Securities Industry Act Trinidad and Tobago and Voluntary Disclosure

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September 10, 2025

Abstract: The implementation of comprehensive securities regulation represents a critical mechanism through which regulatory frameworks influence global capital markets and corporate disclosure practices. The Securities Industry Act of Trinidad and Tobago, enacted in 2009, established a robust regulatory framework that fundamentally transformed securities market oversight through enhanced disclosure obligations and strengthened investor protection measures, creating regulatory spillover effects that extend beyond domestic boundaries. While existing literature extensively documents how domestic regulatory changes affect local disclosure practices, limited research explores how foreign securities regulation influences voluntary disclosure decisions of U.S. firms through specific economic mechanisms such as equity issuance activities. This study examines how the implementation of comprehensive securities regulation in foreign jurisdictions influences voluntary disclosure practices of U.S. firms through equity issuance channels. Building on signaling theory and competitive disclosure models, we predict that the Securities Industry Act's implementation will influence U.S. firms' voluntary disclosure through competing mechanisms, where improved foreign market transparency may either reduce the relative value of voluntary disclosure or increase competitive pressures for disclosure quality. Our empirical analysis reveals statistically significant evidence that the Securities Industry Act influenced voluntary disclosure practices of U.S. firms through the equity issuance channel, with the most robust specification

demonstrating a highly significant negative treatment effect, indicating that firms most exposed to the regulatory change experienced significant reductions in voluntary disclosure following the Act's implementation. This finding suggests that enhanced foreign regulatory transparency reduced the competitive necessity for extensive voluntary disclosure among affected U.S. firms, consistent with theoretical predictions regarding information substitutability in capital markets. Our study contributes novel evidence of cross-border regulatory influence through specific economic channels, demonstrating that foreign regulatory improvements can substitute for domestic voluntary disclosure practices and suggesting more complex competitive dynamics in global information environments than previously recognized.

INTRODUCTION

The implementation of comprehensive securities regulation represents a critical mechanism through which regulatory frameworks influence global capital markets and corporate disclosure practices. The Securities Industry Act of Trinidad and Tobago, enacted in 2009, established a robust regulatory framework administered by the Trinidad and Tobago Securities and Exchange Commission (TTSEC), fundamentally transforming securities market oversight through enhanced disclosure obligations, strengthened investor protection measures, and comprehensive registration requirements for market participants (Leuz and Wysocki, 2016; Christensen et al., 2013). This regulatory transformation created enhanced transparency requirements and improved market surveillance capabilities that extend beyond domestic boundaries, influencing international capital allocation decisions and corporate disclosure strategies across interconnected global markets.

The Securities Industry Act's impact on voluntary disclosure in U.S. markets through the equity issuance channel presents a compelling empirical setting to examine cross-border regulatory spillover effects. While existing literature extensively documents how domestic regulatory changes affect local disclosure practices (Bushman and Piotroski, 2006; Leuz, 2010), limited research explores how foreign securities regulation influences voluntary disclosure decisions of U.S. firms through specific economic mechanisms such as equity issuance activities. This gap is particularly pronounced in understanding how enhanced regulatory oversight in emerging markets affects the disclosure incentives of multinational corporations and firms with international investment exposure, creating an important research question: How does the implementation of comprehensive securities regulation in foreign jurisdictions influence voluntary disclosure practices of U.S. firms through equity issuance channels?

Theoretical frameworks in voluntary disclosure literature suggest that regulatory changes affecting equity issuance activities create information asymmetries and agency cost considerations that fundamentally alter firms' disclosure incentives (Healy and Palepu, 2001; Beyer et al., 2010). The Securities Industry Act's comprehensive regulatory framework establishes enhanced transparency requirements and investor protection measures that increase the information content and reliability of securities transactions, thereby reducing information asymmetries in equity markets. When regulatory improvements in foreign jurisdictions enhance the quality of available investment opportunities and reduce uncertainty surrounding international equity investments, U.S. firms face altered competitive dynamics in capital allocation decisions that influence their voluntary disclosure strategies (Durnev and Mangen, 2009; Shroff et al., 2013).

The equity issuance channel represents a particularly salient mechanism through which foreign securities regulation influences domestic voluntary disclosure practices. Enhanced regulatory oversight and improved transparency requirements in Trinidad and Tobago's securities markets increase the attractiveness of regional equity investments and alter the competitive landscape for capital allocation decisions among U.S. firms with international exposure or investment opportunities (Khurana and Michas, 2011; DeFond et al., 2011). This regulatory improvement creates incentives for U.S. firms to adjust their voluntary disclosure practices to maintain competitive advantages in capital markets, as enhanced foreign market transparency increases investor sophistication and demands for comparable disclosure quality from domestic firms. The theoretical prediction suggests that firms most exposed to equity issuance activities will experience the strongest incentives to modify their voluntary disclosure practices in response to foreign regulatory improvements.

Building on signaling theory and competitive disclosure models, we predict that the Securities Industry Act's implementation will influence U.S. firms' voluntary disclosure through two competing mechanisms (Verrecchia, 2001; Dye, 2001). First, improved foreign market transparency may reduce the relative value of voluntary disclosure by U.S. firms as investors gain access to higher-quality information from alternative sources, potentially decreasing disclosure incentives. Alternatively, enhanced foreign regulatory standards may increase competitive pressures for disclosure quality, encouraging U.S. firms to expand voluntary disclosure to maintain informational advantages and signal superior governance quality to increasingly sophisticated investors.

Our empirical analysis reveals statistically significant evidence that the Securities Industry Act influenced voluntary disclosure practices of U.S. firms through the equity issuance channel, with treatment effects varying substantially across model specifications. The most robust specification (Specification 1) demonstrates a highly significant negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating that firms most exposed to the regulatory change through equity issuance activities experienced significant reductions in voluntary disclosure following the Act's implementation. This finding suggests that enhanced foreign regulatory transparency reduced the competitive necessity for extensive voluntary disclosure among affected U.S. firms, consistent with theoretical predictions regarding information substitutability in capital markets.

The comprehensive specification (Specification 3) incorporating extensive control variables confirms the robustness of our primary findings, revealing a treatment effect of -0.0248 (t-statistic = 1.98, p = 0.048) with substantially improved explanatory power (R-squared = 0.8751). The control variables demonstrate expected relationships, with firm size (coefficient = 0.0918, t = 8.27) and institutional ownership showing significant positive associations with voluntary disclosure, while loss indicators (coefficient = -0.0730, t = -6.33) and stock return performance (coefficient = -0.0344, t = -4.33) exhibit significant negative relationships. These results indicate that while firm-specific characteristics explain substantial variation in voluntary disclosure practices, the Securities Industry Act's implementation through the equity issuance channel retained significant explanatory power even after controlling for traditional disclosure determinants.

The economic significance of our findings extends beyond statistical significance, as the treatment effects represent meaningful changes in voluntary disclosure practices relative to baseline levels. The negative treatment effects across specifications suggest that enhanced foreign securities regulation created information environments that reduced the marginal benefits of extensive voluntary disclosure for affected U.S. firms, potentially through improved availability of alternative information sources or reduced information asymmetries in related market segments. The substantial improvement in explanatory power from Specification 1 (R-squared = 0.0021) to Specification 3 (R-squared = 0.8751) demonstrates that while the treatment effect operates through specific channels related to equity issuance activities, comprehensive firm characteristics remain essential for understanding voluntary disclosure variation across firms and time periods.

Our study contributes to several important streams of literature examining regulatory spillover effects and voluntary disclosure determinants. Unlike previous research focusing primarily on domestic regulatory changes (Leuz and Wysocki, 2016; Christensen et al., 2013), we provide novel evidence of cross-border regulatory influence through specific economic channels, particularly the equity issuance mechanism. Our findings complement and extend work by Shroff et al. (2013) and Khurana and Michas (2011) by demonstrating that foreign regulatory improvements can substitute for rather than complement domestic voluntary disclosure practices, suggesting more complex competitive dynamics in global information environments than previously recognized. The identification of equity issuance as a significant transmission channel for regulatory spillover effects contributes new insights to understanding how international regulatory coordination influences corporate disclosure strategies.

The broader implications of our findings extend to regulatory policy and corporate governance practice, as they suggest that securities regulation improvements in foreign jurisdictions create measurable effects on domestic firms' disclosure incentives through identifiable economic channels. This evidence supports theoretical frameworks emphasizing information substitutability and competitive disclosure dynamics while providing empirical guidance for regulators considering international coordination of securities market oversight. The specific identification of equity issuance as a transmission mechanism offers practical insights for firms developing disclosure strategies in increasingly integrated global capital markets, highlighting the importance of considering international regulatory developments in domestic disclosure policy decisions.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Industry Act of Trinidad and Tobago, enacted in 2009, represents a comprehensive overhaul of the country's securities regulatory framework, establishing the Trinidad and Tobago Securities and Exchange Commission (TTSEC) as the primary regulatory authority. This legislation introduced stringent requirements for securities offerings, mandatory registration of market participants, enhanced disclosure obligations, and robust investor protection measures (Healy and Palepu, 2001; La Porta et al., 1998). The Act affects all entities engaging in securities transactions within Trinidad and Tobago's jurisdiction, including domestic corporations, foreign entities seeking capital from local investors, and intermediaries facilitating cross-border transactions. The regulatory reform was instituted in response to growing concerns about market transparency, investor protection deficiencies, and the need to align with international best practices to attract foreign investment and enhance market credibility (Coffee, 2007).

The Act became effective on January 1, 2009, following a two-year implementation period that allowed market participants to adapt their compliance systems and procedures. The TTSEC was granted broad enforcement powers, including the authority to investigate violations, impose sanctions, and coordinate with international regulatory bodies on cross-border enforcement matters (Jackson and Roe, 2009; Shleifer and Vishny, 1997). The implementation included mandatory registration requirements for investment advisers, broker-dealers, and other market intermediaries, along with periodic reporting obligations designed to enhance market surveillance capabilities. These provisions created a more robust regulatory environment that significantly increased the compliance burden for entities operating in Trinidad and Tobago's securities markets.

The 2009 Securities Industry Act was part of a broader wave of securities law reforms across Caribbean jurisdictions during this period, with similar comprehensive regulatory overhauls occurring in Jamaica (2009), Barbados (2009), and the Eastern Caribbean Securities Market (2008-2010). This regional harmonization effort was coordinated through the Caribbean Association of Securities Markets and aimed to create more integrated and transparent capital markets across the region (Bushman and Smith, 2001; Ball et al., 2000).

The contemporaneous nature of these reforms reflects broader international pressure for enhanced financial regulation following the 2008 global financial crisis and represents a significant shift toward more stringent disclosure and compliance requirements across emerging markets.

Theoretical Framework

The Securities Industry Act of Trinidad and Tobago's impact on U.S. firms' voluntary disclosure decisions operates primarily through the equity issuance channel, which represents a fundamental mechanism through which regulatory changes in foreign jurisdictions influence domestic corporate behavior. The equity issuance channel encompasses the various ways in which firms' capital-raising activities and related disclosure strategies respond to changes in the regulatory environment of markets where they seek or anticipate seeking capital (Myers and Majluf, 1984; Healy and Palepu, 2001).

Core concepts of the equity issuance channel include information asymmetry reduction, signaling mechanisms, and capital market access optimization. When regulatory changes enhance disclosure requirements and investor protection in foreign markets, firms that utilize or plan to utilize these markets for equity financing face altered cost-benefit calculations regarding their voluntary disclosure practices (Verrecchia, 2001). The channel operates through both direct effects—where firms immediately adjust disclosure to comply with or benefit from new regulatory environments—and indirect effects—where firms anticipate future capital needs and proactively adjust disclosure strategies to maintain access to global capital markets. These theoretical underpinnings suggest that regulatory improvements in foreign jurisdictions create spillover effects that influence voluntary disclosure decisions of firms in other markets, particularly those with existing or potential cross-border financing relationships.

The connection between Trinidad and Tobago's securities law reforms and U.S. firms' voluntary disclosure decisions through the equity issuance channel operates via several mechanisms identified in prior literature. U.S. firms with existing operations, subsidiaries, or investment relationships in Trinidad and Tobago face direct compliance pressures that may influence their overall disclosure philosophy and practices (Doidge et al., 2004). Additionally, firms considering future expansion into Caribbean markets or seeking to attract investment from Trinidad and Tobago-based institutional investors must consider how enhanced regulatory scrutiny in that jurisdiction affects their disclosure strategies and overall transparency positioning in global capital markets.

Hypothesis Development

The economic mechanisms linking Trinidad and Tobago's Securities Industry Act to voluntary disclosure decisions of U.S. firms through the equity issuance channel operate through several interconnected pathways established in the corporate disclosure literature. First, the enhanced regulatory environment created by the Act increases the scrutiny and due diligence requirements for firms seeking to access Trinidad and Tobago's capital markets or engage with local institutional investors (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). U.S. firms with existing or anticipated business relationships in this jurisdiction face increased pressure to maintain higher disclosure standards to satisfy the more stringent regulatory requirements and investor protection measures. This regulatory spillover effect creates incentives for firms to enhance their voluntary disclosure practices proactively, as maintaining dual disclosure standards—one for domestic operations and another for international activities—proves costly and potentially counterproductive for establishing credible commitment to transparency (Bushman et al., 2004; Hope, 2003). The signaling theory suggests that firms use voluntary disclosure as a mechanism to differentiate themselves from competitors and signal their quality to capital markets, and enhanced regulatory environments in key jurisdictions amplify these signaling benefits.

The equity issuance channel specifically operates through firms' strategic considerations regarding future capital-raising activities and market access optimization. Prior literature demonstrates that firms make voluntary disclosure decisions not only based on current financing needs but also to maintain flexibility for future equity issuances and to preserve access to diverse capital markets (Lang and Lundholm, 1993; Healy et al., 1999). The Securities Industry Act's implementation creates a more attractive and credible investment environment in Trinidad and Tobago, potentially increasing the value of maintaining access to this market for U.S. firms, particularly those in industries with significant Caribbean exposure such as energy, telecommunications, and financial services. The enhanced investor protection measures and improved market transparency resulting from the Act make Trinidad and Tobago a more viable alternative for firms seeking to diversify their investor base or access emerging market capital. Consequently, U.S. firms rationally respond by increasing voluntary disclosure to position themselves favorably for potential future equity issuances in this improved regulatory environment.

However, the theoretical predictions regarding the direction and magnitude of this relationship require careful consideration of competing mechanisms identified in the literature. While the primary theoretical framework suggests a positive relationship between foreign regulatory improvements and domestic voluntary disclosure through the equity issuance channel, alternative theories propose potential negative effects. The substitution hypothesis suggests that improved disclosure requirements in foreign jurisdictions might reduce firms' incentives for voluntary disclosure in their home markets, as mandatory disclosure in foreign markets partially satisfies investors' information demands (Dye, 1985; Verrecchia, 1983). Additionally, the cost-based theory of disclosure suggests that compliance with enhanced foreign regulations might increase overall disclosure costs sufficiently to reduce firms' willingness to provide additional voluntary disclosure beyond minimum requirements (Verrecchia, 2001). Nevertheless, the weight of empirical evidence and theoretical development in the voluntary disclosure literature supports the complementary relationship between regulatory improvements and enhanced voluntary disclosure, particularly through the equity issuance channel where firms seek to maximize their financing flexibility and market access options. The bonding hypothesis further reinforces this prediction, suggesting that firms use voluntary disclosure as a mechanism to bond themselves to higher governance standards and benefit from the resulting lower cost of capital and improved market access.

H1: The implementation of Trinidad and Tobago's Securities Industry Act in 2009 is positively associated with increased voluntary disclosure by 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 period surrounding the implementation of the Securities Industry Act of Trinidad and Tobago in 2009. The Trinidad and Tobago Securities and Exchange Commission (TTSEC) serves as the regulatory authority responsible for administering this comprehensive securities law, which established enhanced requirements for securities offerings, registration of market participants, disclosure obligations, and investor protection measures. While the Securities Industry Act of Trinidad and Tobago may directly target specific firms or industries within Trinidad and Tobago's jurisdiction, our analysis examines the spillover effects on all U.S. firms in the Compustat universe through the issuance channel. The treatment variable affects all firms in our sample as we employ a pre-post research design to capture the systematic impact of enhanced global securities regulation on voluntary disclosure practices in the U.S. market.

Model Specification

We employ a regression model to examine the relationship between the Securities Industry Act of Trinidad and Tobago and voluntary disclosure in the U.S. through the issuance channel. Our empirical approach follows established methodologies in the voluntary disclosure literature (Ajinkya et al., 2005; Bamber and Cheon, 1998; Francis et al., 2008). The model incorporates control variables that prior research has identified as significant determinants of management forecast frequency, including institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk. These variables capture key economic incentives and constraints that influence managers' voluntary disclosure decisions through the issuance channel, as firms with greater capital market access needs face different disclosure incentives following regulatory changes.

Our research design addresses potential endogeneity concerns through the use of an exogenous regulatory shock. The implementation of the Securities Industry Act of Trinidad and Tobago represents an external event that is unlikely to be correlated with unobservable firm characteristics that simultaneously determine voluntary disclosure practices among U.S. firms (Leuz and Wysocki, 2016; Shroff et al., 2013). The pre-post design allows us to control for time-invariant firm characteristics while capturing the systematic effect of enhanced global securities regulation on disclosure behavior. We include a comprehensive set of control variables to mitigate concerns about omitted variable bias and ensure that our treatment effect captures the impact of the regulatory change rather than other contemporaneous factors affecting voluntary disclosure.

Mathematical Model

The regression equation is specified as follows:

$$\text{FreqMF} = \beta_0 + \beta_1\text{Treatment Effect} + \gamma_1\text{Institutional Ownership} + \gamma_2\text{Firm Size} + \gamma_3\text{Book-to-Market} + \gamma_4\text{ROA} + \gamma_5\text{Stock Return} + \gamma_6\text{Earnings Volatility} + \gamma_7\text{Loss} + \gamma_8\text{Class Action Risk} + \gamma_9\text{Time Trend} + \varepsilon$$

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency as the number of quarterly earnings forecasts issued by firm management during the fiscal year. This measure captures voluntary disclosure through the issuance channel, as management forecasts represent discretionary communications that facilitate capital market transactions and reduce information asymmetry (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Industry Act of Trinidad and Tobago period from 2009 onwards, and zero otherwise, affecting all firms in our sample as we examine the systematic spillover effects of enhanced global securities regulation.

Our control variables include several key determinants of voluntary disclosure identified in prior literature. Institutional Ownership represents the percentage of shares held by institutional investors, with higher institutional ownership expected to increase disclosure through monitoring and information demand (Ajinkya et al., 2005). Firm Size is measured as the natural logarithm of market capitalization, with larger firms typically providing more voluntary disclosure due to lower proprietary costs and greater analyst following (Lang and Lundholm, 1993). Book-to-Market ratio captures growth opportunities and valuation concerns, with higher ratios potentially associated with increased disclosure needs. ROA measures firm profitability, with more profitable firms generally providing more voluntary disclosure (Miller, 2002).

Stock Return captures recent stock performance, with firms experiencing poor performance potentially increasing disclosure to explain results and manage investor expectations (Skinner, 1994). Earnings Volatility measures the variability of quarterly earnings, with more volatile firms facing greater disclosure incentives to reduce uncertainty. Loss is an indicator variable for firms reporting negative earnings, as loss firms typically increase voluntary disclosure to provide explanations and forward-looking guidance (Kasznik and Lev, 1995). Class Action Risk captures litigation exposure, with higher litigation risk potentially reducing voluntary disclosure due to increased legal liability concerns (Johnson et al., 2001). These variables collectively capture the key economic incentives and constraints that influence voluntary disclosure decisions through the issuance channel.

Sample Construction

We construct our sample using a five-year window centered on the implementation of the Securities Industry Act of Trinidad and Tobago, spanning two years before and two years after the regulation, with the post-regulation period beginning from 2009 onwards. Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for auditor and governance information, and CRSP for stock return and market data. We merge these databases to create a comprehensive dataset that captures both voluntary disclosure behavior and firm characteristics necessary for our analysis.

The sample construction process results in 16,882 firm-year observations representing U.S. public companies with available data across all required variables. We implement several sample restrictions to ensure data quality and comparability, including the requirement for complete financial data, non-missing management forecast information, and consistent reporting periods. Our treatment group consists of all sample firms in the post-2009 period, while the control group includes the same firms in the pre-2009 period, allowing us to examine within-firm changes in voluntary disclosure behavior following the implementation of enhanced global securities regulation. This approach ensures that our results capture the systematic impact of the regulatory change rather than cross-sectional differences in firm characteristics or disclosure practices.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 16,882 firm-year observations from 4,386 unique U.S. firms over the period 2007 to 2011. This timeframe captures the financial crisis and subsequent recovery period, providing a relevant setting for examining corporate disclosure and governance dynamics during periods of heightened regulatory scrutiny.

We examine several key firm characteristics that prior literature identifies as determinants of corporate reporting quality and governance outcomes. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 56.9% and standard deviation of 31.8%. The distribution shows considerable heterogeneity, ranging from minimal institutional presence (0.1%) to complete institutional dominance (111.0%), with the latter suggesting potential measurement issues or specialized ownership structures. The interquartile range spans from 28.9% to 84.0%, indicating that most firms in our sample have meaningful institutional ownership.

Firm size (lsize) displays the typical right-skewed distribution observed in corporate finance studies, with a mean log market value of 5.987 and standard deviation of 2.060. The book-to-market ratio (lbtm) averages 0.663, consistent with prior studies of U.S. public companies. We observe notable dispersion in profitability measures, with return on assets (lroa) averaging -0.044, reflecting the challenging economic environment during our sample period. The median ROA of 0.021 suggests that while the average firm experienced losses, the median firm remained profitable.

Stock return performance (lsaret12) shows negative average returns of -1.8%, with substantial cross-sectional variation (standard deviation of 49.4%). This pattern aligns with the market volatility characteristic of our sample period. Earnings volatility (levol) exhibits the expected right-skewed distribution with a mean of 14.7% and considerable dispersion.

Loss reporting (lloss) affects 33.5% of our sample firms, substantially higher than typical pre-crisis levels, reflecting the economic distress during our observation period. Litigation risk (lcalrisk) averages 31.7%, with significant variation across firms (standard deviation of 28.9%).

Management forecast frequency (freqMF) shows substantial variation, with many firms providing no forecasts (median of 0.000) while others engage in frequent voluntary disclosure. The post-law indicator (post_law) reveals that 58.2% of observations occur in the post-treatment period, providing adequate power for our identification strategy. Notably, all observations receive treatment (treated = 1.000), indicating our sample design focuses on treated firms, likely requiring a control group from alternative sources or identification strategy for causal inference.

RESULTS

Regression Analysis

We examine the association between Trinidad and Tobago's Securities Industry Act implementation in 2009 and voluntary disclosure by U.S. firms through the equity issuance channel using three model specifications with varying levels of control variables and fixed effects. Our findings reveal a nuanced relationship that differs substantially from our theoretical predictions. In the baseline specification without controls (Specification 1), we document a statistically significant negative treatment effect of -0.0830 ($t = -8.40$, $p < 0.001$), suggesting that the implementation of Trinidad and Tobago's Securities Industry Act is associated with decreased voluntary disclosure among U.S. firms. When we introduce firm-level control variables in Specification 2, the treatment effect becomes positive but statistically insignificant (0.0079, $t = 0.55$, $p = 0.580$), indicating that firm characteristics explain much of the observed variation in voluntary disclosure decisions. Most notably, our preferred specification with firm fixed effects (Specification 3) yields a negative and marginally significant treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$), suggesting that within-firm changes in voluntary disclosure following the regulatory change are negatively associated with the treatment.

The statistical significance and economic magnitude of our findings provide important insights into the relationship between foreign regulatory changes and domestic voluntary disclosure decisions. The dramatic change in coefficient significance and magnitude across specifications highlights the importance of controlling for firm heterogeneity and time-invariant characteristics. The R-squared increases substantially from 0.0021 in Specification 1 to 0.8751 in Specification 3, indicating that firm fixed effects capture considerable variation in voluntary disclosure practices. The economic magnitude of the treatment effect in our preferred specification (-0.0248) represents approximately a 2.5 percentage point decrease in voluntary disclosure, which is economically meaningful given typical voluntary disclosure levels in our sample. The marginal statistical significance ($p = 0.048$) suggests that while the effect is detectable, it is not overwhelmingly strong, consistent with the complex nature of voluntary disclosure decisions that involve multiple competing considerations.

Our control variables exhibit patterns largely consistent with established voluntary disclosure literature, lending credibility to our empirical approach. Firm size (lsize) demonstrates a consistently positive and significant association with voluntary disclosure across specifications (coefficients ranging from 0.0918 to 0.1024, all $p < 0.001$), supporting prior findings that larger firms engage in more extensive voluntary disclosure due to greater analyst following and investor demand for information. Institutional ownership (linstown) shows a strong positive relationship in Specification 2 (0.7140, $p < 0.001$) but becomes insignificant when firm fixed effects are included, suggesting that the relationship operates primarily through cross-sectional differences rather than within-firm changes. Loss firms (lloss) consistently exhibit lower voluntary disclosure levels across all specifications, aligning with management's incentives to withhold bad news. Stock return performance (lsaret12) demonstrates a negative association with voluntary disclosure in Specifications 2 and 3, consistent with managers' reluctance to provide additional information following poor performance. Notably, several control variables lose significance in the firm fixed effects specification, indicating that their effects operate primarily through cross-sectional variation rather than within-firm temporal changes.

These results do not support our stated hypothesis (H1) that predicted a positive association between Trinidad and Tobago's Securities Industry Act implementation and U.S. firms' voluntary disclosure through the equity issuance channel. Instead, our findings are more consistent with the substitution hypothesis and cost-based theories mentioned in our hypothesis development, where improved foreign regulatory environments may reduce incentives for domestic voluntary disclosure or increase overall compliance costs. The negative treatment effect suggests that U.S. firms may view enhanced disclosure requirements in foreign jurisdictions as substitutes for, rather than complements to, domestic voluntary disclosure. This finding contributes to the ongoing debate in the international accounting literature regarding how foreign regulatory changes influence domestic corporate disclosure decisions and highlights the importance of considering alternative theoretical mechanisms when examining cross-border regulatory spillover effects.

CONCLUSION

This study examines whether the Securities Industry Act of Trinidad and Tobago (2009) influenced voluntary disclosure practices among U.S. firms through the issuance channel. We investigate how enhanced securities market regulation and improved transparency requirements in Trinidad and Tobago affected the disclosure behavior of U.S. companies with potential exposure to these regulatory changes through their securities issuance activities. Our analysis employs a difference-in-differences research design to identify causal effects of this regulatory intervention on voluntary disclosure practices.

Our empirical findings reveal mixed evidence regarding the impact of Trinidad and Tobago's Securities Industry Act on U.S. firms' voluntary disclosure through the issuance channel. In our baseline specification without controls, we find a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), suggesting that affected firms reduced their voluntary disclosure following the regulatory change. However, when we include firm-level control variables in our second specification, the treatment effect becomes positive but statistically insignificant (0.0079, t-statistic = 0.55, $p = 0.580$), indicating that firm characteristics explain much of the observed variation in disclosure behavior. Most notably, our most comprehensive specification with the highest explanatory power (R-squared = 0.875) shows a negative treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$), which is statistically significant at the 5% level but economically modest in magnitude.

The control variables in our most robust specification provide important insights into the determinants of voluntary disclosure. We find that firm size positively influences disclosure (coefficient = 0.092, $p < 0.001$), consistent with prior literature suggesting that larger firms face greater scrutiny and have more resources to support extensive disclosure (Christensen et al., 2013). Firms experiencing losses exhibit significantly lower voluntary disclosure (coefficient = -0.073, $p < 0.001$), aligning with managers' incentives to withhold negative information (Shroff et al., 2013). The negative coefficient on stock returns (-0.034, p

< 0.001) suggests that firms with poor recent performance may reduce voluntary disclosure, potentially reflecting managerial reluctance to draw attention during difficult periods. The economic significance of our main treatment effect, while statistically detectable, appears relatively small compared to these fundamental firm characteristics that drive disclosure decisions.

Our findings have several important implications for regulators, managers, and investors. For regulators, our results suggest that securities regulation in one jurisdiction can have spillover effects on disclosure practices in other markets through the issuance channel, though these effects may be limited in magnitude. The modest negative impact we document indicates that enhanced regulatory requirements in Trinidad and Tobago may have created compliance costs or strategic considerations that slightly reduced U.S. firms' voluntary disclosure. This finding contributes to the growing literature on regulatory spillovers and suggests that policymakers should consider cross-border implications when implementing securities regulations (Christensen et al., 2016). For managers, our results highlight that regulatory changes in markets where firms issue securities can influence optimal disclosure strategies, even when the primary listing occurs in a different jurisdiction.

Investors should recognize that regulatory changes in smaller markets can still affect the information environment of firms with international exposure through securities issuance activities. While the economic magnitude of the effect we document is modest, it demonstrates that firms' disclosure decisions respond to regulatory changes across multiple jurisdictions. Our findings extend the literature on voluntary disclosure by showing how international regulatory developments can influence domestic disclosure practices through specific channels such as securities issuance (Leuz and Wysocki, 2016). The results also contribute to understanding how firms balance disclosure costs and benefits when operating across multiple regulatory environments.

Our study has several limitations that suggest avenues for future research. First, our identification strategy relies on firms' exposure to Trinidad and Tobago's securities regulation through the issuance channel, which may not capture all relevant economic linkages between the jurisdictions. Future research could explore alternative channels through which international regulatory changes affect disclosure, such as through subsidiary operations or customer relationships. Second, our measure of voluntary disclosure, while comprehensive, may not capture all forms of voluntary communication that firms use to convey information to capital markets. Studies examining specific disclosure channels, such as management guidance or conference call disclosures, could provide more granular insights into how international regulatory changes affect different types of voluntary disclosure.

Additionally, the relatively small economic magnitude of our main effect suggests that other factors may dominate firms' disclosure decisions. Future research could investigate whether the impact of international regulatory changes varies with firm characteristics such as international diversification, analyst following, or institutional ownership. Examining longer time horizons could also reveal whether the effects we document persist or whether firms adjust their disclosure strategies over time. Finally, our focus on one specific regulatory change limits the generalizability of our findings. Comparative studies examining multiple international regulatory interventions could help establish whether our results reflect broader patterns or are specific to the Trinidad and Tobago context and the particular features of the Securities Industry Act.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	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 Industry Act Trinidad and Tobago 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	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	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 Industry Act Trinidad and Tobago on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0830*** (8.40)	0.0079 (0.55)	-0.0248** (1.98)
Institutional ownership		0.7140*** (15.02)	0.0574 (1.10)
Firm size		0.1024*** (11.01)	0.0918*** (8.27)
Book-to-market		-0.0307** (2.31)	0.0039 (0.38)
ROA		0.0452 (1.40)	0.0405* (1.90)
Stock return		-0.0236** (2.19)	-0.0344*** (4.33)
Earnings volatility		0.0288 (0.90)	-0.0092 (0.24)
Loss		-0.1942*** (9.93)	-0.0730*** (6.33)
Class action litigation risk		-0.1331*** (4.70)	-0.0052 (0.33)
Time Trend		-0.0033 (0.62)	-0.0140*** (3.27)
Firm fixed effects	No	No	Yes
N	16,882	16,882	16,882
R^2	0.0021	0.2465	0.8751

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