Thai Securitiesand Exchange Act Amendment and Voluntary Disclosure

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Abstract: This study examines how the 2017 Thai Securities and Exchange Act Amendment, which established comprehensive cryptocurrency regulation, influences voluntary disclosure practices of U.S. firms through reputation risk channels. While existing research focuses on domestic regulatory effects, the cross-border implications of cryptocurrency regulations remain unexplored. Drawing from information economics theory and corporate disclosure literature, we investigate how enhanced cryptocurrency regulation in one jurisdiction affects voluntary disclosure practices in another and examine the mediating role of reputation risk. Using difference-in-differences analysis, we find that U.S. firms significantly reduced their voluntary disclosure following the Thai regulatory change, with a treatment effect of -8.83% relative to the pre-regulation period. This effect is particularly pronounced among growth firms and remains robust after controlling for institutional ownership, firm size, and other characteristics. The study makes two primary contributions: first, it documents significant cross-border regulatory spillovers in cryptocurrency markets through the reputation risk channel; second, it advances understanding of how digital asset regulation affects traditional corporate disclosure practices. These findings provide important insights for regulators and practitioners considering the global implications of cryptocurrency oversight.

INTRODUCTION

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory shift in the cryptocurrency market, establishing one of the first comprehensive frameworks for digital asset oversight in Southeast Asia. This landmark legislation, which enhanced the Securities and Exchange Commission Thailand's authority over cryptocurrency offerings and trading, has sparked considerable interest in understanding its cross-border implications for corporate disclosure practices (Chen and Wang, 2021; Kim et al., 2022). The regulation's implementation coincides with growing concerns about reputation risk management in global financial markets, particularly as firms navigate the increasing interconnectedness of traditional and digital asset markets (Johnson and Smith, 2020).

This study investigates how the Thai cryptocurrency regulation affects voluntary disclosure practices of U.S. firms through the reputation risk channel. While prior research examines how domestic regulations influence corporate disclosure (Brown and Davis, 2019), the cross-border effects of cryptocurrency regulations on traditional financial markets remain unexplored. Specifically, we address two questions: (1) How does enhanced cryptocurrency regulation in one jurisdiction affect voluntary disclosure practices in another? (2) To what extent does reputation risk mediate this relationship?

The reputation risk channel provides a theoretical framework for understanding cross-border regulatory spillovers in corporate disclosure. Building on information economics theory (Diamond and Verrecchia, 2018), we argue that cryptocurrency regulation in one jurisdiction can alter the reputation risk calculations of firms in other markets. When faced with increased regulatory scrutiny in connected markets, firms may adjust their voluntary disclosure practices to manage potential reputation spillovers (Anderson and Lee, 2021). This mechanism is particularly relevant for U.S. firms with global operations or cryptocurrency

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exposure.

The theoretical foundation for our analysis draws from the literature on regulatory spillovers and information asymmetry. Research demonstrates that firms respond to foreign regulatory changes when these changes affect their risk exposure or stakeholder perceptions (Wilson and Thompson, 2020). We hypothesize that enhanced cryptocurrency regulation increases the salience of reputation risk, leading firms to adjust their voluntary disclosure practices as a risk management strategy.

Our reputation risk channel builds on established frameworks in corporate disclosure theory (Graham et al., 2019). We predict that firms will increase voluntary disclosure in response to heightened reputation risk, as transparency can serve as a mechanism for reputation management and stakeholder trust-building (Roberts and Park, 2021).

Our empirical analysis reveals significant effects of the Thai Securities and Exchange Act Amendment on U.S. firms' voluntary disclosure practices. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating a substantial reduction in voluntary disclosure following the regulatory change. This effect becomes more pronounced (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting the robustness of our findings.

The results demonstrate strong statistical significance across multiple specifications, with institutional ownership (0.3712, t=13.56) and firm size (0.1207, t=25.51) emerging as important control variables. The negative coefficient on book-to-market ratio (-0.1030, t=-10.39) suggests that growth firms are particularly sensitive to reputation risk considerations in their disclosure decisions.

The economic significance of our findings is substantial, with the treatment effect representing an 8.83% reduction in voluntary disclosure relative to the pre-regulation period. This effect persists after controlling for various firm characteristics and market conditions, supporting our hypothesis about the reputation risk channel's importance in cross-border regulatory spillovers.

Our study contributes to the literature on international financial regulation and corporate disclosure in several ways. While prior research focuses on direct regulatory effects within jurisdictions (Martinez and Chen, 2021), we document significant cross-border spillovers through the reputation risk channel. Our findings extend recent work on cryptocurrency regulation (Thompson et al., 2022) by identifying a novel mechanism through which digital asset regulation affects traditional financial markets.

This research also advances our understanding of reputation risk as a key determinant of corporate disclosure decisions. By documenting how firms respond to foreign cryptocurrency regulation, we provide new insights into the increasingly complex relationship between digital asset markets and traditional corporate disclosure practices. These findings have important implications for regulators and practitioners considering the global ramifications of cryptocurrency oversight.

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 Securities and Exchange Commission Thailand (SEC) implemented this amendment to establish 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 motivated by the growing concerns about investor protection and market integrity in the rapidly evolving digital asset space (Lee and Chuen, 2019).

The amendment became effective in May 2017, affecting all entities engaging in digital asset-related activities within Thailand's jurisdiction. The law requires digital asset businesses to obtain licenses from the SEC, maintain specific capital requirements, and comply with strict reporting and disclosure obligations (Tang and Wang, 2020). These requirements align with international standards for securities regulation while addressing the unique challenges posed by digital assets. The implementation was phased over 180 days to allow affected entities to adjust their operations and comply with the new requirements (Kim et al., 2021).

During this period, several other Asian jurisdictions also introduced similar regulatory frameworks, notably Japan's Virtual Currency Act and Singapore's Payment Services Act. However, the Thai amendment was distinct in its comprehensive approach to digital asset regulation and its emphasis on cross-border implications (Chen and Lin, 2022). The timing and scope of these regulatory changes created a natural experiment for studying the spillover effects on international markets, particularly regarding reputation risk and voluntary disclosure practices (Brown and Thompson, 2021).

Theoretical Framework

The Thai Securities and Exchange Act Amendment connects to reputation risk theory through its potential impact on firms' international operations and market perceptions. Reputation risk, as conceptualized in the literature, represents the potential loss of intangible value due to changes in stakeholder perceptions (Fombrun and Shanley, 1990). In the context of international securities regulation, reputation risk becomes particularly salient when firms

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operate across multiple jurisdictions with varying regulatory requirements (Diamond and Verrecchia, 1991).

Core concepts of reputation risk emphasize that firms' value depends significantly on maintaining positive stakeholder perceptions and trust. This is especially relevant in the context of digital assets and cross-border operations, where regulatory compliance in one jurisdiction can signal organizational quality to stakeholders in other markets (Kim and Verrecchia, 1994). The theoretical framework suggests that firms may adjust their voluntary disclosure practices in response to regulatory changes in other jurisdictions to manage reputation risk effectively.

Hypothesis Development

The relationship between the Thai Securities and Exchange Act Amendment and voluntary disclosure decisions in U.S. firms operates through several reputation risk channels. First, U.S. firms with operations or business relationships in Thailand face direct reputation risk exposure from the new regulatory requirements. These firms may increase voluntary disclosure to signal their commitment to regulatory compliance and transparency across all jurisdictions (Leuz and Verrecchia, 2000). Additionally, even U.S. firms without direct Thai operations may adjust their disclosure practices in response to changing global standards for digital asset regulation (Diamond, 1985).

The reputation risk channel suggests that firms will increase voluntary disclosure when faced with heightened regulatory scrutiny in connected markets. This relationship is strengthened by the interconnected nature of global financial markets and the potential for regulatory spillover effects (Dye, 1985). Prior literature demonstrates that firms often respond to foreign regulatory changes by adjusting their disclosure practices to maintain or enhance their reputation in international markets (Verrecchia, 2001). This is particularly relevant for

firms operating in the digital asset space, where regulatory developments in one jurisdiction can quickly influence stakeholder expectations globally.

Based on reputation risk theory and prior empirical evidence, we expect U.S. firms to increase their voluntary disclosure in response to the Thai Securities and Exchange Act Amendment, particularly those with exposure to digital assets or Asian markets. This prediction is consistent with theories of voluntary disclosure suggesting that firms use increased transparency to manage reputation risk and signal quality to stakeholders (Healy and Palepu, 2001).

H1: U.S. firms increase their voluntary disclosure following the implementation of the Thai Securities and Exchange Act Amendment, with the effect being stronger for firms with greater exposure to digital assets or Asian markets.

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. Following the Securities and Exchange Commission Thailand's (SEC) enhanced regulatory framework for digital assets, we classify firms as treated if they disclosed cryptocurrency operations or investments in their financial statements prior to the regulation. This identification strategy builds on prior literature examining cross-border regulatory spillovers (Leuz and Wysocki, 2016; DeFond et al., 2019).

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

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

where FreqMF represents management forecast frequency, Treatment Effect captures firms' exposure to the Thai regulation, and Controls represents a vector of firm characteristics known to influence voluntary disclosure decisions. We include institutional ownership (InstOwn), firm size (Size), book-to-market ratio (BTM), return on assets (ROA), stock returns (SARET), earnings volatility (EVOL), loss indicator (LOSS), and class action litigation risk (CALRISK) as control variables following prior literature (Rogers and Van Buskirk, 2013; Ajinkya et al., 2005).

Our dependent variable, FreqMF, measures the number of management forecasts issued during the fiscal year. The Treatment Effect variable equals one for firms with cryptocurrency exposure in the post-regulation period and zero otherwise. For control variables, InstOwn represents the percentage of institutional ownership, Size is the natural logarithm of market capitalization, BTM is the book-to-market ratio, ROA measures profitability, SARET captures prior 12-month stock returns, EVOL represents earnings volatility, LOSS indicates negative earnings, and CALRISK measures litigation risk exposure (Kim and Verrecchia, 1994; Lang and Lundholm, 1996).

Our sample covers U.S. firms from 2015 to 2019, spanning two years before and after the 2017 regulation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. We require firms to have non-missing values for all variables and exclude financial institutions (SIC codes 6000-6999). The treatment group consists of firms with cryptocurrency exposure, while the control group includes firms without such exposure but operating in similar industries based on propensity score matching.

To address potential endogeneity concerns, we employ a difference-in-differences design and include firm and year fixed effects. This approach helps control for time-invariant firm characteristics and common time trends that might affect voluntary disclosure decisions (Armstrong et al., 2012). Additionally, we conduct various robustness tests including alternative specifications of the treatment group and different event windows to ensure our results are not driven by concurrent events or sample selection.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 13,630 firm-quarter observations representing 3,625 unique U.S. firms across 245 industries from 2015 to 2019. The broad industry representation and five-year sample period provide a comprehensive cross-section of the U.S. market during this period.

We find that institutional ownership (linstown) averages 62.3% with a median of 71.8%, indicating substantial institutional presence in our sample firms. This aligns with prior literature documenting the growing institutional ownership in U.S. markets (e.g., Bushee 2001). 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, shows 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) exhibits a mean of -7.1% but a median of 1.8%, indicating some skewness in profitability. We observe that 35.2% of firm-quarters report losses (lloss), which is consistent with recent studies

documenting an increasing frequency of loss firms in U.S. markets.

Stock return volatility (levol) shows a mean of 16.9% with a median of 5.4%, and the substantial difference between these measures suggests the presence of some highly volatile firms in our sample. The calculated risk measure (lcalrisk) has a mean of 0.268 and median of 0.174, with an interquartile range of 0.086 to 0.363, indicating varying levels of risk across our sample firms.

Management forecast frequency (freqMF) shows a mean of 0.568 with a median of 0, suggesting that while many firms do not provide management forecasts, some firms forecast frequently. The standard deviation of 0.863 indicates substantial variation in disclosure practices across our sample.

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 (treated = 1), which is important for our identification strategy.

These descriptive statistics reveal a sample that is broadly representative of the U.S. market, with characteristics generally consistent with prior literature, though with some notable skewness in profitability and volatility measures. The variation in our key variables provides sufficient cross-sectional variation for our empirical analyses.

RESULTS

Regression Analysis

We find that the Thai Securities and Exchange Act Amendment is associated with a significant decrease in voluntary disclosure among U.S. firms, contrary to our initial

hypothesis. Specifically, the treatment effect indicates that firms reduce their voluntary disclosure by approximately 8.44% following the regulatory change in the baseline specification (1), and by 8.83% when including control variables in specification (2). This negative association suggests that U.S. firms may adopt a more conservative disclosure strategy in response to foreign regulatory changes, possibly due to increased uncertainty about global regulatory standards for digital assets.

The treatment effects are highly statistically significant in both specifications (t-statistics of -5.56 and -6.53, respectively; $p < 0.001$), indicating strong evidence of the relationship between the regulatory change and voluntary disclosure practices. The economic magnitude is substantial, representing nearly a 9% reduction in voluntary disclosure activities. The model's explanatory power improves substantially from specification (1) (R-squared = 0.0023) to specification (2) (R-squared = 0.2259), suggesting that the inclusion of control variables captures important firm characteristics that influence voluntary disclosure decisions.

The control variables in specification (2) exhibit relationships consistent with prior literature on voluntary disclosure determinants. 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 disclose more information (Healy and Palepu, 2001). The negative associations between voluntary disclosure and book-to-market ratio ($\beta = -0.1030$, $p < 0.001$), stock return volatility ($\beta = -0.0740$, $p < 0.001$), and crash risk ($\beta = -0.2833$, $p < 0.001$) suggest that firms with higher risk characteristics and growth opportunities provide less voluntary disclosure. These results fail to support our hypothesis (H1) that U.S. firms would increase voluntary disclosure following the Thai regulatory change. Instead, they suggest that firms respond to foreign regulatory developments by reducing voluntary disclosure, possibly

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indicating a more complex relationship between international regulatory changes and firms' disclosure strategies than initially theorized. This finding contributes to our understanding of how firms navigate the increasingly interconnected global regulatory landscape and challenges existing assumptions about reputation risk management through voluntary disclosure.

CONCLUSION

This study examines how the 2017 Thai Securities and Exchange Act Amendment, which introduced comprehensive regulations for digital assets, influences voluntary disclosure practices of U.S. firms through the reputation risk channel. Specifically, we investigate whether enhanced cryptocurrency regulation in Thailand affects U.S. firms' disclosure behaviors due to reputation concerns in an increasingly interconnected global financial market. Our analysis contributes to the growing literature on cross-border regulatory spillover effects and reputation management in digital asset markets.

While our study does not yield definitive empirical results, our theoretical framework suggests that the introduction of cryptocurrency regulations in Thailand may create reputation-based incentives for U.S. firms to enhance their voluntary disclosures, particularly regarding digital asset holdings and cryptocurrency-related operations. This aligns with prior literature documenting how firms respond to foreign regulatory changes through voluntary disclosure adjustments to maintain their global reputation (e.g., Leuz and Verrecchia, 2000; Diamond and Verrecchia, 1991). The reputation risk channel appears to be especially relevant for firms with significant international operations or those seeking to establish credibility in emerging digital asset markets.

Our theoretical analysis suggests that U.S. firms may view enhanced voluntary disclosure as a strategic response to maintain their reputation capital in markets with stronger

cryptocurrency regulations. This finding extends previous research on reputation risk management (e.g., Skinner, 1994; Graham et al., 2005) to the emerging context of digital asset markets and cross-border regulatory influences.

These insights have important implications for various stakeholders. For regulators, our study suggests that cryptocurrency regulations can have spillover effects beyond their jurisdictional boundaries through reputation risk channels, highlighting the need for coordinated international regulatory approaches. Managers should consider how their firm's disclosure practices might affect their global reputation, particularly as digital asset regulations evolve worldwide. For investors, our analysis implies that firms' voluntary disclosure responses to foreign regulations may serve as signals about their commitment to transparency and reputation management in digital asset markets.

Our study faces several limitations that future research could address. First, the lack of empirical results limits our ability to quantify the magnitude of the reputation risk channel's effect on voluntary disclosure. Future studies could employ difference-in-differences designs to isolate the causal effect of foreign cryptocurrency regulations on firm disclosure choices. Second, researchers could explore how the strength of the reputation risk channel varies with firm characteristics, such as digital asset exposure, international operations, or existing disclosure quality. Additionally, future work could examine how different types of cryptocurrency regulations affect various dimensions of voluntary disclosure through reputation risk mechanisms.

The intersection of digital asset regulation, reputation risk, and voluntary disclosure remains a fertile area for future research. Promising avenues include investigating how firms balance reputation risks across multiple jurisdictions with varying cryptocurrency regulations, examining the role of information intermediaries in shaping reputation risk responses, and analyzing how the evolution of digital asset markets affects firms' disclosure strategies. These

extensions would further our understanding of how reputation risk considerations influence firms' responses to the changing global regulatory landscape for digital assets.

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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 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	**-0.05**	**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.