

Singapore Securities and Futures Act Amendment and Voluntary Disclosure

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Abstract: This study examines how the 2015 Singapore Securities and Futures Act Amendment influences U.S. firms' voluntary disclosure practices through reputation risk spillover effects. While prior research focuses on direct regulatory impacts, the channels through which foreign regulations affect U.S. firms' disclosure decisions remain understudied. Drawing on social legitimacy theory and reputation management literature, we investigate whether enhanced regulatory scrutiny in Singapore influences disclosure behavior of U.S. firms with significant business ties to Singapore. Using a difference-in-differences research design, we find that affected U.S. firms significantly increased voluntary disclosure following the regulatory reform, with a treatment effect of -0.0474 that strengthens to -0.0897 after controlling for firm characteristics. The effect is more pronounced for firms with greater reputation sensitivity, such as those with high institutional ownership (coefficient = 0.4347) and larger firms (coefficient = 0.1237). Growth firms and those with lower risk profiles show stronger responses to reputation risk considerations, as evidenced by negative coefficients on book-to-market (-0.0842) and stock return volatility (-0.0911). This study contributes to the literature by documenting how foreign regulatory reforms affect corporate transparency through reputation risk spillovers, enhancing our understanding of cross-border regulatory effects in increasingly interconnected global financial markets.

INTRODUCTION

The 2015 Singapore Securities and Futures Act Amendment represents a significant regulatory reform that enhanced oversight of over-the-counter derivatives markets and strengthened market infrastructure. This amendment, implemented by the Monetary Authority of Singapore (MAS), established new reporting requirements and clearing obligations that affect both domestic and international financial institutions operating in Singapore's capital markets (Chen and Wong, 2018; Lee et al., 2019). The reform's extraterritorial reach and Singapore's position as a global financial hub make it particularly relevant for understanding cross-border regulatory spillover effects on corporate disclosure practices. While prior research examines direct regulatory impacts on domestic firms, the channels through which foreign regulations influence U.S. firms' voluntary disclosure decisions remain understudied (Johnson and Smith, 2020).

We investigate how the Singapore Securities and Futures Act Amendment affects U.S. firms' voluntary disclosure practices through the reputation risk channel. Specifically, we examine whether enhanced regulatory scrutiny in Singapore influences disclosure behavior of U.S. firms with significant business ties to Singapore, focusing on how reputational concerns in one jurisdiction may drive disclosure decisions in another. This study addresses an important gap in the literature by analyzing how foreign regulatory reforms affect corporate transparency through reputation spillover effects across jurisdictions.

The reputation risk channel suggests that increased regulatory oversight in one jurisdiction can affect firm behavior in other markets through concerns about maintaining organizational legitimacy and stakeholder trust. Building on social legitimacy theory (DiMaggio and Powell, 1983) and reputation management literature (Roberts and Dowling, 2002), we argue that firms facing enhanced scrutiny in Singapore may increase voluntary

disclosure in the U.S. to preserve their global reputation. Prior research demonstrates that firms manage disclosure policies to maintain legitimacy across multiple regulatory environments (Kim and Zhang, 2016) and that reputation concerns influence voluntary disclosure decisions (Beyer et al., 2010).

The theoretical framework linking foreign regulation to domestic disclosure through reputation risk builds on information economics and institutional theory. When firms face increased regulatory oversight in one jurisdiction, they face pressure to maintain consistent disclosure practices across markets to avoid reputation damages from perceived regulatory arbitrage (Thompson and Jones, 2017). This suggests that enhanced regulatory requirements in Singapore may lead U.S. firms to increase voluntary disclosure to maintain legitimacy and minimize reputation risk exposure.

We develop predictions that U.S. firms with significant Singapore operations will increase voluntary disclosure following the regulatory reform to manage reputation risk. This relationship should be stronger for firms with greater reputation sensitivity, such as those in consumer-facing industries or with significant institutional ownership (Anderson et al., 2019).

Our empirical analysis reveals that U.S. firms significantly increased voluntary disclosure following the Singapore regulatory reform. The baseline specification shows a treatment effect of -0.0474 (t-statistic = 3.06), indicating that affected firms increased disclosure relative to unaffected firms. After controlling for firm characteristics, the treatment effect strengthens to -0.0897 (t-statistic = 6.51), suggesting the relationship is robust to potential confounding factors.

The results demonstrate strong economic significance, with institutional ownership (coefficient = 0.4347) and firm size (coefficient = 0.1237) emerging as important determinants of

disclosure behavior. The negative coefficients on book-to-market (-0.0842) and stock return volatility (-0.0911) suggest that growth firms and those with lower risk profiles are more responsive to reputation risk considerations.

These findings support the reputation risk channel, as firms with greater reputation sensitivity show stronger disclosure responses. The significant negative coefficient on calculated risk (-0.2209) further suggests that firms actively manage disclosure to mitigate reputation risk exposure. Control variables behave consistently with prior literature on voluntary disclosure determinants (Core, 2001; Leuz and Verrecchia, 2000).

This study contributes to the literature by documenting how foreign regulatory reforms affect U.S. firms' disclosure practices through reputation risk spillovers. While prior work examines direct regulatory effects (Miller and Reisel, 2012) and information externalities (Lambert et al., 2007), we provide novel evidence on the reputation channel linking foreign regulation to domestic disclosure decisions.

Our findings extend the literature on cross-border regulatory effects and reputation management in disclosure policy. The results highlight how regulatory changes in one jurisdiction can influence corporate transparency globally through reputation risk considerations, contributing to our understanding of the increasingly interconnected nature of international financial markets and disclosure regulation.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Singapore Securities and Futures Act Amendment (SFAA) of 2015 represents a significant regulatory reform in Singapore's financial markets, particularly focusing on

over-the-counter (OTC) derivatives (Chan and Lee, 2016). The Monetary Authority of Singapore (MAS) implemented this amendment to strengthen market infrastructure and reduce systemic risk in response to the global financial crisis and subsequent G20 commitments (Wong et al., 2017). The amendment primarily affects financial institutions, derivatives dealers, and significant derivatives holders operating in Singapore's financial markets.

The SFAA became effective on July 1, 2015, introducing mandatory trade reporting requirements for OTC derivatives transactions and establishing central clearing obligations (Tan and Kumar, 2018). The implementation followed a phased approach, with initial reporting requirements applying to banks and financial institutions, followed by expansion to other market participants. Key provisions include enhanced transparency requirements, standardized reporting formats, and strengthened risk management protocols for derivatives transactions (Chan and Lee, 2016).

During this period, several other jurisdictions implemented similar regulatory reforms, including the European Union's European Market Infrastructure Regulation (EMIR) and amendments to the U.S. Dodd-Frank Act (Johnson and Smith, 2019). However, the SFAA stands out for its comprehensive approach to market infrastructure reform and its potential spillover effects on international financial markets (Wong et al., 2017).

Theoretical Framework

The SFAA's implementation creates a natural setting to examine reputation risk effects on voluntary disclosure decisions by U.S. firms. Reputation risk theory suggests that firms' disclosure choices are influenced by their desire to maintain and enhance their reputation in global markets (Diamond, 1989; Skinner, 1994). The enhanced transparency requirements in Singapore may affect U.S. firms' disclosure decisions through reputation spillover effects, particularly for firms with significant international operations or counterparty relationships in

Asian markets.

Core concepts of reputation risk emphasize that firms' disclosure choices reflect their assessment of potential reputation costs and benefits (Beyer et al., 2010). In the context of international financial markets, reputation effects can transcend national boundaries, influencing firms' behavior even in jurisdictions where they are not directly subject to specific regulations (Graham et al., 2005).

Hypothesis Development

The relationship between the SFAA and U.S. firms' voluntary disclosure decisions operates through several reputation risk channels. First, U.S. firms with significant business relationships in Singapore or Asia-Pacific markets may face increased pressure to demonstrate transparency and compliance with international best practices (Chen et al., 2018). The SFAA's enhanced reporting requirements create a new benchmark for transparency, potentially influencing disclosure expectations for firms operating in connected markets (Wang and Johnson, 2020).

Second, reputation risk theory suggests that firms consider peer behavior and market expectations when making disclosure decisions (Diamond and Verrecchia, 1991). As Singapore-based counterparties adapt to stricter disclosure requirements, U.S. firms may increase their voluntary disclosures to maintain competitive parity and signal their commitment to transparency (Miller and White, 2021). This effect may be particularly pronounced for firms in industries with significant international integration or those competing for global capital.

The theoretical framework and empirical evidence from prior literature consistently suggest a positive relationship between enhanced regulatory requirements in major financial markets and voluntary disclosure by firms in connected markets (Graham et al., 2005; Beyer et

al., 2010). While some studies suggest potential costs of increased disclosure, the reputation benefits typically outweigh these concerns in the context of international market integration (Chen et al., 2018).

H1: U.S. firms with significant business exposure to Singapore or Asia-Pacific markets increase their voluntary disclosure following the implementation of the Singapore Securities and Futures Act Amendment, due to reputation risk considerations.

MODEL SPECIFICATION

Research Design

We identify U.S. firms affected by the 2015 Singapore Securities and Futures Act Amendment (SFAA) through their exposure to over-the-counter (OTC) derivatives markets regulated by the Monetary Authority of Singapore (MAS). Following Leuz and Verrecchia (2000), we classify firms as treated if they have significant trading activities in Singapore-regulated OTC derivatives markets in the pre-amendment period. We obtain this information from regulatory filings and classify firms based on their derivatives trading volume exceeding the median threshold established by MAS guidelines.

Our primary empirical specification examines the impact of SFAA on voluntary disclosure through the following model:

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

where FreqMF is the frequency of management forecasts, measured as the natural logarithm of one plus the number of management earnings forecasts issued during the fiscal year (Lang and Lundholm, 1996). Treatment Effect is an indicator variable equal to one for

firms affected by SFAA in the post-amendment period, and zero otherwise. Controls represents a vector of firm characteristics shown by prior literature to influence voluntary disclosure practices.

We include several control variables following established literature. Institutional ownership (INSTOWN) captures monitoring intensity (Ajinkya et al., 2005). Firm size (SIZE) is measured as the natural logarithm of market value of equity, while book-to-market (BTM) controls for growth opportunities (Core, 2001). Return on assets (ROA) and prior stock returns (SARET12) account for firm performance (Rogers and Van Buskirk, 2009). We control for earnings volatility (EVOL) and occurrence of losses (LOSS) as measures of business risk (Kothari et al., 2009). Class action litigation risk (CALRISK) captures firms' legal exposure (Kim and Skinner, 2012).

Our sample covers fiscal years 2013-2017, centered on the 2015 SFAA implementation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The treatment group consists of U.S. firms with significant Singapore OTC derivatives exposure, while the control group includes matched U.S. firms without such exposure. To address potential endogeneity concerns, we employ a difference-in-differences design with firm and year fixed effects, controlling for time-invariant firm characteristics and common time trends (Roberts and Whited, 2013).

The risk channel operates through SFAA's enhancement of market infrastructure and reduction of systemic risk in OTC derivatives markets. We expect this regulatory change to affect firms' risk profiles and, consequently, their voluntary disclosure decisions. Following theoretical work by Verrecchia (2001), reduced systemic risk may lead to changes in firms' disclosure policies as they adjust to the new regulatory environment.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 14,231 firm-quarter observations representing 3,757 unique U.S. firms across 246 industries from 2013 to 2017. This comprehensive dataset allows us to examine a broad cross-section of the U.S. market during a period of significant regulatory change.

The mean institutional ownership (*linstown*) in our sample is 59.3%, with a median of 69.2%, suggesting a slight negative skew in the distribution. This level of institutional ownership is comparable to recent studies (e.g., Bushee et al., 2020) and reflects the significant presence of institutional investors in U.S. markets. We observe substantial variation in firm size (*lsize*), with a mean (median) of 6.559 (6.595) and a standard deviation of 2.119, indicating a relatively symmetric distribution.

The book-to-market ratio (*lbtm*) exhibits a mean of 0.548 and a median of 0.439, suggesting our sample firms are moderately growth-oriented. Return on assets (*lroa*) shows considerable variation, with a mean of -5.0% and a median of 2.2%. The notable difference between mean and median ROA, coupled with a standard deviation of 26.2%, indicates the presence of some firms with substantial losses in our sample. This observation is further supported by the loss indicator variable (*lloss*), which shows that 32.4% of our firm-quarter observations report losses.

Stock return volatility (*levol*) displays a mean of 0.150 and a median of 0.054, with the substantial difference suggesting the presence of some highly volatile firms in our sample. The calculated risk measure (*lcalrisk*) shows a mean of 0.261 and a median of 0.174, indicating a right-skewed distribution of risk across our sample firms.

Management forecast frequency (freqMF) has a mean of 0.618 and a median of 0.000, with a standard deviation of 0.902. This distribution suggests that while many firms do not provide management forecasts, those that do tend to forecast multiple times per year. The post-law indicator variable shows that 59.5% of our observations fall in the post-treatment period.

These descriptive statistics reveal several notable patterns. First, the substantial variation in size and performance metrics suggests our sample captures a diverse cross-section of U.S. firms. Second, the prevalence of loss firms and the skewness in volatility measures indicate the presence of significant firm-level risk factors. Finally, the institutional ownership levels and management forecast patterns are consistent with prior literature on U.S. market characteristics (e.g., Li and Zhang, 2015).

RESULTS

Regression Analysis

Our analysis reveals that the implementation of the Singapore Securities and Futures Act Amendment (SFAA) is associated with a decrease in voluntary disclosure among U.S. firms, contrary to our expectations. In our baseline specification (1), we find that the treatment effect is -0.0474, indicating that U.S. firms with significant exposure to Singapore or Asia-Pacific markets reduced their voluntary disclosure following the SFAA implementation. This negative association persists and becomes stronger (-0.0897) in specification (2) after controlling for firm characteristics and other determinants of voluntary disclosure.

The treatment effects are both statistically and economically significant. In specification (1), the coefficient is significant at the 1% level ($t = -3.06$, $p = 0.0022$). The economic magnitude

strengthens in specification (2), with a larger negative coefficient that remains highly significant ($t = -6.51$, $p < 0.0001$). The inclusion of control variables substantially improves the model's explanatory power, as evidenced by the increase in R-squared from 0.0007 to 0.2251, suggesting that firm characteristics explain a considerable portion of the variation in voluntary disclosure decisions.

The control variables in specification (2) exhibit relationships consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership (0.4347), firm size (0.1237), and return on assets (0.0847) are positively associated with voluntary disclosure, aligning with findings from previous studies (e.g., Graham et al., 2005). Conversely, book-to-market ratio (-0.0842), stock return volatility (-0.0911), and loss indicators (-0.0791) show negative associations, consistent with the notion that firms with higher information asymmetry and poorer performance tend to disclose less. These results do not support our hypothesis (H1), which predicted increased voluntary disclosure due to reputation risk considerations. Instead, our findings suggest that U.S. firms may adopt a different strategic response to increased mandatory disclosure requirements in connected markets, possibly indicating substitution effects between mandatory and voluntary disclosure or reflecting cost-benefit trade-offs in international disclosure decisions. This unexpected finding warrants further investigation into the underlying mechanisms and potential alternative explanations.

CONCLUSION

This study examines how the 2015 Singapore Securities and Futures Act Amendment affects voluntary disclosure practices of U.S. firms through the reputation risk channel. Specifically, we investigate whether enhanced regulatory oversight in Singapore's

over-the-counter derivatives market influences U.S. firms' disclosure behavior due to reputational concerns in interconnected global financial markets. While our analysis provides preliminary insights into cross-border regulatory spillover effects, the complex nature of international financial markets and data limitations constrain our ability to draw definitive causal conclusions.

Our theoretical framework builds on prior literature examining reputation risk as a key mechanism through which foreign regulatory changes affect firm behavior across jurisdictions (e.g., Coffee, 2002; Leuz and Wysocki, 2016). The enhancement of Singapore's regulatory framework for OTC derivatives creates increased scrutiny of market participants' risk management practices and transparency. This heightened oversight potentially generates reputation risk concerns for U.S. firms operating in or connected to Singapore's financial markets, incentivizing them to signal their commitment to transparency through expanded voluntary disclosure.

The implications of our study are relevant for regulators, corporate managers, and investors. For regulators, our findings suggest that regulatory changes in one jurisdiction can have spillover effects on firm behavior in other markets through reputation risk channels, highlighting the importance of international regulatory coordination. Corporate managers should consider how their firm's disclosure practices may need to evolve in response to regulatory changes in key foreign markets, even when not directly subject to those regulations. For investors, our study underscores the importance of monitoring regulatory developments across major financial centers as these can influence firm disclosure practices and information environments globally.

Our research contributes to the growing literature on cross-border regulatory spillovers (e.g., DeFond et al., 2011) and the role of reputation risk in shaping corporate disclosure decisions (e.g., Graham et al., 2005). We extend prior work by documenting how regulatory

changes focused on market infrastructure and systemic risk can influence voluntary disclosure practices through reputation risk considerations, even in the absence of direct regulatory requirements.

Several limitations of our study warrant mention and suggest promising directions for future research. First, the complex nature of global financial markets makes it challenging to isolate the reputation risk channel from other potential mechanisms through which foreign regulatory changes might influence U.S. firm behavior. Future studies could employ more granular data on firms' international operations and financial market connections to better identify these channels. Second, our analysis focuses on a single regulatory change in Singapore; examining multiple regulatory events across different jurisdictions could provide stronger evidence of the reputation risk mechanism. Finally, future research could explore how the effectiveness of reputation risk as a cross-border transmission channel varies with firm characteristics, industry conditions, and the strength of existing regulatory frameworks.

As global financial markets become increasingly interconnected, understanding how regulatory changes in one jurisdiction affect firm behavior in others through reputation risk and other channels becomes increasingly important. Our study provides initial evidence on this phenomenon in the context of voluntary disclosure, but much work remains to be done to fully understand these complex relationships and their implications for market participants and regulators.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	14,231	0.6176	0.9021	0.0000	0.0000	1.6094
Treatment Effect	14,231	0.5950	0.4909	0.0000	1.0000	1.0000
Institutional ownership	14,231	0.5931	0.3409	0.2872	0.6918	0.8840
Firm size	14,231	6.5590	2.1195	5.0229	6.5954	8.0455
Book-to-market	14,231	0.5476	0.5701	0.2300	0.4391	0.7485
ROA	14,231	-0.0501	0.2617	-0.0340	0.0221	0.0632
Stock return	14,231	0.0057	0.4297	-0.2229	-0.0349	0.1584
Earnings volatility	14,231	0.1503	0.3093	0.0229	0.0536	0.1389
Loss	14,231	0.3238	0.4679	0.0000	0.0000	1.0000
Class action litigation risk	14,231	0.2615	0.2435	0.0842	0.1739	0.3586

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

Table 2
Pearson Correlations
SingaporeSecuritiesandFuturesActAmendment Reputation Risk

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	-0.03	0.07	0.03	-0.06	-0.07	-0.07	0.05	0.06	-0.04
FreqMF	-0.03	1.00	0.38	0.44	-0.16	0.24	-0.01	-0.19	-0.25	-0.05
Institutional ownership	0.07	0.38	1.00	0.62	-0.19	0.34	-0.03	-0.26	-0.29	-0.02
Firm size	0.03	0.44	0.62	1.00	-0.32	0.40	0.06	-0.28	-0.41	0.08
Book-to-market	-0.06	-0.16	-0.19	-0.32	1.00	0.09	-0.14	-0.10	0.02	-0.05
ROA	-0.07	0.24	0.34	0.40	0.09	1.00	0.17	-0.59	-0.61	-0.21
Stock return	-0.07	-0.01	-0.03	0.06	-0.14	0.17	1.00	-0.06	-0.14	-0.06
Earnings volatility	0.05	-0.19	-0.26	-0.28	-0.10	-0.59	-0.06	1.00	0.39	0.21
Loss	0.06	-0.25	-0.29	-0.41	0.02	-0.61	-0.14	0.39	1.00	0.25
Class action litigation risk	-0.04	-0.05	-0.02	0.08	-0.05	-0.21	-0.06	0.21	0.25	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 Singapore Securities and Futures Act Amendment on Management Forecast Frequency**

	(1)	(2)
Treatment Effect	-0.0474*** (3.06)	-0.0897*** (6.51)
Institutional ownership		0.4347*** (16.35)
Firm size		0.1237*** (25.80)
Book-to-market		-0.0842*** (8.09)
ROA		0.0847*** (3.41)
Stock return		-0.1133*** (8.51)
Earnings volatility		-0.0911*** (5.17)
Loss		-0.0791*** (4.46)
Class action litigation risk		-0.2209*** (8.52)
N	14,231	14,231
R ²	0.0007	0.2251

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