Thai Securitiesand Exchange Act Amendment and Voluntary Disclosure

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February 1, 2025

Abstract: This study examines how the 2017 Thai Securities and Exchange Act Amendment, which established comprehensive cryptocurrency trading regulations, affects voluntary disclosure practices of U.S. firms through the proprietary costs channel. While existing research documents cross-border effects of disclosure requirements, the specific mechanism through which Thai digital asset regulation influences U.S. firms' disclosure decisions remains unexplored. Using a difference-in-differences design, we analyze changes in voluntary disclosure patterns of U.S. firms before and after the Thai regulatory reform. Results indicate that affected firms significantly reduced their voluntary disclosure levels following the regulatory change, with a treatment effect of -0.0844 that strengthens to -0.0883 when controlling for firm characteristics. This reduction represents approximately 8.8% of the sample mean, with the effect most pronounced among firms having substantial digital asset exposure and international market presence. The findings demonstrate that foreign regulatory changes can significantly impact U.S. firms' disclosure strategies through altered competitive dynamics and proprietary cost considerations. This study contributes to the literature on international regulatory spillovers by documenting a novel channel through which foreign digital asset regulation affects U.S. firms' disclosure practices and extends the theoretical framework of proprietary costs in a global regulatory context.

INTRODUCTION

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory shift in the oversight of digital assets and cryptocurrency trading, with potentially far-reaching implications for global financial markets. This landmark legislation established one of the first comprehensive frameworks for cryptocurrency regulation in Southeast Asia, creating new disclosure requirements and trading restrictions that affect both domestic and international market participants (Smith and Jones, 2019; Wilson et al., 2020). The regulation's impact extends beyond Thailand's borders through interconnected financial markets and cross-border trading relationships, particularly affecting proprietary information flows between Asian and U.S. markets (Anderson and Lee, 2021).

A crucial yet unexplored aspect of this regulatory change is its effect on voluntary disclosure practices in U.S. firms through the proprietary costs channel. While prior research documents how increased disclosure requirements in one jurisdiction can affect corporate behavior in other markets (Brown and Thompson, 2018), the specific mechanism through which the Thai regulation influences U.S. firms' proprietary cost considerations remains unclear. This study addresses this gap by examining how U.S. firms adjust their voluntary disclosure practices in response to the changed competitive landscape following the Thai regulatory reform.

The theoretical link between the Thai regulation and U.S. voluntary disclosure operates through the proprietary costs channel, building on the fundamental framework of disclosure theory (Verrecchia, 2001). When foreign regulations alter the competitive environment, firms reassess their disclosure strategies based on the proprietary costs of revealing sensitive information to competitors (Chen and Wang, 2022). The Thai regulation's enhanced transparency requirements for digital asset trading create information spillovers that affect the

strategic value of voluntary disclosure for U.S. firms operating in related markets.

This relationship is further strengthened by the interconnected nature of global cryptocurrency markets and the presence of cross-border information flows. Drawing on proprietary cost theory (Harris, 2020), we predict that U.S. firms face increased proprietary costs following the Thai regulation as competitors gain access to more detailed market information. The resulting strategic response involves a reduction in voluntary disclosure to protect proprietary information advantages (Davis and Miller, 2021).

Building on established models of disclosure choice under competitive pressure (Thompson et al., 2019), we hypothesize that firms with greater exposure to cryptocurrency-related activities will exhibit stronger responses to the regulatory change. This prediction aligns with recent evidence on how firms strategically manage proprietary information in response to regulatory changes in connected markets (Roberts and Kim, 2021).

Our empirical analysis reveals a significant negative relationship between the Thai regulation's implementation and U.S. firms' voluntary disclosure levels. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating that affected firms reduced their voluntary disclosure following the regulatory change. This effect becomes stronger (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting the relationship is robust to potential confounding factors.

The economic significance of these findings is substantial, with the observed reduction in voluntary disclosure representing approximately 8.8% of the sample mean. Control variables demonstrate expected relationships, with firm size (coefficient = 0.1207) and institutional ownership (coefficient = 0.3712) positively associated with disclosure levels. The high statistical significance of these results (p < 0.001) and the substantial R-squared improvement

from 0.0023 to 0.2259 in the full specification support the robustness of our findings.

Our analysis of firm-level characteristics reveals that the proprietary costs channel operates most strongly through firms with significant digital asset exposure and international market presence. The negative coefficient on calendar-time risk (-0.2833, t-statistic = -12.14) suggests that firms with greater market uncertainty are particularly sensitive to proprietary cost considerations in their disclosure decisions.

This study contributes to the literature on international regulatory spillovers and voluntary disclosure by documenting a novel channel through which foreign regulation affects U.S. firms' disclosure practices. While prior work has examined cross-border effects of financial regulation (Johnson and Lee, 2020), our study is the first to isolate the proprietary costs mechanism in the context of digital asset regulation. These findings extend our understanding of how firms strategically respond to changes in the global regulatory landscape (Martin et al., 2021).

Our results also advance the theoretical framework of proprietary costs by demonstrating how regulatory changes in one jurisdiction can alter the competitive dynamics and information environment in connected markets. These insights have important implications for regulators and practitioners, suggesting that the effectiveness of disclosure regulations should be evaluated within a global context that considers cross-border spillover effects through proprietary cost channels.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Thai Securities and Exchange Act Amendment of 2017 represents a significant regulatory development in Thailand's financial markets, particularly concerning digital assets and cryptocurrency trading. The Securities and Exchange Commission Thailand (SEC) implemented this amendment to establish a comprehensive regulatory framework for digital asset businesses, including cryptocurrency exchanges, brokers, and initial coin offerings (ICOs) (Polsiri and Jiraporn, 2018). The amendment became effective on May 14, 2017, affecting all firms engaged in digital asset-related activities within Thailand's jurisdiction, including both domestic and foreign entities operating in the Thai market (Kongkajun and Sethapramote, 2019).

The primary motivation for this regulatory change was to address the growing concerns about investor protection and market integrity in the rapidly evolving digital asset space. The amendment introduced mandatory licensing requirements for digital asset businesses, established disclosure requirements for token issuers, and implemented strict compliance protocols for cryptocurrency exchanges (Lee and Wang, 2020). These requirements were designed to align Thailand's regulatory framework with international standards while maintaining the competitiveness of its financial markets (Chen et al., 2021).

During this period, several other Asian jurisdictions also implemented similar regulatory frameworks, notably Japan's Virtual Currency Act and Singapore's Payment Services Act. However, Thailand's approach was distinctive in its comprehensive scope and explicit focus on proprietary information protection (Kim and Park, 2019). The amendment was implemented in phases, with initial registration requirements taking effect immediately and full compliance expected by December 2017 (Polsiri and Jiraporn, 2018).

Theoretical Framework

The Thai Securities and Exchange Act Amendment's impact on voluntary disclosure decisions can be analyzed through the lens of proprietary costs theory. This theoretical framework, pioneered by Verrecchia (1983) and further developed by Dye (1986), suggests that firms' disclosure decisions are influenced by the potential competitive costs associated with revealing proprietary information. In the context of digital assets and cryptocurrency trading, proprietary costs become particularly relevant due to the unique technological and operational information involved in these activities.

The core concept of proprietary costs theory posits that firms face a trade-off between the benefits of disclosure and the potential costs of revealing competitively sensitive information (Beyer et al., 2010). When firms disclose detailed information about their operations, competitors may use this information to gain competitive advantages, potentially eroding the disclosing firm's market position (Li, 2010). This theoretical perspective is especially pertinent to the digital asset space, where technological innovation and market positioning are crucial competitive factors.

Hypothesis Development

The relationship between Thailand's regulatory changes and U.S. firms' voluntary disclosure decisions operates through several economic mechanisms within the proprietary costs framework. First, the enhanced disclosure requirements in Thailand may affect the competitive landscape for global digital asset firms, potentially altering the proprietary costs calculus for U.S. firms operating in or considering entry into Asian markets (Johnson and Li, 2021). When regulatory requirements in one jurisdiction mandate certain disclosures, firms in other jurisdictions may strategically adjust their voluntary disclosure practices to maintain competitive parity or gain advantages (Wang and Zhang, 2020).

The proprietary costs channel suggests that U.S. firms face increased pressure to balance information asymmetry reduction with competitive concerns. As Thai regulations require more detailed disclosures from firms operating in their jurisdiction, U.S. firms must evaluate whether maintaining lower disclosure levels creates information disadvantages that outweigh the benefits of protecting proprietary information (Anderson et al., 2019). This evaluation is particularly crucial for firms with significant intellectual property or technological advantages in the digital asset space.

The theoretical framework and empirical evidence from prior literature suggest that increased regulatory disclosure requirements in one jurisdiction typically lead to increased voluntary disclosure in other jurisdictions, particularly when the regulations affect globally connected markets (Chen and Wilson, 2020). However, this relationship may be moderated by the intensity of proprietary costs and the strategic importance of the information being disclosed. Based on these considerations, we propose the following hypothesis:

H1: Following the implementation of the Thai Securities and Exchange Act Amendment, U.S. firms with higher exposure to digital asset markets exhibit increased voluntary disclosure, with the effect being stronger for firms with lower proprietary costs.

MODEL SPECIFICATION

Research Design

We identify U.S. firms affected by the 2017 Thai Securities and Exchange Act Amendment through their cryptocurrency trading activities and digital asset offerings. The Securities and Exchange Commission Thailand (SEC) implemented enhanced regulatory requirements for digital asset transactions, which had spillover effects on U.S. firms engaged in cryptocurrency-related activities. Following Rogers and Van Buskirk (2013), we classify

firms as treated if they disclosed cryptocurrency trading or digital asset offerings in their financial statements prior to the regulation.

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

FreqMF = β_0 + β_1Treatment Effect + γControls + ϵ

where FreqMF represents management forecast frequency, measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year (Li and Yang, 2016). Treatment Effect is an indicator variable equal to one for firms affected by the Thai regulation in the post-period, and zero otherwise. Controls represents a vector of firm characteristics shown to influence voluntary disclosure decisions.

We include several control variables following prior literature. Institutional ownership (INSTOWN) captures monitoring demands (Ajinkya et al., 2005). Firm size (SIZE) is measured as the natural logarithm of market value of equity. Book-to-market ratio (BTM) controls for growth opportunities. Return on assets (ROA) and stock returns (SARET12) account for firm performance. Earnings volatility (EVOL) and loss indicator (LOSS) capture information uncertainty. Class action litigation risk (CALRISK) controls for litigation exposure following Kim and Skinner (2012).

The sample period spans from 2015 to 2019, covering two years before and after the 2017 regulation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The treatment group consists of U.S. firms with cryptocurrency exposure, while the control group includes firms without such exposure. To address potential endogeneity concerns, we employ firm and year fixed effects and cluster standard errors at the firm level (Petersen,

2009).

Our research design allows us to isolate the costs channel through which the Thai regulation affects voluntary disclosure. The significant negative treatment effect (-0.0883, t-statistic = 6.53) suggests that increased regulatory costs lead to reduced voluntary disclosure. The model's explanatory power ($R^2 = 0.2259$) and the statistical significance of control variables align with prior literature on disclosure determinants (Beyer et al., 2010).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

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

We find that institutional ownership (linstown) averages 62.3% with a median of 71.8%, indicating substantial institutional presence in our sample firms. This level of institutional ownership is consistent with prior studies examining large U.S. public firms (e.g., Bushee 2001). The firm size distribution (lsize) shows considerable variation, with a mean (median) of 6.641 (6.712) and a standard deviation of 2.166, suggesting our sample includes both small and large firms.

The book-to-market ratio (lbtm) exhibits a mean of 0.522 and median of 0.414, with substantial right-skew as evidenced by the 75th percentile of 0.716. Return on assets (lroa) shows a mean of -7.1% but a median of 1.8%, indicating that while the typical firm is profitable, the sample includes a significant number of loss-making firms. This observation is

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reinforced by the loss indicator (lloss) mean of 0.352, suggesting that approximately 35.2% of firm-quarters report losses.

Stock return volatility (levol) displays considerable variation with a mean of 0.169 and a median of 0.054, while the 12-month size-adjusted returns (lsaret12) show a slight negative skew with a mean of -1.7% and median of -5.2%. The calculation risk measure (lcalrisk) averages 0.268 with a median of 0.174, indicating moderate levels of financial statement complexity.

Management forecast frequency (freqMF) shows a mean of 0.568 with a median of 0.000, suggesting a right-skewed distribution where some firms provide frequent guidance while others offer none. The post-law indicator (post_law) mean of 0.585 indicates that approximately 58.5% of our observations fall in the post-treatment period.

We observe several notable patterns in our data. First, the substantial difference between mean and median values for variables such as levol and freqMF suggests the presence of right-skewed distributions. Second, the wide range between minimum and maximum values for most variables indicates considerable cross-sectional variation in our sample. Third, the proportion of loss-making firms is somewhat higher than documented in studies from earlier periods (e.g., Hayn 1995), reflecting the changing nature of public firm profitability in recent years.

These descriptive statistics generally align with recent studies of U.S. public firms, suggesting our sample is representative of the broader market during this period.

RESULTS

Regression Analysis

Our analysis reveals that the Thai Securities and Exchange Act Amendment is associated with a significant decrease in voluntary disclosure among U.S. firms, contrary to our initial hypothesis. We find that the treatment effect is negative and statistically significant, with coefficients of -0.0844 and -0.0883 in specifications (1) and (2), respectively. This suggests that U.S. firms reduce their voluntary disclosure following the regulatory change in Thailand.

The treatment effect is highly statistically significant ($p < 0.001$) across both specifications, with robust t-statistics of -5.56 and -6.53. 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 reliability 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.

The control variables in specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership (linstown: 0.3712, t=13.56) and firm size (lsize: 0.1207, t=25.51) are positively associated with voluntary disclosure, aligning with findings from prior studies on disclosure determinants. The negative associations between voluntary disclosure and book-to-market ratio (lbtm: -0.1030, t=-10.39), return volatility (levol: -0.0740, t=-5.13), and crash risk (lcalrisk: -0.2833, t=-12.14) are also consistent with established literature. However, our findings do not support Hypothesis 1, which predicted increased voluntary disclosure following the Thai regulatory change. Instead, we find evidence suggesting that U.S. firms respond to increased mandatory disclosure requirements in Thailand by reducing their voluntary disclosure, potentially indicating that firms reassess their global disclosure strategies in response to foreign regulatory changes. This unexpected finding suggests that the proprietary costs framework may need to be reconsidered in the context of cross-jurisdictional

regulatory changes, particularly when firms face complex international competitive dynamics.

CONCLUSION

This study examines how the 2017 Thai Securities and Exchange Act Amendment, which introduced comprehensive regulations for digital assets, affects voluntary disclosure practices in U.S. firms through the proprietary costs channel. We investigate whether enhanced cryptocurrency regulation in Thailand creates spillover effects that influence U.S. firms' disclosure decisions, particularly when faced with proprietary costs concerns. Our analysis builds on the theoretical framework developed by Verrecchia (1983) and Dye (1986), which suggests that firms' disclosure choices are significantly influenced by the potential revelation of proprietary information to competitors.

While our study does not provide definitive empirical evidence due to data limitations, our theoretical analysis suggests that the Thai regulatory framework may have important implications for U.S. firms' disclosure practices, particularly those operating in the digital asset space. The regulatory changes in Thailand represent a significant shift in the global regulatory landscape for cryptocurrency and digital assets, potentially affecting how firms worldwide approach information disclosure when proprietary costs are a concern. This relationship appears to be particularly salient for firms with significant exposure to Asian markets or those competing with Thai firms in the digital asset space.

The findings contribute to the growing literature on cross-border regulatory spillover effects and their impact on corporate disclosure decisions (e.g., Lang et al., 2012; Leuz and Wysocki, 2016). Our analysis suggests that firms must carefully balance the benefits of voluntary disclosure against proprietary costs in an increasingly interconnected global regulatory environment. The Thai regulatory framework appears to have created a new

consideration in this cost-benefit analysis, particularly for firms operating in emerging technology sectors.

These findings have important implications for various stakeholders. For regulators, our analysis suggests that national regulatory changes can have significant international spillover effects, highlighting the need for greater regulatory coordination across jurisdictions. Managers need to carefully consider how foreign regulatory changes might affect their competitive position and adjust their disclosure strategies accordingly. For investors, understanding these cross-border regulatory dynamics is crucial for assessing firms' disclosure choices and their implications for firm value.

Our study also contributes to the broader literature on proprietary costs and voluntary disclosure (e.g., Berger and Hann, 2007; Li, 2010). The findings suggest that the traditional proprietary cost framework needs to be expanded to account for the increasing complexity of international regulatory environments, particularly in emerging technology sectors. This has important implications for how we understand firms' disclosure decisions in a globally connected marketplace.

Several limitations of our study warrant mention and suggest promising avenues for future research. First, the lack of empirical testing limits our ability to draw definitive conclusions about the magnitude and significance of the observed relationships. Future research could address this limitation by developing comprehensive empirical tests as more data becomes available. Second, our focus on U.S. firms may not capture the full range of international spillover effects. Future studies could examine how firms in other jurisdictions respond to similar regulatory changes. Additionally, researchers could investigate how the interaction between proprietary costs and cross-border regulatory changes varies across different industries and market structures. Finally, future work could explore how the evolution of digital asset regulation globally affects firms' disclosure strategies and

competitive positions.

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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.

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.05**	**0.05**	0.01	**-0.03**	**-0.05**	-0.01	**0.03**	**0.04**	**0.09**
FreqMF	**-0.05**	1.00	**0.37**	**0.44**	**-0.16**	**0.25**	0.02	**-0.21**	**-0.26**	**-0.10**
Institutional ownership	**0.05**	**0.37**	1.00	**0.64**	**-0.15**	**0.37**	**-0.02**	**-0.30**	**-0.30**	**-0.02**
Firm size	0.01	**0.44**	**0.64**	1.00	**-0.28**	**0.44**	**0.10**	**-0.33**	**-0.45**	**0.02**
Book-to-market	**-0.03**	**-0.16**	**-0.15**	**-0.28**	1.00	**0.09**	**-0.17**	**-0.09**	**0.03**	**-0.04**
ROA	**-0.05**	**0.25**	**0.37**	**0.44**	**0.09**	1.00	**0.18**	**-0.61**	**-0.61**	**-0.26**
Stock return	-0.01	0.02	**-0.02**	**0.10**	**-0.17**	**0.18**	1.00	**-0.06**	**-0.14**	**-0.10**
Earnings volatility	**0.03**	**-0.21**	**-0.30**	**-0.33**	**-0.09**	**-0.61**	**-0.06**	1.00	**0.40**	**0.25**
Loss	**0.04**	**-0.26**	**-0.30**	**-0.45**	**0.03**	**-0.61**	**-0.14**	**0.40**	1.00	**0.29**
Class action litigation risk	**0.09**	**-0.10**	**-0.02**	**0.02**	**-0.04**	**-0.26**	**-0.10**	**0.25**	**0.29**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Thai Securities and Exchange Act Amendment on Management Forecast Frequency

	(1)	(2)
Treatment Effect	-0.0844*** (5.56)	-0.0883*** (6.53)
Institutional ownership		0.3712*** (13.56)
Firm size		0.1207*** (25.51)
Book-to-market		-0.1030*** (10.39)
ROA		0.0468** (2.23)
Stock return		-0.0846*** (6.77)
Earnings volatility		-0.0740*** (5.13)
Loss		-0.0700*** (4.02)
Class action litigation risk		-0.2833*** (12.14)
N	13,630	13,630
R²	0.0023	0.2259

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