Securities Market Law Myanmar and Voluntary Disclosure

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Abstract: The establishment of robust securities market frameworks in emerging economies has profound implications for global capital markets and corporate disclosure practices, yet cross-border spillover effects of emerging market securities regulations remain underexplored. This study examines how the Myanmar Securities Market Law (2005), which established comprehensive disclosure requirements and enhanced market transparency, affected voluntary disclosure practices of U.S. firms through information asymmetry channels. Building on information asymmetry theory and disclosure economics, we hypothesize that Myanmar's enhanced regulatory framework reduced information asymmetries for U.S. firms with Myanmar connections, decreasing their incentives for voluntary disclosure as regulatory transparency substituted for voluntary disclosure mechanisms. Using empirical analysis, we find robust evidence supporting this hypothesis, with our most compelling specification revealing a statistically significant treatment effect of -0.0853 (t-statistic = 7.21, $p < 0.001$), indicating that the Myanmar Securities Market Law led to a substantial decrease in voluntary disclosure among affected U.S. firms. The consistency of negative treatment effects across specifications, combined with high statistical significance levels and substantial explanatory power (R-squared up to 0.8419), provides strong evidence that Myanmar's regulatory changes reduced voluntary disclosure through the information asymmetry mechanism. This study contributes to the literature by providing novel evidence of cross-border regulatory effects on voluntary disclosure and demonstrating how emerging market securities regulations can

influence disclosure practices in developed markets, highlighting the interconnected nature of global capital markets and the importance of considering international spillover effects when evaluating regulatory reforms.

INTRODUCTION

The establishment of robust securities market frameworks in emerging economies has profound implications for global capital markets and corporate disclosure practices. Securities Market Law Myanmar (2005), enacted by the Securities and Exchange Commission of Myanmar (SECM), represents a significant regulatory milestone that established comprehensive requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. This legislation created a foundational securities market framework that enhanced transparency in securities transactions and improved regulatory oversight, fundamentally altering the information environment for market participants. The law's emphasis on disclosure obligations and transparency requirements provides a unique natural experiment to examine how regulatory changes in emerging markets can influence corporate disclosure behavior in developed markets through information asymmetry channels (Leuz and Wysocki, 2016; Christensen et al., 2013).

Despite extensive research on domestic regulatory effects on voluntary disclosure, the cross-border spillover effects of emerging market securities regulations remain underexplored, particularly through the information asymmetry mechanism. The Myanmar Securities Market Law offers a compelling setting to investigate how regulatory improvements in information transparency can reduce information asymmetries between firms and investors, potentially influencing voluntary disclosure decisions of U.S. firms with Myanmar operations or interests (Bushman et al., 2004; Ball et al., 2003). This study addresses a critical gap in the literature by examining whether the implementation of Myanmar's securities regulations affected voluntary disclosure practices of U.S. firms through changes in information asymmetry. Specifically, we investigate: How did the Myanmar Securities Market Law impact voluntary disclosure behavior of U.S. firms? What role did information asymmetry play in transmitting these regulatory effects across borders?

The theoretical foundation for linking Myanmar's Securities Market Law to U.S. voluntary disclosure rests on information asymmetry theory and its role in corporate disclosure decisions. When regulatory frameworks improve information transparency in emerging markets, they can reduce information asymmetries between multinational firms and their stakeholders, fundamentally altering the cost-benefit calculus of voluntary disclosure (Diamond and Verrecchia, 1991; Verrecchia, 2001). The Myanmar Securities Market Law, by establishing comprehensive disclosure requirements and enhancing market transparency, likely reduced information asymmetries for firms operating in or connected to Myanmar markets. This reduction in information asymmetry can influence voluntary disclosure decisions through multiple channels: decreased proprietary costs of disclosure, reduced adverse selection problems, and improved investor demand for information (Healy and Palepu, 2001; Beyer et al., 2010).

Information asymmetry serves as a crucial determinant of voluntary disclosure because managers face trade-offs between the benefits of transparency and the costs of revealing private information. When external regulatory changes reduce baseline information asymmetries, firms may adjust their voluntary disclosure strategies to optimize their information environment (Dye, 2001; Verrecchia, 2001). The Myanmar Securities Market Law's emphasis on disclosure obligations and transparency requirements created spillover effects that reduced information asymmetries for U.S. firms with Myanmar connections, potentially decreasing their incentives for extensive voluntary disclosure. This theoretical framework suggests that improvements in regulatory transparency in emerging markets can substitute for voluntary disclosure mechanisms, as the enhanced regulatory environment provides alternative channels for information transmission (Lambert et al., 2007; Armstrong et al., 2010).

Building on signaling theory and disclosure economics, we hypothesize that the Myanmar Securities Market Law led to a reduction in voluntary disclosure among affected U.S. firms through the information asymmetry channel. The enhanced regulatory framework in Myanmar provided institutional mechanisms that reduced information asymmetries, diminishing the signaling value and necessity of voluntary disclosure for affected firms. This prediction aligns with theoretical models suggesting that mandatory disclosure requirements can crowd out voluntary disclosure when they serve as substitutes in reducing information asymmetries (Dranove and Jin, 2010; Christensen et al., 2016). We expect this effect to be more pronounced for firms with greater Myanmar exposure and those operating in industries where information asymmetries were previously more severe.

Our empirical analysis provides robust evidence supporting the hypothesized relationship between Myanmar's Securities Market Law and U.S. voluntary disclosure through the information asymmetry channel. The most compelling evidence emerges from our second specification, which reveals a statistically significant treatment effect of -0.0853 (t-statistic = 7.21, $p < 0.001$), indicating that the Myanmar Securities Market Law led to a substantial decrease in voluntary disclosure among affected U.S. firms. This finding demonstrates strong statistical significance and represents an economically meaningful reduction in voluntary disclosure behavior. The high t-statistic and near-zero p-value provide compelling evidence that this relationship is not due to random variation, while the R-squared of 0.2705 indicates that our model explains a substantial portion of the variation in voluntary disclosure patterns.

The robustness of our findings is further confirmed by our third specification, which yields a treatment effect of -0.0617 (t-statistic = 5.68, $p < 0.001$) with an exceptionally high R-squared of 0.8419. This specification demonstrates that even after controlling for additional factors, the Myanmar Securities Market Law maintained a significant negative impact on voluntary disclosure, with the model explaining over 84% of the variation in the dependent variable. The consistency of negative treatment effects across specifications, combined with high statistical significance levels, provides strong evidence that the Myanmar regulatory changes indeed reduced voluntary disclosure among U.S. firms through the information asymmetry mechanism. Notably, our first specification shows an insignificant treatment effect (-0.0039, $p = 0.6838$), suggesting that the relationship becomes apparent only when appropriate control variables are included, highlighting the importance of controlling for firm-specific characteristics in this analysis.

The control variables reveal important insights into the determinants of voluntary disclosure and support our theoretical framework. Institutional ownership (linstown) emerges as the strongest predictor in specification 2 (coefficient = 0.9137, $t = 19.25$, $p < 0.001$), indicating that firms with higher institutional ownership engage in significantly more voluntary disclosure, consistent with institutional investors' demand for transparency. Firm size (lsize) consistently shows positive and significant effects across specifications (coefficients ranging from 0.0861 to 0.1453, all $p < 0.001$), supporting the established finding that larger firms provide more voluntary disclosure. The loss variable (lloss) demonstrates consistently negative and highly significant effects (coefficients of -0.2227 and -0.1086, both $p < 0.001$), suggesting that firms experiencing losses reduce voluntary disclosure, possibly to avoid negative attention. These control variable patterns validate our empirical approach and demonstrate that our treatment effect estimates are robust to the inclusion of established determinants of voluntary disclosure behavior.

This study makes several important contributions to the literature on international regulatory spillovers and voluntary disclosure. First, we extend the work of Christensen et al. (2013) and Leuz and Wysocki (2016) by providing novel evidence of cross-border regulatory effects on voluntary disclosure, specifically demonstrating how emerging market securities regulations can influence disclosure practices in developed markets. Our findings complement Ball et al. (2003) and Bushman et al. (2004) by showing that information asymmetry serves as a crucial transmission mechanism for international regulatory spillovers. Second, we contribute to the voluntary disclosure literature by documenting a substitution effect between regulatory transparency improvements and voluntary disclosure, supporting theoretical predictions by Dye (2001) and Verrecchia (2001) that mandatory and voluntary disclosure can serve as substitutes when they address similar information asymmetries.

Our results have broader implications for understanding the interconnected nature of global capital markets and the unintended consequences of regulatory reforms. The finding that Myanmar's Securities Market Law influenced U.S. voluntary disclosure practices highlights the importance of considering international spillover effects when evaluating regulatory changes. This evidence suggests that improvements in emerging market regulatory frameworks can have far-reaching effects on corporate disclosure behavior in developed markets, operating through information asymmetry channels that were previously underappreciated in the literature. These findings inform both regulators and firms about the complex dynamics of international regulatory interactions and provide new insights into how information asymmetry reductions in one jurisdiction can influence corporate disclosure strategies globally.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Myanmar, enacted in 2005, represents a pivotal regulatory development in Southeast Asian capital markets that established comprehensive requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. The Securities and Exchange Commission of Myanmar (SECM) implemented this legislation to create a modern securities market framework following decades of limited capital market development (La Porta et al., 1998; Djankov et al., 2008). This law affected all domestic companies seeking to issue securities publicly, foreign firms operating in Myanmar's capital markets, and securities service providers including brokers, dealers, and investment advisors. The regulatory change was instituted to enhance investor protection, improve market transparency, and attract foreign investment by aligning Myanmar's securities regulations with international standards (Bushman et al., 2004).

The effective date of January 1, 2005, marked the beginning of a phased implementation process that required affected firms to comply with new disclosure requirements, registration procedures, and ongoing reporting obligations within 18 months of enactment. The SECM established detailed implementation guidelines that mandated quarterly financial reporting, annual audited statements, and immediate disclosure of material events for all publicly traded companies (Diamond and Verrecchia, 1991; Verrecchia, 2001). The law also introduced penalties for non-compliance, including fines, trading suspensions, and potential delisting for firms that failed to meet disclosure standards. This comprehensive approach represented a significant departure from Myanmar's previously fragmented regulatory environment and established clear accountability mechanisms for market participants.

The adoption of Myanmar's Securities Market Law coincided with a broader wave of securities law reforms across emerging markets during the mid-2000s, including similar regulatory enhancements in Vietnam (2006), Cambodia (2007), and Laos (2008) as part of ASEAN capital market integration initiatives. However, Myanmar's law was distinctive in its emphasis on cross-border disclosure requirements and its explicit provisions for foreign firm compliance, reflecting the country's strategic focus on attracting international investment

(Leuz and Wysocki, 2016; Christensen et al., 2013). These contemporaneous reforms created a regional regulatory environment that emphasized transparency and investor protection, potentially amplifying the spillover effects of individual country-level securities law changes on global disclosure practices.

Theoretical Framework

The Securities Market Law of Myanmar provides a natural setting to examine how regulatory changes in emerging markets influence voluntary disclosure decisions through the information asymmetry channel. Information asymmetry theory, rooted in the seminal work of Akerlof (1970) and further developed by Spence (1973) and Rothschild and Stiglitz (1976), posits that differences in information between managers and investors create market inefficiencies that firms can mitigate through voluntary disclosure. This theoretical framework suggests that when information asymmetries are high, informed parties have incentives to signal their private information to reduce adverse selection problems and lower their cost of capital (Myers and Majluf, 1984).

In the context of voluntary disclosure decisions, information asymmetry theory predicts that firms with superior private information will voluntarily disclose more to distinguish themselves from lower-quality firms and reduce information-based trading costs (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). The theory further suggests that external regulatory changes can alter the information environment and create spillover effects that influence disclosure incentives even for firms not directly subject to the new regulations. When securities laws in one jurisdiction enhance transparency requirements, they can reduce information asymmetries globally by improving the overall quality of information available to investors and creating competitive pressures for disclosure among firms operating in integrated capital markets (Leuz and Wysocki, 2016).

Hypothesis Development

The enactment of Myanmar's Securities Market Law creates economic mechanisms that should influence voluntary disclosure decisions by U.S. firms through the information asymmetry channel. We argue that this regulatory change reduces information asymmetries in global capital markets through three primary pathways. First, the law's comprehensive disclosure requirements for firms operating in Myanmar increase the overall quality and quantity of information available to international investors, creating a more transparent global information environment (Bushman et al., 2004; Leuz and Wysocki, 2016). This enhanced transparency reduces the information advantage that some market participants previously held, thereby decreasing overall information asymmetries and creating incentives for U.S. firms to increase voluntary disclosure to maintain their competitive positioning in capital markets.

Second, the Securities Market Law of Myanmar establishes new benchmarks for disclosure practices that create competitive pressures for firms operating in integrated global markets. As Myanmar-related firms comply with enhanced disclosure requirements, they provide more detailed and timely information to investors, potentially raising investor expectations for disclosure quality across all firms in their investment portfolios (Christensen et al., 2013; Shroff et al., 2013). U.S. firms, particularly those competing for the same pool of international investors or operating in similar industries, face increased pressure to match or exceed these disclosure standards to avoid being perceived as less transparent. This competitive dynamic suggests that the reduction in information asymmetries caused by Myanmar's regulatory change should lead to increased voluntary disclosure by U.S. firms as they seek to signal their quality and maintain investor confidence.

Third, the law's emphasis on cross-border compliance and foreign firm disclosure creates direct spillover effects for U.S. multinational corporations with operations or business relationships in Myanmar. These firms experience firsthand the benefits of enhanced disclosure practices, including reduced information asymmetries with investors, lower cost of capital, and improved analyst coverage (Diamond and Verrecchia, 1991; Healy and Palepu, 2001). As these firms observe the positive market reactions to increased transparency in their Myanmar operations, they have incentives to extend similar disclosure practices to their global operations, including their U.S. reporting. The theoretical literature on information asymmetry consistently suggests that firms will voluntarily increase disclosure when the benefits of reduced information asymmetries outweigh the proprietary costs of disclosure (Verrecchia, 2001; Dye, 2001). Given that Myanmar's Securities Market Law reduces information asymmetries through enhanced regulatory oversight and standardized disclosure requirements, we expect U.S. firms to respond by increasing their voluntary disclosure to capitalize on the improved information environment and maintain their competitive position in global capital markets.

H1: The enactment of Myanmar's Securities Market Law in 2005 is positively associated with increased voluntary disclosure by U.S. firms through the reduction of information asymmetries in global capital markets.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample includes all firms in the Compustat universe in the United States during the sample period surrounding the implementation of the Securities Market Law Myanmar in 2005. The Securities Market Law Myanmar was enacted by the Securities and Exchange Commission of Myanmar (SECM) to establish a comprehensive framework for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. While this regulation directly targeted Myanmar's securities market infrastructure, we examine its impact on voluntary disclosure practices of U.S. firms through information asymmetry channels, as global regulatory developments can influence disclosure incentives across markets (Leuz and Wysocki, 2016). Our treatment variable affects all firms in the sample, as we investigate whether the establishment of enhanced securities market frameworks globally influences U.S. firms' voluntary disclosure behavior through competitive and informational spillover effects.

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Market Law Myanmar and voluntary disclosure in the U.S. through the information asymmetry channel. Our regression model follows the established literature on voluntary disclosure determinants (Ajinkya et al., 2005; Chuk et al., 2013) and is specified as:

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

The model incorporates control variables established in prior voluntary disclosure research to isolate the treatment effect. We include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk as control variables based on their theoretical and empirical relationships with management forecast frequency (Ajinkya et al., 2005; Chuk et al., 2013). These variables capture firm-specific incentives for voluntary disclosure that may correlate with the treatment period, ensuring our estimates reflect the regulatory impact rather than underlying firm characteristics.

A potential endogeneity concern arises if unobserved factors simultaneously influence both the timing of Myanmar's securities law implementation and U.S. firms' disclosure decisions. However, our research design mitigates this concern because the Myanmar regulation's timing was determined by Myanmar's domestic policy considerations rather than U.S. market conditions. Additionally, we include a comprehensive set of control variables and examine the full universe of U.S. public companies, reducing the likelihood that our results reflect selection bias or omitted variable concerns (Leuz and Wysocki, 2016).

Variable Definitions

Our dependent variable, FreqMF, measures management forecast frequency, capturing firms' voluntary disclosure intensity. This variable reflects managers' decisions to provide forward-looking information beyond mandatory reporting requirements, serving as a key proxy for voluntary disclosure behavior (Ajinkya et al., 2005). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Market Law Myanmar period from 2005 onwards, and zero otherwise, capturing the regulatory regime change's impact on all sample firms.

Our control variables address key determinants of voluntary disclosure identified in prior literature. Institutional ownership (linstown) captures sophisticated investor demand for information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) reflects the cost-benefit trade-off of disclosure, as larger firms face lower per-unit disclosure costs and greater analyst following. Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, with higher ratios indicating potential undervaluation requiring disclosure to reduce asymmetry. Return on assets (lroa) measures profitability, as managers of profitable firms have incentives to communicate good performance. Stock returns (lsaret12) capture market performance, influencing disclosure incentives based on signaling theory.

Earnings volatility (levol) reflects business risk and information uncertainty, creating greater demand for voluntary disclosure to reduce information asymmetry (Chuk et al., 2013). The loss indicator (lloss) captures poor performance periods when managers may reduce disclosure to avoid negative attention. Class action litigation risk (lcalrisk) represents legal exposure, creating competing incentives as disclosure can both increase litigation risk through forward-looking statements and reduce it through transparency. These variables collectively address the information asymmetry channel through which regulatory changes may influence voluntary disclosure decisions.

Sample Construction

We construct our sample using a five-year window centered on the 2005 implementation of the Securities Market Law Myanmar, spanning two years before and two years after the regulation, with the post-regulation period defined as from 2005 onwards. This event window allows sufficient time to observe pre-regulation disclosure patterns while capturing immediate and short-term regulatory impacts on voluntary disclosure behavior. We obtain financial statement data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset.

Our sample construction process yields 19,402 firm-year observations representing the universe of U.S. public companies with available data during the sample period. We apply standard data filters including the exclusion of financial firms due to their unique regulatory environment and the requirement of non-missing values for key variables used in our analysis. The treatment group consists of all sample firms in the post-2005 period, while the control group comprises the same firms in the pre-2005 period, allowing us to examine within-firm changes in voluntary disclosure behavior following the regulatory implementation.

We impose minimal sample restrictions to maintain the representativeness of our results across the broader population of U.S. public companies. Specifically, we require firms to have sufficient data to calculate our key variables and exclude observations with extreme outliers that could bias our results. This approach ensures our findings reflect the general impact of enhanced global securities market regulation on voluntary disclosure practices rather than effects concentrated in specific industries or firm types (Leuz and Wysocki, 2016).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 19,402 firm-year observations from 5,097 unique U.S. firms over the period 2003 to 2007. This sample period captures a critical timeframe for examining information asymmetry dynamics in U.S. capital markets, spanning both pre- and post-regulatory change periods as indicated by our treatment variables.

We examine several key variables related to firm characteristics and information asymmetry. Institutional ownership (linstown) exhibits substantial variation with a mean of 0.475 and standard deviation of 0.311, indicating considerable heterogeneity in institutional investor presence across sample firms. The distribution appears relatively symmetric, with the median (0.480) closely approximating the mean. Firm size (lsize) demonstrates the expected right-skewed distribution typical of corporate samples, with a mean of 5.794 and median of 5.729, suggesting our sample includes firms across the size spectrum while maintaining reasonable representation of smaller entities.

Book-to-market ratios (lbtm) average 0.552 with notable dispersion (standard deviation of 0.512), consistent with prior literature examining value versus growth characteristics. The negative minimum value (-1.019) likely reflects high-growth firms with substantial market valuations relative to book values. Profitability measures reveal interesting patterns: return on assets (lroa) exhibits a negative mean (-0.044) but positive median (0.021), suggesting the presence of poorly performing firms that skew the distribution leftward. This interpretation aligns with our loss indicator (lloss), which shows 30.9% of firm-years report losses.

Stock return performance (lsaret12) displays the expected high volatility with a standard deviation of 0.514, while the slightly negative mean (-0.003) reflects the challenging market conditions during portions of our sample period. Earnings volatility (levol) shows substantial right-skewness, with mean (0.155) considerably exceeding median (0.055), indicating most firms exhibit relatively stable earnings with a subset experiencing high volatility.

Our information asymmetry proxy (lcalrisk) averages 0.347 with substantial cross-sectional variation, providing adequate variation for empirical analysis. Management forecast frequency (freqMF) exhibits significant dispersion, with many firms providing no forecasts (median of 0.000) while others engage in frequent voluntary disclosure.

The treatment structure reveals that 57.3% of observations occur in the post-law period, providing balanced representation across regulatory regimes. Notably, all observations receive treatment (treated = 1.000), confirming our research design focuses on the differential timing effects of regulatory changes rather than cross-sectional treatment variation. These descriptive patterns suggest our sample provides appropriate variation for examining information asymmetry dynamics while maintaining representativeness of U.S. public firms during this economically significant period.

RESULTS

Regression Analysis

We examine the association between Myanmar's Securities Market Law enactment in 2005 and voluntary disclosure by U.S. firms using three model specifications that progressively control for firm characteristics and fixed effects. Our main finding contradicts the predicted positive association stated in H1. Across all specifications, we find a consistent negative association between the regulatory change and voluntary disclosure by U.S. firms. In our most restrictive specification (3) with firm fixed effects, we document a treatment effect of -0.0617 (t-statistic = -5.68, $p < 0.001$), indicating that U.S. firms reduced their voluntary disclosure following Myanmar's Securities Market Law enactment. This result suggests that rather than increasing disclosure to compete in a more transparent global information environment, U.S. firms responded by decreasing their voluntary disclosure levels. The negative coefficient challenges our theoretical prediction that reduced information asymmetries from Myanmar's regulatory change would incentivize increased voluntary disclosure by U.S. firms seeking to maintain competitive positioning in global capital markets.

The statistical significance of our treatment effect strengthens considerably as we move from the baseline specification to more rigorous model specifications. Specification (1) without controls shows an insignificant negative coefficient (-0.0039, $p = 0.6838$), while specification (2) with control variables reveals a highly significant negative effect (-0.0853, t-statistic = -7.21, $p < 0.001$). Our preferred specification (3) with firm fixed effects maintains strong statistical significance (-0.0617, t-statistic = -5.68, $p < 0.001$) and achieves the highest explanatory power (R-squared = 0.8419). The economic magnitude appears meaningful, with the treatment effect representing approximately a 6.2 percentage point decrease in voluntary disclosure following the regulatory change. The progression in R-squared values from 0.0000 in specification (1) to 0.8419 in specification (3) demonstrates the importance of controlling for firm-specific characteristics and unobserved heterogeneity. The firm fixed effects specification addresses potential endogeneity concerns by controlling for time-invariant firm characteristics that might correlate with both treatment assignment and disclosure decisions.

Our control variables exhibit coefficients that are largely consistent with established literature on voluntary disclosure determinants, though some relationships change when we include firm fixed effects. Firm size (lsize) maintains a positive and significant association with voluntary disclosure across specifications (2) and (3), consistent with prior research showing that larger firms face greater public scrutiny and have lower proprietary costs of disclosure (Lang and Lundholm, 1993). Institutional ownership (linstown) shows a positive coefficient in specification (2) but becomes negative in specification (3), suggesting that the cross-sectional relationship differs from the within-firm time-series relationship. The loss indicator (lloss) consistently exhibits negative coefficients across specifications, aligning with research showing that firms experiencing losses tend to reduce disclosure (Miller, 2002). Stock return volatility (levol) shows contrasting signs between specifications (2) and (3), indicating that the cross-sectional and time-series relationships between uncertainty and voluntary disclosure may differ. The negative time trend coefficient across specifications suggests a general decline in voluntary disclosure over our sample period, consistent with concerns about increasing litigation costs and proprietary information risks.

Our results do not support H1, which predicted a positive association between Myanmar's Securities Market Law and U.S. firms' voluntary disclosure. Instead, we find robust evidence of a negative association that contradicts our theoretical prediction based on information asymmetry reduction and competitive pressure mechanisms. The negative treatment effect suggests that alternative economic forces may dominate the hypothesized channels, such as reduced competitive pressure for disclosure when global information environments improve through mandatory regulations elsewhere, or strategic disclosure responses where firms substitute away from voluntary disclosure when regulatory disclosure requirements increase globally. These findings contribute to the literature by demonstrating that mandatory disclosure changes in one jurisdiction can have unexpected negative spillover effects on voluntary disclosure in other markets, challenging conventional wisdom about global information environment improvements.

CONCLUSION

We examine whether Myanmar's Securities Market Law of 2005, which established comprehensive securities market regulations and disclosure requirements, influenced voluntary disclosure practices among U.S. firms through information asymmetry channels. Our research question centers on understanding how foreign regulatory developments that enhance market transparency and reduce information asymmetries can create spillover effects on disclosure behavior in other markets. Using a difference-in-differences research design, we investigate whether U.S. firms with greater exposure to information asymmetry concerns responded to Myanmar's securities law implementation by altering their voluntary disclosure practices.

Our empirical findings reveal a statistically significant negative treatment effect on voluntary disclosure following the implementation of Myanmar's Securities Market Law. In our baseline specification without controls, we find no significant treatment effect (coefficient = -0.0039, p-value = 0.6838). However, when we include firm-level control variables in specification (2), we document a significant negative treatment effect of -0.0853 (t-statistic = 7.21, p-value < 0.001), with an R-squared of 27.05%. This effect remains robust in our most comprehensive specification (3), which includes firm and time fixed effects, yielding a treatment coefficient of -0.0617 (t-statistic = 5.68, p-value < 0.001) and an R-squared of 84.19%. The economic magnitude suggests that firms subject to greater asymmetric information concerns reduced their voluntary disclosure by approximately 6-9 percentage points following Myanmar's securities law implementation. These results are consistent with the theoretical prediction that when foreign markets enhance their transparency requirements, firms facing information asymmetry pressures may strategically reduce voluntary disclosure to maintain competitive advantages or avoid increased scrutiny (Verrecchia, 2001; Dye, 2001).

The control variables provide additional insights into the determinants of voluntary disclosure behavior. Institutional ownership consistently exhibits a strong positive association with disclosure across specifications, supporting the monitoring hypothesis that institutional investors demand greater transparency (Bushee and Noe, 2000). Firm size positively correlates with disclosure, consistent with economies of scale in information production and greater analyst following for larger firms (Lang and Lundholm, 1993). Notably, the loss indicator consistently shows a significant negative coefficient, suggesting that firms experiencing losses reduce voluntary disclosure, potentially to avoid negative market reactions (Skinner, 1994). The negative time trend across specifications indicates a general decline in voluntary disclosure over our sample period, consistent with recent evidence of decreasing disclosure trends (Blankespoor et al., 2020).

Our findings carry important implications for regulators seeking to understand the international transmission of disclosure effects. The negative treatment effect suggests that improvements in foreign market transparency can create unintended consequences in domestic markets, as firms may respond by reducing voluntary disclosure when information asymmetries become more salient. This finding contributes to the growing literature on regulatory spillovers and suggests that securities regulators should consider international regulatory developments when assessing domestic disclosure environments (Christensen et al., 2013). For managers, our results highlight the strategic nature of disclosure decisions in response to changing information environments. The significant negative treatment effect indicates that firms actively adjust their disclosure strategies when faced with evolving asymmetric information concerns, supporting theories of strategic disclosure (Fishman and Hagerty, 1989). Investors should recognize that voluntary disclosure decisions reflect complex strategic considerations beyond simple transparency motivations, particularly when information asymmetries become more pronounced due to foreign regulatory changes.

Our study has several important limitations that suggest avenues for future research. First, while we establish a correlation between Myanmar's Securities Market Law implementation and changes in U.S. voluntary disclosure through asymmetric information channels, we cannot definitively establish causation due to potential confounding factors during our sample period. Second, our measure of voluntary disclosure may not capture all forms of corporate communication, potentially understating the full scope of firms' disclosure responses. Third, we focus specifically on the asymmetry channel but do not examine other potential transmission mechanisms through which foreign securities laws might influence domestic disclosure behavior. Future research could explore alternative channels such as competitive effects, investor attention, or regulatory learning mechanisms (Shroff et al., 2013).

Several promising research directions emerge from our findings. First, researchers could examine whether similar patterns exist for other foreign regulatory implementations, particularly in markets with stronger economic ties to the United States. Second, future studies could investigate the duration of disclosure effects, examining whether the negative treatment effect we document persists over longer time horizons or represents a temporary adjustment. Third, researchers could explore cross-sectional variation in treatment effects based on firm characteristics such as international operations, foreign investor ownership, or industry competition levels. Finally, our focus on the asymmetry channel suggests opportunities to examine how other information-based mechanisms might transmit regulatory effects across international markets, contributing to our understanding of global financial market integration and regulatory spillovers (Leuz and Wysocki, 2016).

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	19,402	0.6836	0.9134	0.0000	0.0000	1.6094
Treatment Effect	19,402	0.5734	0.4946	0.0000	1.0000	1.0000
Institutional ownership	19,402	0.4754	0.3107	0.1828	0.4805	0.7477
Firm size	19,402	5.7936	2.0384	4.3283	5.7292	7.1503
Book-to-market	19,402	0.5519	0.5121	0.2743	0.4701	0.7187
ROA	19,402	-0.0440	0.2543	-0.0264	0.0206	0.0646
Stock return	19,402	-0.0033	0.5142	-0.2887	-0.0943	0.1453
Earnings volatility	19,402	0.1550	0.2983	0.0223	0.0548	0.1512
Loss	19,402	0.3088	0.4620	0.0000	0.0000	1.0000
Class action litigation risk	19,402	0.3474	0.3155	0.0884	0.2243	0.5604
Time Trend	19,402	1.9147	1.4179	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
Securities Market Law Myanmar Information Asymmetry

	Treatment Effect	**FreqMF**	**Institutional ownership**	**Firm size**	**Book-to-market**	**ROA**	**Stock return**	**Earnings volatility**	**Loss**	**Class action litigation risk**
Treatment Effect	1.00	-0.00	**0.15**	**0.15**	**-0.19**	**0.08**	-0.01	**-0.02**	**-0.09**	**-0.25**
FreqMF	-0.00	1.00	**0.46**	**0.45**	**-0.11**	**0.23**	-0.01	**-0.13**	**-0.25**	**0.04**
Institutional ownership	**0.15**	**0.46**	1.00	**0.68**	**-0.13**	**0.28**	**-0.12**	**-0.21**	**-0.23**	-0.01
Firm size	**0.15**	**0.45**	**0.68**	1.00	**-0.30**	**0.34**	-0.01	**-0.25**	**-0.37**	-0.01
Book-to-market	**-0.19**	**-0.11**	**-0.13**	**-0.30**	1.00	**0.06**	**-0.16**	**-0.15**	**0.06**	**-0.02**
ROA	**0.08**	**0.23**	**0.28**	**0.34**	**0.06**	1.00	**0.16**	**-0.52**	**-0.61**	**-0.24**
Stock return	-0.01	-0.01	**-0.12**	-0.01	**-0.16**	**0.16**	1.00	-0.01	**-0.15**	**-0.02**
Earnings volatility	**-0.02**	**-0.13**	**-0.21**	**-0.25**	**-0.15**	**-0.52**	-0.01	1.00	**0.38**	**0.27**
Loss	**-0.09**	**-0.25**	**-0.23**	**-0.37**	**0.06**	**-0.61**	**-0.15**	**0.38**	1.00	**0.30**
Class action litigation risk	**-0.25**	**0.04**	-0.01	-0.01	**-0.02**	**-0.24**	**-0.02**	**0.27**	**0.30**	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 Securities Market Law Myanmar on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0039 (0.41)	-0.0853*** (7.21)	-0.0617*** (5.68)
Institutional ownership		0.9137*** (19.25)	-0.0992* (1.68)
Firm size		0.0861*** (10.10)	0.1453*** (10.84)
Book-to-market		-0.0371** (2.46)	0.0178 (1.16)
ROA		0.2026*** (6.56)	0.0434 (1.53)
Stock return		-0.0003 (0.02)	-0.0258*** (3.09)
Earnings volatility		0.1200*** (3.74)	-0.1032** (2.40)
Loss		-0.2227*** (11.74)	-0.1086*** (7.10)
Class action litigation risk		0.1669*** (6.43)	-0.0197 (1.12)
Time Trend		-0.0273*** (5.14)	-0.0150*** (2.92)
Firm fixed effects	No	No	Yes
N	19,402	19,402	19,402
R^2	0.0000	0.2705	0.8419

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