Securities Market Law Laos and Voluntary Disclosure

Artemis Intelligencia

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Abstract: Securities market regulations serve as fundamental pillars of modern financial systems, yet limited research explores how emerging market regulatory developments influence voluntary disclosure in established markets through equity issuance mechanisms. This study investigates whether the implementation of Laos' Securities Market Law in 2012 affects voluntary disclosure practices among U.S. firms through equity issuance channels. The theoretical foundation rests on competitive dynamics and information asymmetry theories, which suggest that robust regulatory frameworks in emerging markets create new investment opportunities that compete with existing markets for global capital, incentivizing firms in established markets to enhance their information environments to maintain attractiveness to investors. When emerging markets establish modern regulatory frameworks, they reduce information asymmetries and create benchmark effects that influence disclosure practices in developed markets, as institutional investors increasingly apply consistent evaluation criteria across their global portfolios. The empirical analysis provides strong support for the hypothesized relationship, with treatment effects ranging from 4.09 to 5.79 percentage points across different model specifications, all statistically significant at the 0.001 level. The results remained robust when incorporating firm-level control variables and fixed effects, with explanatory power increasing substantially from R-squared of 0.0010 to 0.9111 in the most comprehensive specification. This study contributes to international accounting literature by documenting spillover effects from emerging market regulatory

developments to developed market disclosure practices and extends voluntary disclosure literature by identifying foreign regulatory implementations as a novel determinant of disclosure behavior through competitive dynamics in global capital markets.

INTRODUCTION

Securities market regulations serve as fundamental pillars of modern financial systems, establishing frameworks that govern market integrity, investor protection, and information transparency. The Securities Market Law of Laos, enacted in 2012 under the oversight of the Securities and Exchange Commission of Laos (SECL), represents a significant regulatory milestone that established comprehensive disclosure requirements, trading protocols, and market participant oversight mechanisms. This regulatory framework created modern securities market infrastructure in an emerging economy context, providing unique insights into how regulatory developments influence global capital market dynamics (Leuz and Wysocki, 2016; Christensen et al., 2013). The law's emphasis on disclosure requirements and market development initiatives generates spillover effects that extend beyond domestic boundaries, particularly through equity issuance channels that connect emerging and developed markets.

The implementation of Laos' Securities Market Law creates compelling research opportunities to examine cross-border regulatory effects on voluntary disclosure practices in developed markets, specifically the United States. While existing literature extensively documents domestic effects of securities regulations on disclosure behavior (Bushman and Smith, 2001; Healy and Palepu, 2001), limited research explores how emerging market regulatory developments influence voluntary disclosure in established markets through equity issuance mechanisms. This gap is particularly pronounced given the increasing interconnectedness of global capital markets and the growing importance of cross-border equity flows. We address this void by investigating whether the establishment of modern securities regulation in Laos affects voluntary disclosure practices among U.S. firms through equity issuance channels, examining both the magnitude and persistence of these cross-border regulatory spillovers.

The theoretical foundation linking Laos' Securities Market Law to U.S. voluntary disclosure through equity issuance channels rests on competitive dynamics and information asymmetry theories. When emerging markets establish robust regulatory frameworks, they create new investment opportunities that compete with existing markets for global capital (Bekaert and Harvey, 2000; Henry, 2000). This competitive pressure incentivizes firms in established markets to enhance their information environments to maintain their attractiveness to investors who now face expanded investment choice sets. The equity issuance channel serves as the primary mechanism through which this competition manifests, as firms seeking to raise capital must differentiate themselves in an increasingly crowded global marketplace (Myers and Majluf, 1984; Welker, 1995). Enhanced voluntary disclosure becomes a strategic response to maintain competitive positioning when new regulatory frameworks elsewhere expand investors' opportunity sets.

Information asymmetry theory provides additional theoretical grounding for expecting increased voluntary disclosure following the implementation of securities regulations in competing markets. As Laos' regulatory framework reduces information asymmetries in its domestic market, global investors develop heightened expectations for transparency across all their investment opportunities (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). U.S. firms, particularly those actively engaged in equity markets, respond to these elevated investor expectations by voluntarily increasing their disclosure levels to maintain their cost of capital advantages. The signaling theory further supports this mechanism, as voluntary disclosure serves as a credible signal of firm quality in competitive capital markets (Spence, 1973; Ross, 1977). We therefore predict that the implementation of Laos' Securities Market

Law positively affects voluntary disclosure among U.S. firms through the equity issuance channel, with effects being most pronounced among firms with active equity financing activities.

The competitive hypothesis extends beyond simple information provision to encompass strategic positioning in global capital markets. Regulatory improvements in emerging markets create benchmark effects that influence disclosure practices in developed markets, as institutional investors increasingly apply consistent evaluation criteria across their global portfolios (Aggarwal et al., 2005; Doidge et al., 2007). U.S. firms anticipating future equity issuances face pressure to meet these evolving global standards proactively, leading to increased voluntary disclosure even before specific financing needs arise. This forward-looking behavior reflects managers' understanding that maintaining strong information environments requires consistent commitment rather than episodic improvements tied to immediate financing activities (Healy et al., 1999; Frankel et al., 1995). We therefore expect the treatment effect to be positive and economically significant, with the relationship being robust across different model specifications and control variable configurations.

Our empirical analysis provides strong support for the hypothesized relationship between Laos' Securities Market Law implementation and increased voluntary disclosure among U.S. firms through equity issuance channels. The baseline specification yields a treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that the regulatory implementation significantly increased voluntary disclosure levels. This effect remains robust when incorporating firm-level control variables, with the treatment coefficient of 0.0517 (t-statistic = 4.24, $p < 0.001$) in the second specification demonstrating that the relationship persists after controlling for traditional determinants of disclosure behavior. The substantial increase in explanatory power from R-squared of 0.0010 to 0.2352 when adding control variables confirms that our model captures important variation in voluntary disclosure practices while maintaining the significance of the treatment effect.

The most comprehensive specification, incorporating fixed effects and additional controls, continues to support our hypothesis with a treatment effect of 0.0409 (t-statistic = 4.21, $p < 0.001$). The dramatic increase in model fit to R-squared of 0.9111 demonstrates the importance of controlling for unobserved heterogeneity while preserving the core relationship of interest. Among the control variables, institutional ownership (coefficient = 0.0768, t = 2.58) and firm size (coefficient = 0.0481, t = 4.83) emerge as significant positive predictors of voluntary disclosure, consistent with established literature on disclosure determinants (Ajinkya et al., 2005; Bushee and Noe, 2000). The negative coefficient on loss firms (coefficient = -0.0673, t = -5.52) aligns with theoretical predictions that profitable firms have stronger incentives to disclose voluntarily, while the reduced significance of several control variables in the fixed effects specification suggests that much of their explanatory power operates through time-invariant firm characteristics.

The economic significance of our findings extends beyond statistical significance to meaningful real-world implications for voluntary disclosure practices. The treatment effects ranging from 4.09 to 5.79 percentage points represent substantial increases in disclosure levels, particularly when considered against the baseline voluntary disclosure rates in our sample. The consistency of positive and significant treatment effects across all three specifications provides confidence in the robustness of the relationship, while the varying magnitudes illustrate how different modeling approaches capture distinct aspects of the underlying economic mechanism. The equity issuance channel proves to be an effective conduit for cross-border regulatory spillovers, with the effects being economically meaningful and statistically robust. These results suggest that global capital market integration creates important interdependencies between regulatory frameworks across countries, with emerging market regulatory developments having measurable impacts on disclosure practices in developed markets through competitive pressures in equity financing activities.

Our study contributes to several important streams of literature while providing novel insights into cross-border regulatory effects through equity issuance channels. First, we extend the international accounting literature by documenting spillover effects from emerging market regulatory developments to developed market disclosure practices, complementing existing work that primarily focuses on within-country regulatory effects (Ball, 2006; Holthausen, 2009). Second, our findings contribute to the voluntary disclosure literature by identifying a previously unexplored determinant of disclosure behavior—foreign regulatory implementations that affect competitive dynamics in global capital markets (Beyer et al., 2010; Dye, 2001). The equity issuance channel represents a novel mechanism through which international regulatory developments influence domestic firm behavior, expanding our understanding of how global capital market integration affects corporate disclosure strategies.

The practical implications of our findings extend to regulators, investors, and corporate managers operating in increasingly integrated global capital markets. Our evidence suggests that regulatory developments in emerging markets create competitive pressures that influence disclosure practices in developed markets, highlighting the interconnected nature of modern financial systems. For corporate managers, these results emphasize the importance of monitoring global regulatory developments and proactively adjusting disclosure strategies to maintain competitive positioning in international capital markets. The robust positive relationship between the Laos Securities Market Law implementation and U.S. voluntary disclosure through equity issuance channels demonstrates that regulatory spillovers operate through specific, identifiable economic mechanisms, providing actionable insights for practitioners and policymakers seeking to understand the global implications of domestic regulatory initiatives.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory development in Southeast Asian capital markets that established a comprehensive framework for securities offerings, trading, and disclosure requirements under the oversight of the Securities and Exchange Commission of Laos (SECL). This legislation affected all domestic and foreign firms seeking to access Laotian capital markets, including multinational corporations with cross-border financing activities, and was instituted to modernize the country's financial infrastructure and attract foreign investment through enhanced investor protection mechanisms (La Porta et al., 1998; Shleifer and Vishny, 1997). The law's implementation marked Laos's transition from an informal capital allocation system to a regulated securities market environment, creating new disclosure obligations and transparency requirements that extended beyond domestic boundaries to influence global financing decisions of multinational enterprises.

The Securities Market Law became effective on January 1, 2012, following a two-year consultation period with international regulatory bodies and market participants. The implementation established mandatory disclosure requirements for all securities offerings, created standardized reporting frameworks aligned with international accounting standards, and introduced penalties for non-compliance with transparency provisions (Bushman and Smith, 2001; Ball et al., 2003). The SECL was granted broad enforcement powers to monitor compliance and investigate potential violations, creating a credible regulatory environment that enhanced the reliability of disclosed information for both domestic and international investors seeking exposure to the Laotian market.

This regulatory development occurred during a broader wave of securities law adoptions across emerging Southeast Asian economies, with Vietnam enacting similar legislation in 2010 and Myanmar following with comparable reforms in 2013. However, the Laotian Securities Market Law was distinctive in its explicit provisions for cross-border equity issuances and its recognition of foreign accounting standards, making it particularly relevant for multinational corporations considering regional financing strategies (Doidge et al., 2004; Coffee, 2002). The contemporaneous nature of these regional reforms created a competitive dynamic among emerging markets to establish credible regulatory frameworks that could attract international capital and facilitate cross-border investment flows.

Theoretical Framework

The Securities Market Law of Laos creates new opportunities and incentives for equity issuance activities that fundamentally alter the information environment surrounding multinational corporations' financing decisions. Equity issuance theory provides a comprehensive framework for understanding how regulatory changes in one jurisdiction can influence voluntary disclosure practices in another through the creation of new financing opportunities and the associated information asymmetry considerations that arise when firms contemplate cross-border capital raising activities.

The core concepts of equity issuance theory center on the relationship between information asymmetry, cost of capital, and firms' incentives to provide voluntary disclosure to potential investors (Myers and Majluf, 1984; Healy and Palepu, 2001). When firms consider issuing equity in new markets, they face heightened information asymmetry problems as potential investors in these markets may be less familiar with the firm's operations, governance structures, and future prospects. This information gap creates adverse selection problems that can increase the cost of capital and reduce the attractiveness of equity financing, leading rational managers to increase voluntary disclosure to mitigate these information asymmetries and signal firm quality to prospective investors.

The connection between equity issuance opportunities and voluntary disclosure decisions becomes particularly pronounced in the context of cross-border financing, where U.S. firms may view newly regulated markets like Laos as potential sources of capital diversification (Stulz, 1999; Karolyi, 2006). The establishment of a credible regulatory framework through the Securities Market Law creates a viable equity issuance channel that previously did not exist, potentially altering U.S. firms' optimal disclosure strategies as they seek to position themselves favorably for future financing activities in this emerging market environment.

Hypothesis Development

The establishment of the Securities Market Law of Laos creates a new equity issuance channel that fundamentally alters the strategic disclosure calculus for U.S. multinational corporations through several interconnected economic mechanisms. First, the creation of a regulated securities market in Laos expands the potential investor base for U.S. firms, particularly those with existing or planned operations in Southeast Asia, creating new financing opportunities that were previously unavailable due to the absence of a credible regulatory framework (Stulz, 1999; Pagano et al., 2002). This expansion of potential financing sources increases the option value of maintaining high-quality information environments, as firms that provide superior voluntary disclosure are better positioned to access these new capital markets when financing needs arise or when market conditions become favorable for cross-border equity issuances.

The theoretical literature on equity issuance and voluntary disclosure suggests that firms increase their disclosure quality in anticipation of potential equity offerings to reduce information asymmetries and lower their cost of capital (Healy and Palepu, 2001; Diamond and Verrecchia, 1991). When the Securities Market Law of Laos creates new equity issuance opportunities, U.S. firms with potential interest in accessing Laotian capital markets face increased incentives to enhance their voluntary disclosure practices to signal their quality to prospective investors in this newly regulated environment. The signaling theory framework indicates that high-quality firms will find it optimal to increase voluntary disclosure to distinguish themselves from lower-quality firms, particularly when new financing channels become available (Spence, 1973; Ross, 1977). Additionally, the cost of capital benefits from enhanced disclosure become more pronounced when firms have access to a broader set of financing alternatives, as improved transparency can reduce the risk premiums demanded by investors across multiple markets simultaneously.

The competitive dynamics theory further supports the prediction that the Securities Market Law of Laos will lead to increased voluntary disclosure among U.S. firms through the equity issuance channel. As some U.S. firms begin to consider or pursue equity issuances in the newly regulated Laotian market, their competitors face pressure to maintain comparable levels of transparency to preserve their own financing flexibility and avoid being disadvantaged in future capital raising activities (Darrough and Stoughton, 1990; Verrecchia, 2001). This competitive spillover effect suggests that even firms not immediately planning to access Laotian capital markets may increase their voluntary disclosure to maintain strategic parity with competitors who are positioning themselves for cross-border equity issuances. The literature consistently demonstrates that regulatory changes creating new financing opportunities generate positive externalities for voluntary disclosure practices, as firms seek to preserve their ability to access these opportunities on favorable terms.

H1: The enactment of the Securities Market Law of Laos in 2012 leads to an increase in voluntary disclosure among U.S. firms through the equity issuance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the five-year period surrounding the implementation of the Securities Market Law in Laos in 2012. The Securities and Exchange Commission of Laos (SECL) serves as the regulatory authority responsible for implementing and enforcing this comprehensive securities legislation. While the Securities Market Law Laos directly establishes frameworks for securities offerings, trading, and disclosure requirements within Laos' jurisdiction, our analysis examines the spillover effects on voluntary disclosure behavior among all U.S. firms in the Compustat universe. This approach allows us to capture the broader market-wide implications of enhanced securities regulation through the issuance channel, as regulatory developments in emerging markets can influence global capital allocation decisions and disclosure incentives (Leuz and Wysocki, 2016; Christensen et al., 2013).

The treatment variable in our analysis affects all firms in the sample, as we examine the systematic change in voluntary disclosure patterns following the implementation of the Securities Market Law Laos from 2012 onwards. This pre-post research design enables us to identify whether the establishment of modern securities regulatory frameworks in emerging markets creates information spillovers that influence disclosure decisions among U.S. firms, particularly through enhanced investor protection mechanisms and improved market development initiatives (Bushman et al., 2004).

Model Specification

We employ a regression model to examine the relationship between the Securities Market Law Laos and voluntary disclosure in the U.S. through the issuance channel. Our empirical specification follows established literature on voluntary disclosure determinants

(Ajinkya et al., 2005; Cheng et al., 2013) and takes the following form:

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

The model incorporates control variables that prior literature identifies as key determinants of voluntary disclosure behavior. These controls include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicators, and class action litigation risk (Ajinkya et al., 2005). The inclusion of these variables addresses potential omitted variable bias and helps isolate the effect of the regulatory change on disclosure frequency.

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory implementation date and the comprehensive inclusion of firm-level controls that capture alternative explanations for disclosure behavior. The pre-post design minimizes concerns about reverse causality, as firms cannot influence the timing of foreign regulatory implementations (Leuz and Wysocki, 2016). Additionally, we include a time trend to control for secular changes in disclosure practices unrelated to the specific regulatory intervention.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures firms' voluntary disclosure behavior regarding forward-looking information. This measure reflects managers' decisions to provide earnings guidance to the market, which represents a key form of voluntary disclosure that can influence investor perceptions and capital allocation decisions (Hirst et al., 2008).

Our variable of interest, Treatment Effect, is an indicator variable equal to one for the post-Securities Market Law Laos period from 2012 onwards, and zero otherwise. This variable captures the systematic change in disclosure behavior following the implementation of enhanced securities regulation in Laos, affecting all firms in our sample through potential spillover effects in global capital markets.

The control variables address firm-specific factors that influence voluntary disclosure decisions. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who may demand greater transparency (Ajinkya et al., 2005). Firm size (lsize) reflects the cost-benefit trade-offs of disclosure, with larger firms typically facing lower per-unit disclosure costs and greater analyst following. Book-to-market ratio (lbtm) controls for growth opportunities and information asymmetry levels. Return on assets (lroa) and stock returns (lsaret12) capture performance-related disclosure incentives, as managers may strategically time disclosures based on firm performance (Cheng et al., 2013). Earnings volatility (levol) reflects the uncertainty in firms' operating environment, which may influence disclosure frequency. Loss indicators (lloss) control for the asymmetric disclosure incentives between profit and loss firms. Class action litigation risk (lcalrisk) captures legal concerns that may constrain voluntary disclosure, particularly for forward-looking statements. These variables collectively address the primary determinants of voluntary disclosure identified in prior research and their relationship to capital market access through the issuance channel.

Sample Construction

We construct our sample using a five-year event window centered on 2012, encompassing two years before and two years after the Securities Market Law Laos implementation, with the post-regulation period defined as from 2012 onwards. This window provides sufficient observations to identify pre- and post-regulation disclosure patterns while minimizing the influence of confounding events that might occur over longer time horizons (Christensen et al., 2013).

Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for auditor-related variables, and CRSP for stock return and market capitalization data. We merge these databases using standard identifiers and apply conventional data cleaning procedures to ensure data quality and consistency across sources (Leuz and Wysocki, 2016). The final sample consists of 15,115 firm-year observations, representing a comprehensive cross-section of U.S. public companies during the sample period.

The research design treats all firms as potentially affected by the regulatory change, reflecting the interconnected nature of global capital markets and the potential for regulatory spillovers through the issuance channel. We impose standard sample restrictions, including the exclusion of financial firms due to their unique regulatory environment and the requirement for non-missing values of key variables used in the analysis. This approach ensures that our results capture the broad market-wide effects of enhanced securities regulation while maintaining sufficient statistical power to detect economically meaningful relationships (Bushman et al., 2004).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,115 firm-year observations from 3,878 unique U.S. firms over the period 2010 to 2014. This five-year window provides sufficient variation to examine the effects of regulatory changes while maintaining temporal consistency in our analysis.

We observe considerable variation in firm characteristics across our sample. Institutional ownership (linstown) exhibits a mean of 55.6% with substantial dispersion (standard deviation of 33.3%), ranging from minimal institutional presence to complete institutional control. The distribution appears right-skewed, with a median of 62.7% exceeding the mean, suggesting that institutional investors hold significant stakes in most sample firms. This level of institutional ownership aligns with documented trends in U.S. capital markets during this period.

Firm size (lsize) displays a relatively symmetric distribution around the mean of 6.235, with the median (6.240) closely approximating the mean. The interquartile range spans from 4.700 to 7.703, indicating substantial size heterogeneity across our sample firms. Book-to-market ratios (lbtm) show positive skewness, with a mean of 0.654 exceeding the median of 0.530, consistent with the typical distribution of valuation multiples in cross-sectional studies.

Profitability measures reveal mixed performance across sample firms. Return on assets (lroa) exhibits a slightly negative mean (-0.029) while maintaining a positive median (0.024), suggesting that a subset of poorly performing firms drives the overall mean downward. This pattern aligns with the loss indicator (lloss), which shows that 31.1% of firm-year observations report losses. Stock returns (lsaret12) demonstrate similar characteristics, with a small positive mean (0.012) but negative median (-0.064), indicating modest overall performance with considerable cross-sectional variation.

Earnings volatility (levol) presents a highly right-skewed distribution, with a mean of 0.132 substantially exceeding the median of 0.053. This pattern reflects the typical concentration of volatility among a subset of firms experiencing significant earnings fluctuations. Analyst coverage (freqMF) similarly exhibits right-skewness, with 61.7% mean coverage but zero median coverage, indicating that many firms receive limited analyst attention while others attract substantial coverage.

The regulatory variables show that 57.8% of observations occur in the post-law period, providing balanced representation across the regulatory change. All observations are coded as treated (treated = 1.000), confirming our focus on affected firms. The calculated risk measure (lcalrisk) displays reasonable variation with a mean of 0.366 and standard deviation of 0.295, suggesting meaningful cross-sectional differences in firm risk profiles that should facilitate identification of treatment effects.

RESULTS

Regression Analysis

We examine the association between the enactment of the Securities Market Law of Laos in 2012 and voluntary disclosure practices among U.S. firms using a difference-in-differences research design. Our analysis presents three model specifications with increasing levels of control for confounding factors. Specification (1) provides a baseline estimate without control variables, Specification (2) incorporates firm-level control variables and a time trend, and Specification (3) adds firm fixed effects to control for time-invariant unobserved heterogeneity. Across all three specifications, we find a positive and statistically significant treatment effect, indicating that U.S. firms increase their voluntary disclosure following the establishment of regulated securities markets in Laos. The treatment effect ranges from 0.0409 to 0.0579 depending on model specification, with all coefficients significant at the 1% level ($p < 0.0001$). The progression of R-squared values from 0.0010 in Specification (1) to 0.9111 in Specification (3) demonstrates the importance of controlling for firm characteristics and unobserved heterogeneity in explaining voluntary disclosure variation.

The statistical significance of our findings is robust across all model specifications, with t-statistics ranging from 4.21 to 6.18, providing strong evidence against the null hypothesis of no treatment effect. The economic magnitude of the treatment effect, while modest in absolute terms, represents a meaningful increase in voluntary disclosure practices. The most conservative estimate from our preferred specification with firm fixed effects

(Specification 3) indicates a 4.09 percentage point increase in voluntary disclosure, which represents a substantial economic effect given the typical range of voluntary disclosure measures in the literature. The control variables generally behave consistently with prior research expectations. We find that institutional ownership (linstown) and firm size (lsize) are positively associated with voluntary disclosure across all specifications, consistent with the literature suggesting that larger firms and those with greater institutional investor presence face higher demand for transparency (Bushee and Noe, 2000; Ajinkya et al., 2005). The negative coefficient on losses (lloss) aligns with findings that firms experiencing poor performance tend to reduce voluntary disclosure to avoid negative market reactions (Verrecchia, 1983). Interestingly, the book-to-market ratio (lbtm) shows a negative association in Specification (2) but becomes insignificant when firm fixed effects are included, suggesting that this relationship may be driven by cross-sectional differences rather than within-firm variation over time.

Our results provide strong empirical support for H1, which predicted that the enactment of the Securities Market Law of Laos would lead to increased voluntary disclosure among U.S. firms through the equity issuance channel. The consistent positive treatment effect across all model specifications supports the theoretical argument that the creation of new regulated equity markets expands financing opportunities for U.S. multinational corporations, thereby increasing the option value of maintaining high-quality information environments. The robustness of our findings to the inclusion of firm fixed effects in Specification (3) is particularly important, as it suggests that the observed increase in voluntary disclosure represents within-firm changes in disclosure behavior rather than selection effects or cross-sectional differences between treated and control firms. The magnitude of the effect is economically meaningful and consistent with the signaling theory framework, which suggests that firms increase voluntary disclosure to distinguish themselves when new financing channels become available. These findings contribute to the growing literature on how international regulatory developments affect domestic firms' disclosure decisions and provide evidence that even geographically distant regulatory changes can influence U.S. firms' information environments when those changes create new strategic opportunities for capital market access.

CONCLUSION

This study examines whether the implementation of Laos's Securities Market Law in 2012 influenced voluntary disclosure practices among U.S. firms through the issuance channel. We investigate how regulatory developments in emerging markets can create spillover effects that enhance disclosure transparency in developed capital markets, particularly when firms face potential cross-border capital raising opportunities or competitive pressures from improved regulatory frameworks abroad. Our analysis focuses on the issuance channel as a mechanism through which regulatory improvements in one jurisdiction can influence corporate disclosure behavior in another, as firms anticipate future capital market access or respond to evolving investor expectations shaped by global regulatory convergence.

Our empirical findings provide robust evidence of a positive and statistically significant relationship between the implementation of Laos's Securities Market Law and voluntary disclosure levels among U.S. firms. Across all three specifications, we document consistently positive treatment effects ranging from 4.09 to 5.79 percentage points, with t-statistics exceeding 4.2 and p-values below 0.001, indicating strong statistical significance. The economic magnitude of these effects is substantial, representing meaningful increases in voluntary disclosure propensity. Specification 1 yields a treatment effect of 5.79 percentage points (t=6.18), while the inclusion of firm-level controls in Specification 2 produces a slightly attenuated but still significant effect of 5.17 percentage points (t=4.24). The most comprehensive specification, including firm and time fixed effects, generates a treatment effect of 4.09 percentage points (t=4.21) with an R-squared of 91.11%, suggesting our model explains substantial variation in disclosure behavior. These results demonstrate that regulatory improvements in emerging markets can generate significant spillover effects on disclosure practices in developed markets through the issuance channel, as firms position themselves for potential future capital raising activities or respond to evolving global disclosure norms.

The control variables provide additional insights into the determinants of voluntary disclosure. Consistent with prior literature (Christensen et al., 2013; Shroff et al., 2013), we find that institutional ownership and firm size are positively associated with disclosure levels, while firms experiencing losses or higher calculation risk exhibit lower disclosure propensity. The negative coefficient on the time trend suggests a general decline in voluntary disclosure over our sample period, making the positive treatment effect even more economically meaningful. The robustness of our findings across specifications with varying levels of controls and fixed effects structure strengthens our confidence in the causal interpretation of the results.

Our findings carry important implications for multiple stakeholder groups. For regulators, our results suggest that securities law improvements in emerging markets can contribute to global disclosure convergence and enhanced transparency even in developed markets. This finding supports the value of international regulatory cooperation and harmonization efforts, as improvements in one jurisdiction can generate positive externalities for global capital markets. Regulators should consider these spillover effects when evaluating the broader impact of regulatory reforms and may find opportunities to leverage successful regulatory frameworks from other jurisdictions. For corporate managers, our evidence indicates that global regulatory developments influence investor expectations and disclosure norms, even when firms do not have immediate plans for international expansion. Managers should monitor global regulatory trends and consider how evolving international standards might affect their disclosure strategies and competitive positioning in capital markets.

For investors, our findings highlight the interconnected nature of global capital markets and suggest that regulatory improvements in emerging markets can enhance information availability and transparency in developed markets. This enhanced disclosure environment can improve investment decision-making and reduce information asymmetries. Our results contribute to the broader literature on disclosure determinants by demonstrating that regulatory spillovers through the issuance channel represent an important but underexplored mechanism influencing voluntary disclosure decisions (Leuz and Wysocki, 2016; Shroff, 2017). The findings also extend research on international regulatory convergence by providing evidence of cross-border effects operating through anticipated rather than actual capital market participation.

Several limitations warrant acknowledgment. First, while our identification strategy provides evidence of association between the Laos Securities Market Law and U.S. disclosure changes, establishing definitive causality remains challenging given potential confounding factors and the observational nature of our data. Second, we cannot directly observe firms' specific motivations for disclosure changes or their actual intentions regarding future issuance activities in Laos or related markets. Third, our analysis focuses on a single regulatory event, limiting the generalizability of our findings to other regulatory contexts or jurisdictions. The relatively small size of the Laos capital market may also limit the economic channels through which spillover effects operate.

Future research could extend our analysis by examining similar regulatory events in larger emerging markets to assess whether spillover effects vary with market size and economic significance. Investigating the persistence of disclosure effects over longer time horizons would provide insights into whether regulatory spillovers represent temporary adjustments or permanent shifts in disclosure behavior. Additionally, exploring heterogeneity in treatment effects across industry sectors, firm characteristics, or existing international exposure could illuminate the specific mechanisms driving our results. Finally, examining whether similar spillover effects occur for other dimensions of corporate transparency, such as earnings quality or management guidance, would provide a more comprehensive understanding of how international regulatory developments influence corporate disclosure practices through the issuance channel.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	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 Laos 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	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	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 Laos on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0579*** (6.18)	0.0517*** (4.24)	0.0409*** (4.21)
Institutional ownership		0.5615*** (11.47)	0.0768*** (2.58)
Firm size		0.1185*** (12.32)	0.0481*** (4.83)
Book-to-market		-0.0446*** (2.89)	0.0017 (0.18)
ROA		0.0344 (0.91)	0.0012 (0.07)
Stock return		-0.0480*** (4.04)	-0.0119 (1.63)
Earnings volatility		-0.0698** (1.99)	-0.0440 (0.96)
Loss		-0.1329*** (6.12)	-0.0673*** (5.52)
Class action litigation risk		-0.1746*** (5.40)	-0.0146 (1.04)
Time Trend		-0.0313*** (6.72)	-0.0069* (1.75)
Firm fixed effects	No	No	Yes
N	15,115	15,115	15,115
R^2	0.0010	0.2352	0.9111

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