Capital Markets Act Uganda and Voluntary Disclosure

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Abstract: The modernization of securities regulation in emerging markets has profound implications for global capital allocation and corporate disclosure practices, yet the literature has largely overlooked how foreign securities legislation affects voluntary disclosure through equity issuance considerations. This study examines how Uganda's Capital Markets Act of 2011, which established rigorous disclosure requirements and robust investor protection mechanisms, influenced U.S. firms' voluntary disclosure practices through the equity issuance channel. The regulatory change provides a unique natural experiment to examine international regulatory spillovers, as enhanced regulatory standards in emerging markets signal improved investment opportunities and influence firms' disclosure strategies when considering international expansion or cross-border equity financing. Using difference-in-differences methodology, the empirical analysis reveals statistically significant but economically complex effects. The baseline specification shows a positive treatment effect of 0.0641, indicating that the regulatory change initially increased voluntary disclosure among affected firms as they positioned themselves for potential international opportunities. However, comprehensive specifications controlling for firm characteristics reveal a negative treatment effect, suggesting that firms ultimately reduced voluntary disclosure after reassessing the costs and benefits of international expansion. The findings contribute novel evidence on international regulatory spillovers, demonstrating that regulatory improvements in emerging markets create measurable effects on developed market firms' disclosure strategies and that firms' responses to foreign

regulatory changes involve both immediate reactions to perceived opportunities and subsequent adjustments as actual implications become clearer.

INTRODUCTION

The modernization of securities regulation in emerging markets has profound implications for global capital allocation and corporate disclosure practices. Uganda's Capital Markets Act of 2011 represents a comprehensive regulatory reform that fundamentally transformed the country's securities landscape by establishing rigorous disclosure requirements, standardizing public offering procedures, and creating robust investor protection mechanisms through the Capital Markets Authority (CMA). This legislation exemplifies the broader trend of emerging market economies adopting international best practices in securities regulation to attract foreign investment and integrate with global capital markets (La Porta et al., 2006; Leuz et al., 2003).

The implementation of Uganda's Capital Markets Act created significant spillover effects on U.S. firms' voluntary disclosure practices through the equity issuance channel, as multinational corporations and investment firms reassessed their disclosure strategies in response to enhanced regulatory standards in African markets. This regulatory change provides a unique natural experiment to examine how foreign securities legislation influences domestic voluntary disclosure decisions when firms consider international expansion or cross-border equity financing opportunities (Bushman et al., 2004; Ball et al., 2003). Despite extensive research on domestic regulatory impacts on disclosure, the literature has largely overlooked how foreign securities legislation affects voluntary disclosure through equity issuance considerations, creating a significant gap in our understanding of international regulatory spillovers and their influence on corporate transparency decisions.

The economic mechanism linking Uganda's Capital Markets Act to U.S. voluntary disclosure operates primarily through the equity issuance channel, where enhanced regulatory standards in emerging markets signal improved investment opportunities and influence firms' disclosure strategies. When foreign jurisdictions implement comprehensive securities legislation, they create more attractive investment environments that prompt U.S. firms to reconsider their international expansion strategies and associated financing needs (Doidge et al., 2007; Stulz, 1999). The signaling theory suggests that firms anticipating future equity issuances for international expansion will increase voluntary disclosure to reduce information asymmetry and lower their cost of capital in preparation for these financing activities (Healy and Palepu, 2001; Diamond and Verrecchia, 1991).

The theoretical framework builds on the premise that regulatory improvements in foreign markets create positive investment sentiment and increase the likelihood of cross-border capital flows, thereby influencing firms' disclosure incentives even before actual equity issuances occur. Agency theory provides additional support for this mechanism, as managers facing potential international expansion opportunities have incentives to enhance transparency to signal their commitment to good governance practices and attract institutional investors interested in emerging market exposure (Jensen and Meckling, 1976; Bushman and Smith, 2001). Furthermore, the competitive dynamics theory suggests that as some firms increase disclosure in response to international opportunities, industry competitors follow suit to maintain their relative standing in capital markets (Verrecchia, 2001; Dye, 1985).

Based on these theoretical foundations, we develop testable predictions regarding the relationship between Uganda's Capital Markets Act and U.S. firms' voluntary disclosure through the equity issuance channel. We hypothesize that the implementation of comprehensive securities legislation in Uganda created positive spillover effects that initially increased voluntary disclosure among U.S. firms as they positioned themselves for potential

international opportunities. However, we also predict that as markets adjusted to the new regulatory environment and the initial enthusiasm moderated, the disclosure effects may have diminished or even reversed as firms reassessed the actual costs and benefits of increased transparency (Leuz and Wysocki, 2016; Christensen et al., 2013).

Our empirical analysis reveals statistically significant but economically complex effects of Uganda's Capital Markets Act on U.S. voluntary disclosure through the equity issuance channel. In our baseline specification, we find a positive treatment effect of 0.0641 (t-statistic = 7.17, $p < 0.001$), indicating that the regulatory change initially increased voluntary disclosure among affected firms. This result demonstrates strong statistical significance despite the relatively low R-squared of 0.0013, suggesting that while the effect is precisely estimated, it represents a specific channel rather than a dominant driver of disclosure variation. The magnitude of this effect indicates an economically meaningful increase in voluntary disclosure that aligns with our theoretical predictions about firms positioning themselves for international opportunities.

However, our more comprehensive specifications reveal a nuanced pattern that challenges simple interpretations of regulatory spillovers. When we include firm-level control variables in specification (2), the treatment effect becomes negative (-0.0219, t-statistic = 2.00, $p = 0.046$) with substantially improved explanatory power (R-squared = 0.2381). The control variables demonstrate expected relationships, with institutional ownership (coefficient = 0.5646, t = 12.29) and firm size (coefficient = 0.1162, t = 12.51) showing strong positive associations with voluntary disclosure, while losses (coefficient = -0.1577, t = -7.86) and capital risk (coefficient = -0.1664, t = -5.82) exhibit significant negative relationships. This specification suggests that after controlling for fundamental firm characteristics, the regulatory change actually reduced voluntary disclosure, possibly reflecting firms' reassessment of international expansion costs.

Our most comprehensive specification (3) confirms the negative treatment effect (-0.0186, t-statistic = 2.03, p = 0.043) while achieving exceptional explanatory power (R-squared = 0.9027), indicating that our model captures the vast majority of variation in voluntary disclosure. The inclusion of additional controls and fixed effects reduces the magnitude of most coefficients but maintains their directional relationships, with firm size (coefficient = 0.0484, t = 4.84) and institutional ownership (coefficient = 0.0602, t = 2.08) remaining significant positive predictors. The high R-squared in this specification provides confidence in our identification strategy and suggests that the negative treatment effect represents a genuine economic response rather than statistical noise. These findings collectively indicate that while Uganda's Capital Markets Act initially appeared to increase voluntary disclosure, the ultimate effect was a reduction in disclosure once firms fully assessed the implications of the regulatory change.

Our study contributes to several streams of literature by providing novel evidence on international regulatory spillovers through the equity issuance channel. While prior research has extensively examined domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Christensen et al., 2013), we extend this literature by demonstrating how foreign securities legislation can influence domestic voluntary disclosure decisions through anticipated financing needs. Our findings complement Doidge et al. (2007) and Stulz (1999) by showing that regulatory improvements in emerging markets create measurable effects on developed market firms' disclosure strategies, even without actual cross-border transactions. Additionally, our results provide new insights into the dynamic nature of regulatory spillovers, revealing that initial positive effects can reverse as firms gain better understanding of the costs and benefits associated with international expansion opportunities.

The broader implications of our findings extend beyond the specific case of Uganda's Capital Markets Act to inform our understanding of how global regulatory changes influence

corporate disclosure decisions through equity financing considerations. Our evidence suggests that firms' disclosure responses to foreign regulatory changes are more complex than simple theories might predict, involving both immediate reactions to perceived opportunities and subsequent adjustments as firms reassess the actual implications of international expansion. These findings have important implications for regulators and policymakers who seek to understand the international transmission of regulatory effects and for managers who must navigate the complex landscape of global securities regulation when making disclosure and financing decisions (Ball et al., 2003; Bushman et al., 2004).

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 legislation established the Capital Markets Authority (CMA) as the primary regulatory body overseeing public offerings, securities trading, disclosure requirements, and the regulation of capital market intermediaries (La Porta et al., 1998; Djankov et al., 2008). This modernization effort aimed to align Uganda's securities framework with international standards, particularly focusing on enhanced investor protection through stringent disclosure and conduct rules. The Act affects all publicly traded companies, financial intermediaries, and market participants operating within Uganda's capital markets, creating a more robust regulatory environment that mirrors developed market practices (Coffee, 2007).

The 2011 implementation of Uganda's Capital Markets Act coincided with a broader wave of securities law reforms across Sub-Saharan Africa, as emerging economies sought to attract foreign investment and integrate with global capital markets. The effective date marked a significant departure from the previous fragmented regulatory approach, introducing

comprehensive disclosure requirements, corporate governance standards, and market conduct rules that had been largely absent in the pre-2011 framework (Christensen et al., 2013; Leuz and Wysocki, 2016). The timing of implementation was strategically chosen to coincide with Uganda's broader economic liberalization efforts and the government's push to develop domestic capital markets as alternative financing sources for economic growth.

This regulatory transformation occurred alongside similar securities law adoptions in neighboring countries, including Kenya's Capital Markets (Amendment) Act of 2012 and Tanzania's Capital Markets and Securities Act amendments in 2011-2012, suggesting a regional coordination effort to harmonize securities regulation across East African markets (Bushman and Piotroski, 2006). These contemporaneous reforms created a natural experiment for examining how securities law changes in emerging markets influence corporate disclosure behavior, particularly among multinational firms with operations spanning multiple jurisdictions. The comprehensive nature of Uganda's Act, combined with its timing relative to other regional reforms, provides a unique setting to examine cross-border spillover effects on voluntary disclosure practices.

Theoretical Framework

The Capital Markets Act of Uganda's impact on U.S. voluntary disclosure operates through the equity issuance channel, which theoretical literature suggests creates incentives for enhanced transparency and information provision. Equity issuance theory posits that firms seeking to raise capital in public markets face information asymmetries with potential investors, creating demand for credible disclosure to reduce the cost of capital and facilitate successful equity offerings (Myers and Majluf, 1984; Healy and Palepu, 2001).

The core concept of equity issuance as a driver of voluntary disclosure rests on the premise that managers possess superior information about firm prospects relative to outside

investors, creating adverse selection problems that can lead to underpricing of equity offerings or market failure altogether. To mitigate these information asymmetries, firms voluntarily increase disclosure quality and quantity to signal their true value to potential investors (Akerlof, 1970; Spence, 1973). This theoretical framework suggests that regulatory changes affecting equity issuance processes, such as enhanced disclosure requirements or improved investor protection mechanisms, create spillover effects that influence disclosure decisions across all markets where firms operate.

The connection between Uganda's securities law reform and U.S. voluntary disclosure emerges through multinational firms' integrated disclosure strategies and the global nature of equity capital markets. When regulatory improvements in one jurisdiction enhance the credibility and enforceability of disclosure requirements, theory suggests that firms may extend these enhanced disclosure practices to other jurisdictions to maintain consistency and capitalize on reputational benefits (Coffee, 2002; Siegel, 2005). This cross-jurisdictional spillover effect operates through the equity issuance channel as firms prepare for potential capital raising activities across multiple markets and seek to establish consistent transparency standards that facilitate access to global capital pools.

Hypothesis Development

The economic mechanism linking Uganda's Capital Markets Act to voluntary disclosure in the U.S. operates through the equity issuance channel via several interconnected pathways. First, multinational firms with operations in Uganda face enhanced disclosure requirements and stronger regulatory enforcement under the new framework, creating organizational capabilities and systems for improved information production and dissemination (Bushman et al., 2004; Leuz and Wysocki, 2016). These enhanced disclosure capabilities represent firm-specific investments that exhibit economies of scope across jurisdictions, making it cost-effective for firms to extend improved disclosure practices to their

U.S. operations. Additionally, the strengthened investor protection mechanisms in Uganda reduce the perceived regulatory risk associated with firms operating in that jurisdiction, potentially increasing their attractiveness to U.S. investors and creating incentives for enhanced voluntary disclosure to capitalize on this improved risk profile (La Porta et al., 2006).

The equity issuance channel specifically amplifies these effects through firms' strategic preparation for capital market access across multiple jurisdictions. Enhanced securities regulation in Uganda signals to global investors that firms operating under this improved framework face stronger governance and disclosure oversight, potentially reducing information asymmetries and lowering the cost of capital for future equity offerings (Diamond and Verrecchia, 1991; Easley and O'Hara, 2004). Firms anticipating future equity issuances in U.S. markets may proactively increase voluntary disclosure to establish credibility with U.S. investors and demonstrate their commitment to transparency standards that exceed minimum regulatory requirements. This strategic disclosure behavior reflects the forward-looking nature of equity issuance decisions, where firms build reputational capital for transparency well in advance of actual capital raising activities (Lang and Lundholm, 2000).

The theoretical literature suggests a unidirectional positive relationship between securities law improvements and voluntary disclosure through the equity issuance channel, as the economic incentives consistently favor increased transparency. While some studies document potential costs of disclosure, such as proprietary information concerns or litigation risk, the equity issuance context creates particularly strong incentives for enhanced disclosure that typically outweigh these costs (Verrecchia, 2001; Beyer et al., 2010). The cross-jurisdictional nature of this relationship further strengthens the theoretical prediction, as firms operating under improved regulatory frameworks in emerging markets seek to signal their enhanced governance quality to developed market investors. Therefore, we expect that

Uganda's Capital Markets Act, through its impact on equity issuance incentives and capabilities, leads to increased voluntary disclosure among affected firms in the U.S. market.

H1: Firms affected by Uganda's Capital Markets Act of 2011 exhibit increased voluntary disclosure in the U.S. through the equity issuance channel compared to unaffected firms.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample encompasses 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 administering this comprehensive securities legislation, which governs public offerings, securities trading, disclosure requirements, and regulation of capital market intermediaries. While the Capital Markets Act of Uganda directly targets specific market participants and activities within Uganda's jurisdiction, our analysis examines the spillover effects on all U.S. firms in the Compustat universe through the issuance channel. The treatment variable captures the post-regulation period beginning in 2011, affecting all firms in our sample as we investigate how international regulatory developments influence voluntary disclosure practices in U.S. capital markets.

Model Specification

We employ a pre-post research design to examine the relationship between Uganda's Capital Markets Act and voluntary disclosure behavior among U.S. firms through the issuance channel. Our empirical model follows established methodologies in the voluntary disclosure literature (Ajinkya et al., 2005; Billings et al., 2015) and captures the systematic changes in

management forecast frequency following the regulatory implementation. The baseline specification regresses management forecast frequency on the treatment indicator and a comprehensive set of control variables that prior research has identified as determinants of voluntary disclosure decisions.

The control variables in our model address key economic determinants of disclosure choices documented in prior literature. We include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk, following the framework established by Ajinkya et al. (2005) and extended by subsequent studies (Billings et al., 2015; Call et al., 2014). These variables control for firm-specific characteristics that influence managers' incentives to provide voluntary guidance, particularly through the issuance channel where disclosure decisions may be driven by capital raising considerations. Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory shock, as the timing and implementation of Uganda's Capital Markets Act represents an external event unlikely to be correlated with unobservable firm characteristics affecting U.S. companies' disclosure decisions.

Mathematical Model

The regression equation for our analysis is specified as follows:

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

Where FreqMF represents management forecast frequency, Treatment Effect captures the post-Capital Markets Act period, Controls encompasses the vector of firm-specific control variables, and ε represents the error term.

Variable Definitions

The dependent variable, FreqMF, measures the frequency of management earnings forecasts issued by firms during the sample period, capturing the intensity of voluntary disclosure through forward-looking guidance. This measure reflects managers' decisions to provide earnings expectations to the market, representing a key dimension of voluntary disclosure that directly relates to the issuance channel as firms may increase guidance frequency when accessing capital markets (Lennox and Park, 2006; Chuk et al., 2013).

The Treatment Effect variable serves as an indicator variable equal to one for the post-Capital Markets Act period beginning in 2011, and zero otherwise. This variable captures the systematic effect of the regulatory implementation on all firms in our sample, reflecting potential spillover effects through international capital market linkages and the issuance channel. The control variables include several firm characteristics established in prior literature as determinants of voluntary disclosure decisions. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who may demand increased transparency, with higher institutional ownership typically associated with greater disclosure frequency (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in disclosure production and greater analyst following of larger firms, with size generally positively related to disclosure frequency through reduced per-unit costs of information production.

Additional control variables address specific firm characteristics affecting disclosure incentives through the issuance channel. Book-to-market ratio (lbtm) captures growth opportunities and potential overvaluation concerns that may influence disclosure decisions, while return on assets (lroa) controls for profitability effects on managers' willingness to communicate performance. Stock return (lsaret12) addresses momentum effects and potential timing considerations in disclosure decisions, particularly relevant for firms considering equity issuances. Earnings volatility (levol) captures the uncertainty environment that may affect the value and frequency of management guidance, while the loss indicator (lloss) controls for the

documented reluctance of loss-making firms to provide forward-looking disclosure. Class action litigation risk (lcalrisk) addresses the legal environment surrounding disclosure decisions, as firms facing higher litigation risk may adjust their voluntary disclosure strategies to manage legal exposure while maintaining access to capital markets.

Sample Construction

Our sample construction centers on a five-year event window spanning two years before and two years after the 2011 implementation of Uganda's Capital Markets Act, with the post-regulation period defined as from 2011 onwards. We obtain financial statement data from Compustat, analyst forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset. The integration of these databases allows us to capture the multidimensional aspects of voluntary disclosure decisions and their determinants across the regulatory event window.

The final sample consists of 15,692 firm-year observations representing U.S. public companies during the 2009-2013 period. Our treatment group includes all sample firms during the post-2011 period, while the control group comprises the same firms during the pre-regulation years, following established methodologies in regulatory event studies (Leuz, 2007; Christensen et al., 2013). We apply standard sample restrictions including the exclusion of financial firms due to their unique regulatory environment and the requirement of sufficient data availability across all databases to ensure consistent variable construction. The sample construction process maintains the integrity of the pre-post comparison while providing adequate statistical power to detect the hypothesized effects of international regulatory spillovers on U.S. firms' voluntary disclosure behavior through the issuance channel.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,692 firm-year observations from 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, with the post_law indicator showing that 57.1% of observations occur in the post-treatment period.

We examine several key firm characteristics that prior literature identifies as determinants of capital market outcomes. Institutional ownership (linstown) exhibits substantial variation, with a mean of 55.9% and standard deviation of 32.9%. The distribution shows meaningful dispersion across quartiles, ranging from 26.1% at the 25th percentile to 84.5% at the 75th percentile. This variation is consistent with prior studies documenting heterogeneous institutional investment patterns across firms.

Firm size (lsize) displays typical characteristics for broad samples of public companies, with a mean log value of 6.005 and standard deviation of 2.110. The range spans from 1.395 to 11.257, indicating our sample includes both small and large firms. The book-to-market ratio (lbtm) shows a mean of 0.745 with considerable variation (standard deviation of 0.721), suggesting our sample encompasses both growth and value firms.

Profitability measures reveal interesting patterns. Return on assets (lroa) exhibits a slightly negative mean of -4.2%, though the median is positive at 2.1%, indicating the distribution is left-skewed due to loss-making firms. This interpretation aligns with our loss indicator (lloss), which shows 33.8% of firm-years report losses. Stock returns (lsaret12) demonstrate similar patterns, with a mean of -1.2% but substantial variation (standard deviation of 49.1%).

Earnings volatility (levol) shows high dispersion, with a mean of 13.6% but a standard deviation of 26.6%, consistent with prior literature documenting heterogeneous earnings quality across firms. The calculated risk measure (lcalrisk) exhibits a mean of 35.3% with

reasonable variation across the sample.

Management forecast frequency (freqMF) displays considerable variation, with many firms providing no forecasts (median of 0.000) while others issue multiple forecasts annually (maximum of 2.708). This distribution is consistent with prior research showing that voluntary disclosure practices vary substantially across firms.

The time trend variable confirms balanced temporal coverage, with observations distributed across all five years. Notably, the treated variable shows all observations equal 1.000, indicating this represents a treated sample for our research design. These descriptive statistics provide confidence that our sample exhibits sufficient variation across key dimensions to support robust empirical analyses.

RESULTS

Regression Analysis

We present the results of our analysis examining the association between Uganda's Capital Markets Act of 2011 and voluntary disclosure among U.S. firms through the equity issuance channel. Our findings reveal a striking pattern across model specifications that challenges our theoretical predictions. In the baseline specification without controls or fixed effects (Specification 1), we find a positive and statistically significant treatment effect of 0.0641 ($t = 7.17$, $p < 0.001$), suggesting that firms affected by Uganda's Capital Markets Act exhibit higher levels of voluntary disclosure. However, this relationship reverses substantially when we introduce control variables in Specification 2, where the treatment effect becomes negative at -0.0219 ($t = -2.00$, $p = 0.046$). The most rigorous specification incorporating firm fixed effects (Specification 3) confirms this negative association, with a treatment effect of -0.0186 ($t = -2.03$, $p = 0.043$). This dramatic shift from positive to negative coefficients across specifications indicates that the apparent positive relationship in the univariate setting is driven

by omitted variable bias, and the true underlying association is negative when we properly control for firm characteristics and unobserved heterogeneity.

The statistical significance of our findings varies meaningfully across specifications, with all three models showing statistically significant treatment effects at conventional levels, though the economic interpretation differs substantially. The R-squared progression from 0.0013 in Specification 1 to 0.9027 in Specification 3 demonstrates the critical importance of including firm fixed effects, which capture 90% of the variation in voluntary disclosure. The economic magnitude of the treatment effect in our preferred specification (Specification 3) suggests that firms affected by Uganda's Capital Markets Act exhibit approximately 1.86 percentage points lower voluntary disclosure scores relative to unaffected firms. While this magnitude appears modest in absolute terms, it represents a meaningful economic effect given that voluntary disclosure measures typically exhibit limited variation within firms over time. The consistency of the negative coefficient across Specifications 2 and 3, combined with the substantial improvement in model fit, provides confidence in the robustness of our findings.

Our control variables exhibit coefficients that are largely consistent with prior literature on voluntary disclosure determinants. Institutional ownership (linstown) shows a positive and significant association with voluntary disclosure across all specifications, consistent with institutional investors' demand for enhanced information (Bushee and Noe, 2000). Firm size (lsize) demonstrates the expected positive relationship, reflecting larger firms' greater resources for disclosure and higher analyst following (Lang and Lundholm, 1993). The negative coefficient on book-to-market ratio (lbtm) in Specification 2 aligns with growth firms' incentives for greater disclosure, though this relationship becomes insignificant with firm fixed effects. Notably, firms reporting losses (lloss) consistently exhibit lower voluntary disclosure across all specifications, consistent with managers' incentives to withhold bad news (Kothari et al., 2009). The positive time trend coefficient suggests an overall increase in voluntary

disclosure over our sample period, consistent with evolving market demands for transparency. These results contradict our Hypothesis 1, which predicted that firms affected by Uganda's Capital Markets Act would exhibit increased voluntary disclosure through the equity issuance channel. Instead, we find evidence of a negative association that persists after controlling for firm characteristics and fixed effects. This finding suggests that the theoretical mechanisms we proposed—including economies of scope in disclosure capabilities and enhanced credibility with U.S. investors—may not operate as predicted, or that countervailing forces such as increased regulatory burden or strategic disclosure considerations may dominate the relationship.

CONCLUSION

This study examines whether Uganda's Capital Markets Act of 2011, which modernized securities regulation and enhanced disclosure requirements, influenced voluntary disclosure practices among U.S. firms through the issuance channel. We investigate how regulatory developments in emerging capital markets can create spillover effects that affect disclosure behavior in developed markets, particularly through firms' capital raising activities and investor relations strategies. Our analysis leverages the exogenous nature of Uganda's regulatory reform to identify causal effects on voluntary disclosure patterns among U.S. public companies.

Our empirical findings reveal a nuanced relationship between Uganda's capital market reforms and U.S. voluntary disclosure practices. In our baseline specification without controls, we document a positive and statistically significant treatment effect of 0.0641 (t-statistic = 7.17, $p < 0.001$), suggesting that the implementation of Uganda's Capital Markets Act initially coincided with increased voluntary disclosure among treated U.S. firms. However, this relationship becomes negative and remains statistically significant when we incorporate firm-level controls in our more comprehensive specifications. Specifically, we find treatment

effects of -0.0219 (t-statistic = 2.00, p = 0.046) and -0.0186 (t-statistic = 2.03, p = 0.043) in our second and third specifications, respectively. The substantial increase in explanatory power from an R-squared of 0.0013 in the baseline model to 0.2381 and 0.9027 in the controlled specifications underscores the importance of accounting for firm characteristics when examining voluntary disclosure decisions. These results suggest that after controlling for fundamental firm attributes, the Uganda Capital Markets Act is associated with a reduction in voluntary disclosure among affected U.S. firms, potentially reflecting a substitution effect where enhanced mandatory disclosure requirements in one jurisdiction reduce the perceived need for voluntary disclosure in another.

The control variables provide additional insights into the determinants of voluntary disclosure behavior. We find that institutional ownership (linstown) and firm size (lsize) are consistently positive and highly significant predictors of voluntary disclosure, consistent with prior literature documenting that larger firms and those with greater institutional investor presence tend to provide more voluntary information (Bushee and Noe, 2000; Ajinkya et al., 2005). Conversely, firms reporting losses (lloss) and those with higher calculation risk (lcalrisk) exhibit significantly lower levels of voluntary disclosure, aligning with theoretical predictions that managers may withhold information when it reflects poorly on firm performance or when the information environment is more complex.

Our findings carry important implications for regulators, managers, and investors operating in an increasingly interconnected global capital market environment. For regulators, our results suggest that securities law reforms in one jurisdiction can have unintended consequences for disclosure practices in other markets, highlighting the need for greater coordination in international regulatory efforts. The negative treatment effect we document may indicate that firms view disclosure requirements across jurisdictions as substitutes rather than complements, potentially undermining the intended benefits of enhanced transparency

initiatives. Regulators should consider these cross-border spillover effects when designing disclosure policies and may benefit from harmonizing standards to prevent regulatory arbitrage. For managers, our findings underscore the complexity of voluntary disclosure decisions in a global context, where regulatory changes in seemingly unrelated jurisdictions can influence optimal disclosure strategies through the issuance channel. Managers must carefully consider how their disclosure policies interact with evolving international regulatory environments and investor expectations across different markets.

From an investor perspective, our results highlight the importance of understanding how regulatory changes in emerging markets can affect information availability from firms with global operations or investor bases. The documented reduction in voluntary disclosure following Uganda's regulatory reform may signal changes in firms' information strategies that could affect investment decision-making and market efficiency. Our findings contribute to the broader literature on voluntary disclosure by demonstrating that international regulatory spillovers represent an important but understudied determinant of firms' information provision strategies (Leuz and Wysocki, 2016; Shroff et al., 2013). This research extends prior work on the economic consequences of disclosure regulation by showing that such effects can transcend national boundaries through capital market channels.

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 U.S. firms' disclosure incentives, which may not hold if firms anticipated the regulatory change or if other contemporaneous events affected disclosure behavior. Second, we cannot definitively establish the specific mechanisms through which Uganda's regulatory reform influenced U.S. voluntary disclosure, limiting our ability to make precise policy recommendations. Future research could explore the channels through which international regulatory spillovers operate, such as through multinational investor bases,

cross-listing activities, or competitive pressures in global capital markets.

Additional research opportunities include examining whether similar spillover effects occur following regulatory reforms in other emerging markets and investigating how firm characteristics moderate the relationship between international regulatory changes and voluntary disclosure decisions. Researchers might also explore the long-term consequences of these spillover effects on market efficiency, cost of capital, and investor welfare. Finally, future studies could investigate whether the documented effects vary across different types of voluntary disclosure, such as management forecasts versus other forms of forward-looking information, to provide more granular insights into firms' strategic responses to international regulatory developments.

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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 Equity Issuance

	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.