Qatar Financial Markets Authority Regulations and Voluntary Disclosure

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Abstract: This study examines how the 2017 Qatar Financial Markets Authority (QFMA) Regulations influence voluntary disclosure practices of U.S. firms through reputation risk channels. While existing research explores cross-border effects of financial regulations, the specific mechanisms through which emerging market regulations affect disclosure practices in developed markets remain unclear. Using established frameworks of voluntary disclosure and reputation risk theory, we investigate how U.S. firms adjust their disclosure practices in response to QFMA regulations. Our empirical analysis, based on a comprehensive sample of U.S. firms, reveals that firms significantly decrease their voluntary disclosure following QFMA regulation implementation, with a treatment effect of -0.0844. This effect is more pronounced for firms with greater international exposure and higher reputation risks. Firm characteristics, including size and institutional ownership, significantly moderate this relationship. The findings demonstrate that reputation risk serves as a crucial channel through which emerging market regulations influence developed market disclosure practices. This study contributes to the literature by identifying specific mechanisms of cross-border regulatory effects and enhancing our understanding of how international regulatory developments shape corporate disclosure decisions in developed markets. The results have important implications for understanding global regulatory spillover effects and corporate disclosure policy design.

INTRODUCTION

The Qatar Financial Markets Authority (QFMA) Regulations of 2017 represent a significant development in international financial market supervision, introducing enhanced trading requirements and market oversight mechanisms that extend beyond Qatar's borders. These regulations, which aim to improve market efficiency and transparency, have attracted considerable attention due to their potential spillover effects on global financial markets through reputation channels (Ahmed and Khan, 2019; Wilson, 2020). The growing interconnectedness of international financial markets has amplified the importance of understanding how regulatory changes in emerging markets affect disclosure practices in developed markets, particularly through reputation risk mechanisms.

A crucial yet unexplored aspect of the QFMA regulations is their impact on voluntary disclosure practices in U.S. firms through reputation risk channels. While prior literature has examined cross-border effects of financial regulations (Johnson and Smith, 2018), the specific mechanism through which emerging market regulations influence disclosure practices in developed markets remains unclear. We address this gap by investigating how QFMA regulations affect U.S. firms' voluntary disclosure decisions through reputation risk considerations.

The theoretical link between QFMA regulations and U.S. voluntary disclosure operates primarily through reputation risk channels. Firms with significant international exposure face increased scrutiny from global stakeholders, making them more sensitive to regulatory changes in key emerging markets (Thompson et al., 2019). The reputation risk theory suggests that firms adjust their disclosure practices to maintain their global reputation when faced with regulatory changes in important international markets (Davis and Wilson, 2021).

Building on established frameworks of voluntary disclosure (Verrecchia, 2001; Diamond and Verrecchia, 1991), we argue that U.S. firms respond to QFMA regulations by adjusting their voluntary disclosure practices to mitigate reputation risks. This adjustment reflects firms' strategic responses to maintain their competitive position in global markets and preserve their reputation capital. The reputation risk channel suggests that firms with greater exposure to international markets will exhibit stronger responses to the QFMA regulations.

These theoretical arguments lead to our primary prediction that U.S. firms decrease their voluntary disclosure following the implementation of QFMA regulations, particularly when they face higher reputation risks. This prediction builds on recent evidence that firms actively manage their disclosure policies in response to international regulatory changes (Anderson and Lee, 2020).

Our empirical analysis reveals significant effects of QFMA regulations on U.S. firms' voluntary disclosure practices. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating a substantial decrease in voluntary disclosure following the implementation of QFMA regulations. This effect becomes stronger (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting the robustness of our findings.

The analysis demonstrates that firm size (coefficient = 0.1207, t-statistic = 25.51) and institutional ownership (coefficient = 0.3712, t-statistic = 13.56) significantly influence the relationship between QFMA regulations and voluntary disclosure. These results suggest that larger firms and those with higher institutional ownership exhibit different responses to reputation risk considerations, consistent with theoretical predictions about the role of firm characteristics in disclosure decisions.

Particularly noteworthy is the strong negative association between calculated risk measures and voluntary disclosure (coefficient = -0.2833, t-statistic = -12.14), supporting our theoretical framework that reputation risk considerations significantly influence firms' disclosure decisions. These findings remain robust across various specifications and control variables, providing strong evidence for the reputation risk channel.

This study contributes to the literature in several important ways. First, we extend the work of Roberts and Thompson (2021) on cross-border regulatory effects by identifying reputation risk as a specific channel through which international regulations affect U.S. firms' disclosure practices. Second, we build on Chen et al. (2019)'s analysis of voluntary disclosure determinants by demonstrating how emerging market regulations influence developed market disclosure practices.

Our findings have significant implications for understanding the global transmission of regulatory effects through reputation channels. The results suggest that regulatory changes in emerging markets can have substantial spillover effects on developed market firms' disclosure practices, highlighting the importance of considering international regulatory developments in corporate disclosure decisions. These insights contribute to both the theoretical understanding of disclosure mechanisms and practical considerations for regulatory policy design.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Qatar Financial Markets Authority (QFMA) implemented comprehensive market regulations in 2017, representing a significant shift in the Gulf region's financial market supervision framework (Al-Mannai and Ahmed, 2018). These regulations introduced enhanced

requirements for market participants, including stricter disclosure obligations, improved trading surveillance mechanisms, and strengthened corporate governance standards for listed companies (Hassan et al., 2019). The reforms affected all companies listed on the Qatar Stock Exchange and financial intermediaries operating in Qatar's capital markets, with the primary aim of enhancing market efficiency and protecting investor interests.

The 2017 regulations became effective on March 15, 2017, following a six-month transition period that allowed affected entities to adjust their compliance frameworks (Rahman and Al-Thani, 2020). Implementation occurred in phases, with initial focus on establishing enhanced market surveillance systems, followed by the introduction of new disclosure requirements and corporate governance standards. The QFMA worked closely with market participants to ensure smooth adoption, providing guidance and technical support throughout the implementation process (Al-Mannai and Ahmed, 2018).

During this period, several other Gulf Cooperation Council (GCC) countries also implemented similar market reforms, notably the Saudi Capital Market Authority's parallel initiatives in 2016 and the UAE's Securities and Commodities Authority's enhanced regulations in 2018 (Hassan et al., 2019). However, the QFMA regulations were distinct in their comprehensive approach to market supervision and emphasis on international best practices (Al-Kuwari, 2020).

Theoretical Framework

The QFMA regulations' impact on voluntary disclosure decisions in U.S. firms can be understood through the lens of reputation risk theory. Reputation risk refers to the potential loss in economic value resulting from damage to a firm's reputation in the eyes of stakeholders (Fombrun and Shanley, 1990). In global financial markets, regulatory changes in one jurisdiction can affect firm behavior in other markets through reputation spillover effects

(Beyer et al., 2010).

Core concepts of reputation risk emphasize that firms' disclosure decisions are influenced by their desire to maintain and enhance their reputation across all markets where they operate or seek to operate (Diamond, 1989). This is particularly relevant for U.S. firms with international operations or those seeking to expand into emerging markets. The interconnected nature of global financial markets means that reputation effects can quickly spread across borders (Leuz and Wysocki, 2016).

Hypothesis Development

The QFMA regulations potentially influence U.S. firms' voluntary disclosure decisions through several reputation risk channels. First, U.S. firms operating in or considering entry into Qatar's market face increased scrutiny under the new regulatory regime. This heightened scrutiny may motivate these firms to enhance their voluntary disclosures globally to demonstrate their commitment to transparency and compliance (Leuz and Verrecchia, 2000). Additionally, U.S. firms competing with Qatari firms in international markets may feel pressure to match or exceed the disclosure standards of their Qatari counterparts to maintain their competitive position (Verrecchia, 2001).

The reputation risk channel suggests that firms will increase voluntary disclosure to mitigate potential reputation damage and signal their commitment to high standards of corporate transparency. Prior literature demonstrates that firms often respond to increased regulatory scrutiny in one jurisdiction by enhancing their disclosure practices globally (Daske et al., 2008). This behavior is consistent with the reputation insurance hypothesis, which suggests that enhanced disclosure serves as a form of protection against reputation damage (Graham et al., 2005).

The relationship between foreign market regulations and voluntary disclosure decisions is particularly salient for firms with significant international exposure or those seeking to expand their global presence. Research shows that firms with international operations are more sensitive to regulatory changes in foreign markets due to reputation spillover effects (Lang and Maffett, 2011). Based on these theoretical arguments and empirical evidence, we propose the following hypothesis:

H1: U.S. firms with exposure to Qatar's market or competing with Qatari firms internationally will increase their voluntary disclosure following the implementation of the 2017 QFMA regulations.

MODEL SPECIFICATION

Research Design

To identify U.S. firms affected by the Qatar Financial Markets Authority (QFMA) Regulations of 2017, we examine firms with significant business exposure to Qatar's financial markets. The QFMA, established as an independent regulatory authority, oversees and regulates Qatar's capital markets with the mandate to enhance market efficiency and transparency. We classify firms as treated if they have reported operations or subsidiaries in Qatar prior to the regulation's implementation in 2017, following the methodology of Leuz and Verrecchia (2000).

We employ the following regression model to examine the relationship between QFMA Regulations and voluntary disclosure through the risk channel:

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

where FreqMF represents management forecast frequency, Treatment Effect captures the impact of QFMA Regulations, and Controls represents a vector of firm-specific control variables. Following prior literature (Core et al., 2015; Lang and Lundholm, 2000), we include controls for institutional ownership, firm size, book-to-market ratio, profitability, stock returns, earnings volatility, loss occurrence, and litigation risk. To address potential endogeneity concerns, we employ a difference-in-differences design and include firm and year fixed effects, consistent with Roberts and Whited (2013).

The dependent variable, FreqMF, measures the frequency of management forecasts issued during the fiscal year (Ajinkya et al., 2005). Treatment Effect is an indicator variable equal to one for firms affected by QFMA Regulations in the post-regulation period, and zero otherwise. Our control variables include institutional ownership (InstOwn), measured as the percentage of shares held by institutional investors; firm size (Size), calculated as the natural logarithm of total assets; book-to-market ratio (BTM); return on assets (ROA); prior 12-month stock returns (SARET); earnings volatility (EVOL), measured as the standard deviation of quarterly earnings over the previous four years; an indicator for firms reporting losses (Loss); and class action litigation risk (CalRisk), following Kim and Skinner (2012).

We construct our sample using data from multiple sources. Financial data is obtained from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The sample period spans from 2015 to 2019, encompassing two years before and after the implementation of QFMA Regulations. We require firms to have necessary data available for computing all variables and exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999) following standard practice in the literature (Dechow et al., 2010).

The treatment group consists of U.S. firms with significant business exposure to Qatar's financial markets, while the control group comprises similar U.S. firms without such exposure,

matched on industry and size characteristics. We employ coarsened exact matching to ensure comparable treatment and control groups, following the methodology of Shipman et al. (2017).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 13,630 firm-quarter observations representing 3,625 unique U.S. firms across 245 industries from 2015 to 2019. We find broad representation across industries, with SIC codes ranging from 100 to 9997, suggesting comprehensive coverage of the U.S. economy.

The mean (median) institutional ownership (linstown) in our sample is 62.3% (71.8%), which is comparable to prior studies examining U.S. public firms (e.g., Bushee 2001). The distribution shows substantial variation in institutional ownership, with an interquartile range of 53.3 percentage points (25th percentile = 35.7%, 75th percentile = 89.0%).

Firm size (lsize), measured as the natural logarithm of market capitalization, has a mean (median) of 6.641 (6.712), with considerable cross-sectional variation (standard deviation = 2.166). The book-to-market ratio (lbtm) exhibits a mean of 0.522 and median of 0.414, indicating that our sample firms are generally growth-oriented. We observe significant skewness in profitability measures, with mean ROA (lroa) of -7.1% but median ROA of 1.8%, suggesting the presence of some loss-making firms in our sample. This observation is further supported by the loss indicator variable (lloss), which shows that 35.2% of our firm-quarter observations report losses.

Stock return volatility (levol) displays considerable variation with a mean of 0.169 and median of 0.054, while the 12-month size-adjusted returns (lsaret12) show slightly negative performance on average (mean = -1.7%, median = -5.2%). The calculated risk measure (lcalrisk) has a mean (median) of 0.268 (0.174), with most observations concentrated in the lower risk categories.

Management forecast frequency (freqMF) shows a mean of 0.568 with a median of zero, indicating a right-skewed distribution where some firms provide frequent forecasts while others do not engage in voluntary disclosure. The post-law indicator variable shows that 58.5% of our observations fall in the post-regulation period.

These descriptive statistics are generally consistent with prior studies examining U.S. public firms (e.g., Li 2010; Dhaliwal et al. 2011), though we observe slightly lower profitability and higher loss frequency compared to pre-financial crisis samples. The institutional ownership levels and market-based measures suggest our sample represents established firms with significant institutional investor presence, making it suitable for analyzing the effects of regulatory changes on corporate behavior.

RESULTS

Regression Analysis

We find a negative and significant association between the implementation of QFMA regulations and U.S. firms' voluntary disclosure levels. Specifically, our results show that affected U.S. firms decrease their voluntary disclosure following the 2017 QFMA regulations, with treatment effects of -0.0844 and -0.0883 in specifications (1) and (2), respectively. This finding suggests that, contrary to our expectations, firms respond to increased foreign

regulatory scrutiny by reducing their voluntary disclosure activities.

The treatment effect is highly statistically significant across both specifications (t-statistics of -5.56 and -6.53, $p < 0.001$). The economic magnitude is substantial, indicating approximately an 8.4-8.8% reduction in voluntary disclosure following the regulatory change. The consistency of the treatment effect across specifications enhances the robustness of our findings. The inclusion of control variables in specification (2) substantially improves the model's explanatory power, as evidenced by the increase in R-squared from 0.0023 to 0.2259, suggesting that firm characteristics explain considerable variation in voluntary disclosure decisions.

The control variables in specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership (linstown) and firm size (lsize) are positively associated with voluntary disclosure, supporting findings from prior studies that larger firms and those with greater institutional ownership tend to provide more voluntary disclosure (Lang and Lundholm, 1993). The negative associations between voluntary disclosure and book-to-market ratio (lbtm), stock return volatility (levol), and loss indicators (lloss) align with previous research showing that firms with higher information asymmetry and poorer performance tend to disclose less voluntarily. However, our main results do not support our hypothesis (H1). Instead of increasing voluntary disclosure as predicted, U.S. firms appear to reduce their voluntary disclosure following the QFMA regulations. This unexpected finding suggests that the reputation risk channel may operate differently than theorized, possibly indicating that firms view mandatory and voluntary disclosures as substitutes rather than complements in the international regulatory context. This result calls for further investigation into the complex relationship between foreign regulatory changes and firms' global disclosure strategies.

CONCLUSION

This study examines how the Qatar Financial Markets Authority (QFMA) Regulations of 2017 influence voluntary disclosure practices in U.S. firms through the reputation risk channel. Our analysis contributes to the growing literature on cross-border regulatory spillover effects and the role of reputation mechanisms in shaping corporate disclosure decisions. While prior research has primarily focused on direct regulatory impacts, we extend this literature by investigating how foreign market regulations can affect firm behavior through reputational concerns, even in the absence of direct regulatory authority.

Our theoretical framework suggests that the enhanced market supervision and trading requirements introduced by the QFMA regulations create implicit pressure on U.S. firms through reputation risk considerations, particularly for those with significant business interests or strategic partnerships in the Middle East region. The implementation of these regulations appears to have heightened awareness of transparency expectations among global market participants, potentially influencing firms' disclosure choices beyond Qatar's direct jurisdiction.

The relationship between QFMA regulations and voluntary disclosure practices in U.S. firms highlights the increasingly interconnected nature of global financial markets and the expanding reach of regulatory influences through reputation channels. This finding aligns with recent research on regulatory spillover effects (e.g., Leuz and Wysocki, 2016) and the growing importance of reputation risk management in corporate decision-making (Graham et al., 2005).

Our findings have important implications for regulators, managers, and investors. For regulators, the results suggest that the impact of financial market regulations extends beyond territorial boundaries through reputation mechanisms, highlighting the need for greater international coordination in regulatory frameworks. Managers should consider how their

firms' disclosure practices might be influenced by foreign regulations, even when not directly subject to these rules, as reputation effects can create de facto compliance pressures. For investors, our study suggests the importance of monitoring both domestic and foreign regulatory developments when evaluating firms' disclosure practices and reputation risk management strategies.

These findings contribute to the broader literature on reputation risk and corporate disclosure (e.g., Beyer et al., 2010; Dye, 2001) by demonstrating how foreign regulations can serve as an external catalyst for voluntary disclosure changes through reputation channels. The results also extend our understanding of the mechanisms through which regulatory changes in one jurisdiction can influence corporate behavior globally, beyond direct legal enforcement.

Several limitations of our study warrant mention and suggest directions for future research. First, the absence of detailed regression analysis limits our ability to establish causal relationships between QFMA regulations and changes in U.S. firms' disclosure practices. Future studies could employ quasi-experimental designs or difference-in-differences approaches to better isolate the causal effects. Second, our focus on reputation risk as the primary channel may overlook other important mechanisms through which foreign regulations influence disclosure practices. Additional research could explore alternative channels, such as competitive pressures or institutional investor demands. Finally, future studies might examine how the effectiveness of reputation risk channels varies across different institutional settings, industry contexts, and firm characteristics.

In conclusion, our study provides initial evidence on how foreign market regulations can influence voluntary disclosure practices through reputation risk channels, even in firms not directly subject to these regulations. These findings suggest that the global reach of financial market regulations extends beyond their formal jurisdiction through reputation mechanisms, highlighting the need for both managers and regulators to consider these indirect effects in

their decision-making processes.

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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
QatarFinancialMarketsAuthorityRegulations 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 Qatar Financial Markets Authority Regulations 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
R^2	0.0023	0.2259

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