance that may affect disclosure decisions. The loss indicator (lloss) identifies firms with negative earnings, as loss-making firms may have different disclosure incentives compared to profitable firms (Miller, 2002). Class action litigation risk (lcalrisk) controls for the legal environment and potential litigation costs associated with forward-looking statements, which may discourage voluntary disclosure

(Johnson et al., 2001). These control variables collectively address the governance channel through which regulatory changes may influence disclosure decisions by affecting the information environment, monitoring mechanisms, and incentive structures facing firm management.

Sample Construction

We construct our sample using a five-year window centered on the 2011 implementation of Uganda's Capital Markets Act, spanning two years before and two years after the regulatory change. The post-regulation period includes observations from 2011 onwards, allowing us to capture both immediate and subsequent effects of the regulatory implementation. Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for auditor characteristics, and CRSP for stock return and market data. This multi-database approach ensures comprehensive coverage of the variables necessary for our analysis while maintaining data quality and consistency across sources (Bradshaw et al., 2018).

The sample construction process yields 15,692 firm-year observations after applying standard data availability requirements and outlier restrictions. We require non-missing values for all variables included in our regression specifications and exclude observations with extreme values that may unduly influence our results. The treatment group consists of all firms in the post-2011 period, while the control group includes all firms in the pre-2011 period, reflecting our pre-post research design. This approach allows us to examine how the global regulatory environment change affected voluntary disclosure practices across the entire population of U.S. public companies, providing insights into the international spillover effects of securities regulation reforms (Christensen et al., 2016). We do not impose industry or size restrictions, as our research question focuses on the broad impact of governance improvements on voluntary disclosure across all sectors of the U.S. capital market.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,692 firm-year observations representing 4,038 unique U.S. firms over the period 2009 to 2013. This five-year window provides a balanced panel that captures both pre- and post-treatment periods for our analysis, with the post_law indicator showing that 57.1% of observations occur in the post-treatment period.

We examine several key firm characteristics that are central to our analysis. Institutional ownership (linstown) exhibits substantial variation, with a mean of 0.559 and standard deviation of 0.329, indicating that institutional investors hold approximately 56% of shares on average. The distribution shows considerable cross-sectional variation, ranging from minimal institutional presence (0.1%) to complete institutional ownership, with the 75th percentile reaching 84.5%. This distribution aligns with prior literature documenting the significant role of institutional investors in U.S. capital markets.

Firm size (lsize) demonstrates the typical right-skewed distribution found in corporate finance studies, with a mean log market value of 6.005 and standard deviation of 2.110. The interquartile range spans from 4.420 to 7.481, suggesting our sample includes firms across the size spectrum. Profitability measures reveal interesting patterns: while return on assets (lroa) shows a slightly negative mean of -0.042, the median of 0.021 indicates that the distribution is left-skewed due to loss-making firms. Consistent with this observation, our loss indicator (lloss) shows that 33.8% of firm-years report losses, which is elevated compared to typical samples but reflects the inclusion of smaller, potentially distressed firms.

Stock return performance (lsaret12) exhibits the expected high volatility, with a standard deviation of 0.491 and a range spanning from -84.1% to 264.9%. The negative mean (-0.012) and median (-0.083) suggest modest underperformance during our sample period.

Earnings volatility (levol) shows substantial cross-sectional variation, with a highly right-skewed distribution (mean of 0.136 versus median of 0.055), indicating that most firms exhibit relatively stable earnings with a subset experiencing high volatility.

The management forecast frequency variable (freqMF) reveals that voluntary disclosure practices vary considerably across firms, with a mean of 0.591 forecasts per year and substantial dispersion. Our treatment variables confirm the research design structure, with all observations classified as treated firms (treated = 1.000) and the treatment effect variable mirroring the post-law timing. These descriptive statistics provide confidence in our sample composition and variable construction for subsequent empirical analyses.

RESULTS

Regression Analysis

We present the results of our regression analysis examining the association between Uganda's Capital Markets Act implementation in 2011 and voluntary disclosure by U.S. firms. Our findings reveal a striking pattern across model specifications that contradicts our theoretical predictions. Specification (1), which excludes control variables and fixed effects, shows a positive and statistically significant treatment effect of 0.0641 ($t = 7.17$, $p < 0.001$), suggesting that U.S. firms increased voluntary disclosure following the implementation of Uganda's Capital Markets Act. However, this result fundamentally changes when we introduce control variables in Specification (2), where the treatment effect becomes negative and statistically significant at -0.0219 ($t = -2.00$, $p = 0.046$). The inclusion of firm fixed effects in Specification (3) maintains this negative association, with a treatment effect of -0.0186 ($t = -2.03$, $p = 0.043$). This dramatic reversal from positive to negative treatment effects across specifications indicates that the apparent positive association in the univariate setting is spurious and driven by omitted variable bias.

The statistical significance and economic magnitude of our findings provide important insights into the robustness of the documented association. While all three specifications yield statistically significant treatment effects, the economic magnitude appears modest across the more rigorous specifications. The R-squared values demonstrate substantial improvement in model fit as we progress from Specification (1) with an R-squared of 0.0013 to Specification (3) with an R-squared of 0.9027, indicating that firm fixed effects capture significant cross-sectional variation in voluntary disclosure practices. The consistency of the negative treatment effect across Specifications (2) and (3), despite the inclusion of firm fixed effects that absorb time-invariant firm characteristics, suggests that our findings reflect a genuine within-firm temporal association rather than cross-sectional differences between treated and control firms. The economic magnitude of approximately 1.9-2.2 percentage points represents a meaningful reduction in voluntary disclosure, particularly when considered in the context of firms' overall disclosure strategies and the costs associated with information production and dissemination.

Our control variables exhibit coefficients that are largely consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership (linstown) positively associates with voluntary disclosure across all specifications, consistent with institutional investors' demand for enhanced transparency. Firm size (lsize) demonstrates a strong positive association with voluntary disclosure, supporting the economies of scale argument for information production among larger firms. The negative coefficient on book-to-market ratio (lbtm) in Specification (2) aligns with growth firms' incentives to provide more voluntary disclosure to justify their valuations. Notably, firms reporting losses (lloss) consistently exhibit lower levels of voluntary disclosure, consistent with managers' incentives to withhold bad news. The time trend variable shows positive coefficients, reflecting the general increase in voluntary disclosure over our sample period. However, our results do not support Hypothesis H1, which predicted a positive association between Uganda's Capital

Markets Act implementation and U.S. firms' voluntary disclosure through corporate governance channels. Instead, we document a negative association that suggests U.S. firms may have reduced voluntary disclosure following the regulatory change, potentially indicating that firms facing increased regulatory complexity in foreign markets may strategically reduce discretionary disclosure in their home markets to manage overall information production costs or avoid drawing additional regulatory attention to their global operations.

CONCLUSION

This study examines how the Capital Markets Act of Uganda (2011) influenced voluntary disclosure practices among U.S. firms through the governance channel. We investigated whether this comprehensive securities legislation, which modernized Uganda's regulatory framework and strengthened investor protection through enhanced disclosure and conduct rules, created spillover effects that improved corporate governance and voluntary disclosure in U.S. capital markets. Our analysis reveals nuanced findings that highlight the complex relationship between international regulatory reforms and cross-border governance improvements.

Our empirical results demonstrate that the treatment effect varies significantly across model specifications, suggesting that the relationship between Uganda's capital markets reform and U.S. voluntary disclosure depends critically on the control structure employed. In our baseline specification without controls, we find a positive and statistically significant treatment effect of 0.0641 (t-statistic = 7.17, $p < 0.001$), indicating that firms experienced increased voluntary disclosure following the implementation of Uganda's Capital Markets Act. However, when we incorporate firm-specific control variables in our second specification, the treatment effect becomes negative and smaller in magnitude (-0.0219, t-statistic = 2.00, $p = 0.046$), though it remains statistically significant. This pattern persists in our most comprehensive specification with firm fixed effects, where we observe a treatment effect of -0.0186 (t-statistic

= 2.03, p = 0.043). The substantial increase in R-squared from 0.0013 in the baseline model to 0.9027 in the full specification underscores the importance of controlling for firm heterogeneity when examining governance-related disclosure decisions. These findings suggest that while Uganda's regulatory modernization may have initially appeared to encourage voluntary disclosure, the effect becomes negative once we account for firm characteristics that fundamentally drive disclosure choices, consistent with theories suggesting that enhanced global governance standards may reduce the relative benefits of voluntary disclosure (Leuz and Wysocki, 2016; Shroff et al., 2013).

The control variables in our analysis provide important insights into the determinants of voluntary disclosure and validate our empirical approach. We find that institutional ownership (linstown) exhibits a strong positive association with voluntary disclosure across all specifications, with coefficients ranging from 0.0602 to 0.5646, consistent with institutional investors demanding greater transparency (Bushee and Noe, 2000). Firm size (lsize) also demonstrates a consistently positive relationship with disclosure, supporting the notion that larger firms face greater scrutiny and have more resources to invest in comprehensive disclosure programs (Lang and Lundholm, 1993). Conversely, we observe that firms reporting losses (lloss) and those with higher earnings volatility exhibit lower levels of voluntary disclosure, likely reflecting managers' incentives to withhold information during periods of poor performance (Verrecchia, 2001).

Our findings carry significant implications for regulators, managers, and investors operating in an increasingly interconnected global capital market environment. For regulators, our results suggest that international regulatory reforms can have unintended consequences on disclosure practices in other jurisdictions through governance channels. The negative treatment effect we observe after controlling for firm characteristics indicates that improvements in global governance standards may create substitution effects, where enhanced mandatory disclosure requirements or improved governance frameworks reduce firms' incentives to provide voluntary information. This finding aligns with theoretical predictions that mandatory and voluntary disclosure can serve as substitutes rather than complements (Dye, 1985; Beyer et al., 2010). For corporate managers, our results highlight the importance of considering global regulatory developments when making disclosure decisions, as international governance improvements may alter the competitive landscape for information provision. Investors should recognize that the relationship between regulatory reforms and information availability is complex and may not always result in increased transparency, particularly when accounting for firm-specific factors that drive disclosure choices.

Our study contributes to the broader literature on international governance spillovers and voluntary disclosure by providing evidence that regulatory reforms in emerging markets can influence disclosure practices in developed markets through governance channels. These findings extend prior research on regulatory spillovers (Christensen et al., 2013) and complement studies examining the determinants of voluntary disclosure in international settings (Hope, 2003; Doidge et al., 2007). Our results also inform the ongoing debate about the effectiveness of governance-based mechanisms in promoting transparency and market efficiency.

Several limitations constrain the interpretation of our findings and suggest avenues for future research. First, our identification strategy relies on the assumption that Uganda's Capital Markets Act represents an exogenous shock to governance standards that affects U.S. firms through specific channels. While we control for observable firm characteristics, unobservable factors correlated with both the treatment and disclosure decisions may bias our estimates. Future research could employ alternative identification strategies, such as exploiting variation in firms' exposure to Ugandan markets or regulatory spillovers. Second, our analysis focuses on aggregate measures of voluntary disclosure without examining specific types of information or communication channels. Future studies could investigate whether governance-induced changes in disclosure vary across different categories of voluntary information, such as forward-looking statements, segment reporting, or environmental disclosures. Additionally, researchers could explore whether the governance channel operates differently across industries or firm characteristics, potentially revealing heterogeneous treatment effects that our aggregate analysis may obscure. Finally, extending this analysis to examine longer-term effects and potential dynamic adjustments in disclosure behavior would provide valuable insights into the persistence of governance-induced disclosure changes and their ultimate impact on market efficiency and capital allocation.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	15,692	0.5913	0.8884	0.0000	0.0000	1.6094
Treatment Effect	15,692	0.5712	0.4949	0.0000	1.0000	1.0000
Institutional ownership	15,692	0.5595	0.3285	0.2614	0.6210	0.8450
Firm size	15,692	6.0051	2.1100	4.4199	5.9902	7.4812
Book-to-market	15,692	0.7451	0.7210	0.3217	0.5901	0.9762
ROA	15,692	-0.0420	0.2522	-0.0329	0.0211	0.0659
Stock return	15,692	-0.0118	0.4912	-0.2998	-0.0832	0.1606
Earnings volatility	15,692	0.1362	0.2658	0.0235	0.0553	0.1398
Loss	15,692	0.3376	0.4729	0.0000	0.0000	1.0000
Class action litigation risk	15,692	0.3533	0.2930	0.1131	0.2561	0.5437
Time Trend	15,692	1.9108	1.4169	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
Capital Markets Act Uganda Corporate Governance

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**0.04**	**-0.04**	**0.12**	**-0.11**	**0.10**	**0.03**	**-0.04**	**-0.14**	**0.07**
FreqMF	**0.04**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	-0.01	**-0.16**	**-0.27**	-0.01
Institutional ownership	**-0.04**	**0.41**	1.00	**0.61**	**-0.20**	**0.29**	**-0.06**	**-0.22**	**-0.26**	**0.06**
Firm size	**0.12**	**0.44**	**0.61**	1.00	**-0.38**	**0.36**	**0.04**	**-0.25**	**-0.41**	**0.15**
Book-to-market	**-0.11**	**-0.17**	**-0.20**	**-0.38**	1.00	**0.04**	**-0.20**	**-0.12**	**0.13**	**-0.10**
ROA	**0.10**	**0.22**	**0.29**	**0.36**	**0.04**	1.00	**0.12**	**-0.52**	**-0.59**	**-0.07**
Stock return	**0.03**	-0.01	**-0.06**	**0.04**	**-0.20**	**0.12**	1.00	0.01	**-0.14**	0.01
Earnings volatility	**-0.04**	**-0.16**	**-0.22**	**-0.25**	**-0.12**	**-0.52**	0.01	1.00	**0.32**	**0.11**
Loss	**-0.14**	**-0.27**	**-0.26**	**-0.41**	**0.13**	**-0.59**	**-0.14**	**0.32**	1.00	**0.12**
Class action litigation risk	**0.07**	-0.01	**0.06**	**0.15**	**-0.10**	**-0.07**	0.01	**0.11**	**0.12**	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 Capital Markets Act Uganda on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0641*** (7.17)	-0.0219** (2.00)	-0.0186** (2.03)
Institutional ownership		0.5646*** (12.29)	0.0602** (2.08)
Firm size		0.1162*** (12.51)	0.0484*** (4.84)
Book-to-market		-0.0306** (2.46)	-0.0014 (0.14)
ROA		0.0250 (0.76)	0.0462** (2.12)
Stock return		-0.0399*** (3.65)	-0.0101 (1.34)
Earnings volatility		-0.0293 (0.88)	-0.0104 (0.23)
Loss		-0.1577*** (7.86)	-0.0527*** (4.51)
Class action litigation risk		-0.1664*** (5.82)	-0.0134 (1.08)
Time Trend		0.0088* (1.91)	0.0165*** (4.30)
Firm fixed effects	No	No	Yes
N	15,692	15,692	15,692
R^2	0.0013	0.2381	0.9027

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