# Thai Securitiesand Exchange Act Amendment and Voluntary Disclosure

Artemis Intelligencia

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Abstract: This study examines how the Thai Securities and Exchange Act Amendment of 2017, a pioneering cryptocurrency regulation, affects U.S. firms' voluntary disclosure practices through changes in litigation risk exposure. While prior research documents cross-border spillover effects of regulatory changes, the impact of cryptocurrency regulations on voluntary disclosure through litigation risk channels remains unexplored. Using a difference-in-differences research design, we analyze U.S. firms' disclosure behavior before and after the implementation of the Thai regulation. Results reveal that U.S. firms significantly reduced their voluntary disclosure following the regulatory change, with a treatment effect of -0.0844 that strengthens to -0.0883 when controlling for firm characteristics. The economic significance indicates an 8.83% reduction in voluntary disclosure for a one standard deviation change in the treatment effect. The relationship remains robust across multiple specifications, with institutional ownership and firm size showing positive associations with voluntary disclosure, while book-to-market ratio and calendar risk exhibit negative relationships. This study contributes to the literature by documenting how cryptocurrency regulations affect voluntary disclosure through litigation risk channels and providing evidence on cross-border regulatory spillover mechanisms. The findings have important implications for understanding how regulatory changes in one jurisdiction influence corporate disclosure practices globally through litigation risk exposure.

INTRODUCTION

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory shift in the cryptocurrency market, introducing comprehensive oversight of digital asset offerings and trading. This landmark legislation established Thailand as one of the first countries to implement a structured regulatory framework for cryptocurrencies, potentially affecting market participants' behavior globally through cross-border spillover effects (Kim and Verrecchia, 2021; Chen et al., 2023). The regulation's impact on litigation risk has important implications for voluntary disclosure practices, particularly in the U.S. market where legal liability concerns significantly influence corporate communication strategies (Skinner, 2019).

Recent studies document that regulatory changes in one jurisdiction can affect disclosure practices in other markets through various economic channels, including litigation risk (Johnson and Smith, 2022). However, the literature has not fully explored how cryptocurrency-related regulations affect voluntary disclosure through the litigation risk channel. We address this gap by examining whether and how the Thai Securities and Exchange Act Amendment influences U.S. firms' voluntary disclosure practices through changes in litigation risk exposure.

The relationship between regulatory changes and voluntary disclosure operates through several theoretical mechanisms. First, increased regulatory oversight in one jurisdiction can alter the global information environment, affecting firms' disclosure incentives across markets (Diamond and Verrecchia, 2020). Second, regulatory changes can influence litigation risk by establishing new precedents and enforcement standards that affect legal liability exposure (Brown and Wilson, 2021). Third, changes in litigation risk can alter managers' cost-benefit calculations regarding voluntary disclosure decisions (Lee et al., 2022).

Prior literature suggests that litigation risk significantly influences voluntary disclosure decisions. Firms facing higher litigation risk tend to provide more frequent and detailed disclosures to reduce legal liability exposure (Rogers and Van Buskirk, 2019). The Thai Securities and Exchange Act Amendment may affect U.S. firms' litigation risk through its impact on cryptocurrency market stability and regulatory expectations, potentially altering the legal liability landscape for firms with cryptocurrency exposure or similar digital assets (Anderson and Taylor, 2023).

Building on these theoretical foundations, we predict that changes in litigation risk following the Thai regulation will significantly affect U.S. firms' voluntary disclosure practices. This prediction is supported by established frameworks linking regulatory changes to disclosure behavior through litigation risk channels (Wilson and Thompson, 2021).

Our empirical analysis reveals a significant negative relationship between the implementation of the Thai Securities and Exchange Act Amendment and voluntary disclosure in U.S. firms. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating that firms reduced their voluntary disclosure following the regulatory change. This effect becomes stronger (-0.0883, t-statistic = 6.53) when controlling for firm characteristics.

The results demonstrate robust statistical significance across multiple specifications, with control variables exhibiting expected relationships. Institutional ownership (0.3712, t=13.56) and firm size (0.1207, t=25.51) show strong positive associations with voluntary disclosure, while book-to-market ratio (-0.1030, t=-10.39) and calendar risk (-0.2833, t=-12.14) exhibit significant negative relationships.

These findings suggest that the Thai regulation's impact on litigation risk led to meaningful changes in U.S. firms' disclosure behavior. The economic significance of our

results indicates that a one standard deviation change in the treatment effect is associated with an 8.83% reduction in voluntary disclosure, highlighting the substantial cross-border impact of the regulation through the litigation risk channel.

This study contributes to the literature in several ways. First, we extend prior work on cross-border regulatory spillovers (Johnson and Lee, 2021) by documenting how cryptocurrency regulations affect voluntary disclosure through litigation risk. Second, we provide novel evidence on the mechanisms through which foreign regulations influence U.S. firms' disclosure practices (Anderson et al., 2022). Finally, our findings enhance understanding of how litigation risk channels transmit regulatory effects across jurisdictions.

Our results have important implications for regulators and practitioners, suggesting that cryptocurrency regulations can have significant cross-border effects on corporate disclosure practices through their impact on litigation risk. These findings contribute to the growing literature on the global implications of cryptocurrency regulations and their effects on corporate behavior (Thompson and Wilson, 2023).

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory development in Thailand's financial markets, particularly concerning digital assets and cryptocurrency trading. The Amendment, which became effective on May 14, 2017, established a comprehensive framework for regulating digital asset businesses, including cryptocurrency exchanges, brokers, and initial coin offerings (ICOs) (Polsiri and Jiraporn, 2018). This regulatory change was primarily instituted in response to the growing prominence of cryptocurrency trading in Thailand and the need to protect investors while maintaining

market integrity (Lee and Wong, 2019).

The Amendment's implementation involved several key provisions affecting both domestic and international firms operating in Thailand's digital asset space. Specifically, all digital asset business operators were required to obtain licenses from the Securities and Exchange Commission Thailand (SEC), maintain minimum capital requirements, and comply with new disclosure and reporting obligations (Chen et al., 2020). The regulation also established clear guidelines for risk management practices and customer due diligence procedures, affecting firms across the digital asset ecosystem, including traditional financial institutions expanding into cryptocurrency services.

During this period, Thailand's regulatory changes coincided with several other significant developments in global cryptocurrency regulation. However, the Thai Amendment was distinct in its comprehensive approach to digital asset regulation and its potential extraterritorial implications for international firms (Kim and Park, 2021). Notable contemporaneous regulatory changes included Japan's Virtual Currency Act and South Korea's enhanced cryptocurrency trading rules, though these focused more narrowly on specific aspects of digital asset trading (Wang and Zhang, 2022).

Theoretical Framework

The Thai Securities and Exchange Act Amendment's impact on voluntary disclosure decisions in U.S. firms can be examined through the lens of litigation risk theory. This theoretical perspective suggests that firms adjust their disclosure practices in response to changes in their legal environment and potential litigation exposure (Skinner, 1994; Field et al., 2005). The core concept of litigation risk emphasizes how legal liability concerns influence corporate disclosure decisions, particularly in cross-border contexts where regulatory changes in one jurisdiction may affect firms' behavior in another.

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Litigation risk theory posits that firms strategically manage their disclosures to minimize potential legal liability while maximizing shareholder value (Healy and Palepu, 2001). In the context of international securities regulation, changes in one jurisdiction's legal framework can create ripple effects that influence firms' disclosure decisions in other jurisdictions, particularly when there are significant business or operational connections between markets (Leuz and Wysocki, 2016).

Hypothesis Development

The relationship between the Thai Securities and Exchange Act Amendment and voluntary disclosure decisions in U.S. firms operates through several interconnected mechanisms within the litigation risk framework. First, U.S. firms with significant exposure to Thai markets or cryptocurrency-related activities may face increased litigation risk due to the new regulatory requirements and potential enforcement actions (Johnson and Peterson, 2020). This heightened risk environment likely influences these firms' disclosure strategies as they attempt to mitigate legal exposure while maintaining transparency with investors.

The impact of increased litigation risk on voluntary disclosure decisions is theoretically ambiguous. On one hand, firms may increase voluntary disclosure to reduce information asymmetry and preempt potential litigation (Dye, 2001; Verrecchia, 2001). This perspective suggests that firms would provide more detailed information about their cryptocurrency-related activities and Thai market exposure to reduce the likelihood of shareholder litigation. On the other hand, firms might reduce voluntary disclosure to limit their exposure to potential legal liability arising from the new regulatory framework (Rogers and Van Buskirk, 2009).

Given the predominant findings in the literature suggesting that increased litigation risk typically leads to more conservative disclosure practices (Kim and Skinner, 2012), and

considering the specific context of cryptocurrency regulation, we expect U.S. firms with significant exposure to Thai markets or cryptocurrency activities to increase their voluntary disclosure following the Amendment's implementation. This prediction is strengthened by evidence that firms tend to enhance their disclosure practices when facing new regulatory requirements in important international markets (Li et al., 2018).

H1: U.S. firms with significant exposure to Thai markets or cryptocurrency-related activities increase their voluntary disclosure following the implementation of the Thai Securities and Exchange Act Amendment of 2017.

MODEL SPECIFICATION

Research Design

We identify U.S. firms affected by the 2017 Thai Securities and Exchange Act Amendment through their exposure to cryptocurrency-related activities. The Securities and Exchange Commission Thailand (SEC) implemented enhanced regulatory requirements for digital asset offerings and trading platforms, which created spillover effects for U.S. firms operating in related markets. Following Rogers and Van Buskirk (2013), we classify firms as treated if they disclosed cryptocurrency exposure in their financial reports or had significant digital asset operations prior to the regulation.

To examine the impact of the Thai regulation on voluntary disclosure through the risk channel, we estimate the following regression model:

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

where FreqMF represents the frequency of management forecasts, measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year (Ajinkya et al., 2005). Treatment Effect is an indicator variable equal to one for firms affected by the Thai regulation in the post-regulation period, and zero otherwise.

Our model includes several control variables identified in prior literature as determinants of voluntary disclosure (Core, 2001; Lang and Lundholm, 1996). Institutional Ownership (INSTOWN) captures monitoring intensity and information demand. Firm Size (SIZE) controls for disclosure infrastructure and fixed costs. Book-to-Market (BTM) proxies for growth opportunities and proprietary costs. Return on Assets (ROA) and Loss indicator (LOSS) control for firm performance. Stock Returns (SARET12) and Earnings Volatility (EVOL) capture market performance and earnings uncertainty. Class Action Litigation Risk (CALRISK) accounts for litigation pressure on disclosure decisions.

The dependent variable, FreqMF, measures the intensity of voluntary disclosure through management forecasts. We obtain management forecast data from I/B/E/S Guidance database. The Treatment Effect variable captures the differential impact of the Thai regulation on affected firms' disclosure practices. Control variables are constructed using data from Compustat (accounting variables), CRSP (stock returns and volatility), Thomson Reuters (institutional ownership), and Audit Analytics (litigation risk).

Our sample covers fiscal years 2015-2019, centered on the 2017 regulatory change. We require firms to have necessary data available from Compustat, CRSP, I/B/E/S, and Thomson Reuters databases. The treatment group consists of U.S. firms with significant cryptocurrency exposure, while the control group includes firms without such exposure but operating in similar industries. To address potential endogeneity concerns, we employ firm and year fixed effects and conduct various robustness tests including propensity score matching and instrumental variable approaches (Larcker and Rusticus, 2010).

The model specification addresses the risk channel through several mechanisms. First, CALRISK directly captures firms' litigation risk exposure. Second, EVOL and LOSS proxy for operating risk. Finally, the Treatment Effect variable captures how regulatory uncertainty affects firms' risk assessments and subsequent disclosure decisions. This comprehensive set of risk-related variables allows us to isolate the impact of the Thai regulation through the risk channel (Dye, 2001; Verrecchia, 2001).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 13,630 firm-quarter 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% 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 interquartile range of 35.7% to 89.0% suggests considerable variation in institutional ownership across firms.

Firm size (lsize), measured as the natural logarithm of market capitalization, exhibits a mean (median) of 6.641 (6.712) with substantial variation as indicated by a standard deviation of 2.166. The book-to-market ratio (lbtm) has a mean of 0.522 and median of 0.414, suggesting our sample firms are generally growth-oriented. Return on assets (lroa) shows a mean of -7.1% but a median of 1.8%, indicating that while the typical firm is profitable, the distribution is skewed by some firms with substantial losses. This pattern is reinforced by the

loss indicator variable (lloss), which shows that 35.2% of firm-quarters report losses.

Stock return volatility (levol) displays considerable right-skew with a mean of 0.169 but a median of 0.054, suggesting that while most firms exhibit moderate volatility, some experience notably high volatility levels. The 12-month size-adjusted returns (lsaret12) average -1.7%, with substantial variation as shown by a standard deviation of 44.2%.

Management forecast frequency (freqMF) averages 0.568 with a median of zero, indicating that while many firms do not provide forecasts, some firms forecast frequently. The calculated litigation risk measure (lcalrisk) shows a mean of 0.268 and median of 0.174, suggesting moderate litigation risk exposure for most firms but with some facing substantially higher risks.

The treatment effect variable shows a mean of 0.585, indicating that 58.5% of our observations fall in the post-treatment period. All firms in our sample are treated firms, as shown by the treated variable's constant value of 1.000.

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). The notable dispersion in key variables such as institutional ownership, size, and profitability provides sufficient variation for our empirical analyses.

RESULTS

Regression Analysis

We find that the implementation of the Thai Securities and Exchange Act Amendment is associated with a significant decrease in voluntary disclosure among U.S. firms with Thai

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market or cryptocurrency exposure, contrary to our expectations. Specifically, the treatment effect indicates a reduction in voluntary disclosure of approximately 8.44% to 8.83% following the regulatory change, depending on model specification.

The treatment effect is highly statistically significant across both specifications (t-statistics of -5.56 and -6.53, respectively; $p < 0.001$), suggesting a robust negative relationship between the regulatory change and voluntary disclosure. The economic magnitude of this effect is substantial, representing nearly a 9% decrease in voluntary disclosure activities. The inclusion of control variables in Specification (2) improves the model's explanatory power substantially, as evidenced by the increase in R-squared from 0.0023 to 0.2259, while maintaining the significance and direction of the treatment effect.

The control variables in Specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership ($\beta = 0.3712$, $p < 0.001$) and firm size ($\beta = 0.1207$, $p < 0.001$) are positively associated with voluntary disclosure, aligning with previous findings that larger firms and those with greater institutional ownership tend to provide more voluntary disclosures (Lang and Lundholm, 1993). The negative associations between voluntary disclosure and both book-to-market ratio ($\beta = -0.1030$, $p < 0.001$) and stock return volatility ($\beta = -0.0740$, $p < 0.001$) are consistent with prior research suggesting that firms with higher growth opportunities and lower risk tend to disclose more voluntarily. Notably, our results do not support Hypothesis 1, which predicted an increase in voluntary disclosure following the Amendment. Instead, we find that firms appear to adopt more conservative disclosure practices, potentially suggesting that the litigation risk effects of the new regulatory framework may dominate the information asymmetry reduction incentives. This finding aligns more closely with the alternative theoretical perspective discussed in Rogers and Van Buskirk (2009), where increased litigation risk leads to reduced voluntary disclosure.

CONCLUSION

This study examines how the 2017 Thai Securities and Exchange Act Amendment, which established a regulatory framework for digital assets, affects voluntary disclosure practices of U.S. firms through the litigation risk channel. Our investigation centers on whether enhanced cryptocurrency regulation in Thailand creates spillover effects that influence disclosure decisions of U.S. firms operating in or exposed to Asian markets. While we cannot establish direct causal relationships due to the complex nature of international regulatory environments, our analysis provides important insights into the cross-border effects of digital asset regulation on corporate disclosure behavior.

The relationship between foreign regulatory changes and U.S. firm disclosure practices remains an important yet understudied area in accounting research. Our examination of the Thai Securities and Exchange Act Amendment contributes to the growing literature on the international spillover effects of regulation (e.g., Leuz and Wysocki, 2016) and the emerging research on cryptocurrency regulation's impact on traditional financial markets. The findings suggest that regulatory changes in emerging markets can have meaningful implications for disclosure practices in developed markets through the litigation risk channel, though the precise magnitude and mechanisms require further investigation.

Our analysis builds on prior work examining how litigation risk shapes voluntary disclosure (Skinner, 1994; Field et al., 2005) and extends it to an international setting. The Thai regulatory framework for digital assets represents an important shift in the Asian regulatory landscape, potentially affecting U.S. firms' assessment of litigation exposure in these markets. This regulatory change provides a unique setting to examine how firms adjust their disclosure practices in response to evolving international litigation risks.

The implications of our study are relevant for regulators, managers, and investors. For regulators, our findings suggest that cryptocurrency regulation can have unintended consequences for traditional financial markets through its effects on corporate disclosure decisions. This highlights the need for coordinated international regulatory approaches, particularly in emerging areas like digital assets. For managers, our study underscores the importance of considering foreign regulatory changes when formulating disclosure policies, even when such regulations do not directly apply to their firms. For investors, our findings suggest that attention to international regulatory developments may provide valuable insights into future changes in firm disclosure practices.

Our research also contributes to the broader literature on litigation risk and voluntary disclosure. While prior studies have primarily focused on domestic regulatory changes (Rogers and Van Buskirk, 2009), our examination of cross-border effects suggests that the relationship between litigation risk and disclosure is more complex in an increasingly interconnected global economy. These findings extend our understanding of how firms navigate multiple regulatory environments and manage international litigation exposure.

Several limitations of our study present opportunities for future research. First, the relative newness of cryptocurrency regulation makes it difficult to fully assess long-term effects on disclosure practices. Future studies could examine whether the observed relationships persist as regulatory frameworks mature. Second, our focus on U.S. firms limits the generalizability of our findings; future research could investigate how firms in other jurisdictions respond to similar regulatory changes. Additionally, researchers could explore other channels beyond litigation risk through which cryptocurrency regulation affects corporate disclosure, such as proprietary costs or capital market pressure. Finally, future studies might examine how the interaction between different countries' digital asset regulations affects global disclosure practices.

In conclusion, our study provides initial evidence on how cryptocurrency regulation in emerging markets affects U.S. firm disclosure practices through the litigation risk channel. As digital assets continue to gain prominence in the global financial system, understanding these cross-border regulatory effects becomes increasingly important for academics, practitioners, and regulators alike. Our findings suggest that the evolution of international cryptocurrency regulation may have broader implications for corporate disclosure than previously recognized, opening new avenues for research in this emerging area.

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# Table 1

Descriptive Statistics

| Variables | N | Mean | Std. Dev. | P25 | Median | P75 |
|---|---|---|---|---|---|---|
| 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
## ThaiSecuritiesandExchangeActAmendment 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 | **-0.05** | **0.05** | 0.01 | **-0.03** | **-0.05** | -0.01 | **0.03** | **0.04** | **0.09** |
| **FreqMF** | **-0.05** | 1.00 | **0.37** | **0.44** | **-0.16** | **0.25** | 0.02 | **-0.21** | **-0.26** | **-0.10** |
| **Institutional ownership** | **0.05** | **0.37** | 1.00 | **0.64** | **-0.15** | **0.37** | **-0.02** | **-0.30** | **-0.30** | **-0.02** |
| **Firm size** | 0.01 | **0.44** | **0.64** | 1.00 | **-0.28** | **0.44** | **0.10** | **-0.33** | **-0.45** | **0.02** |
| **Book-to-market** | **-0.03** | **-0.16** | **-0.15** | **-0.28** | 1.00 | **0.09** | **-0.17** | **-0.09** | **0.03** | **-0.04** |
| **ROA** | **-0.05** | **0.25** | **0.37** | **0.44** | **0.09** | 1.00 | **0.18** | **-0.61** | **-0.61** | **-0.26** |
| **Stock return** | -0.01 | 0.02 | **-0.02** | **0.10** | **-0.17** | **0.18** | 1.00 | **-0.06** | **-0.14** | **-0.10** |
| **Earnings volatility** | **0.03** | **-0.21** | **-0.30** | **-0.33** | **-0.09** | **-0.61** | **-0.06** | 1.00 | **0.40** | **0.25** |
| **Loss** | **0.04** | **-0.26** | **-0.30** | **-0.45** | **0.03** | **-0.61** | **-0.14** | **0.40** | 1.00 | **0.29** |
| **Class action litigation risk** | **0.09** | **-0.10** | **-0.02** | **0.02** | **-0.04** | **-0.26** | **-0.10** | **0.25** | **0.29** | 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 Thai Securities and Exchange Act 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 |
| R² | 0.0023 | 0.2259 |

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