Securities Law Cambodia and Voluntary Disclosure

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Abstract: The development of robust securities markets in emerging economies represents a critical component of global financial integration, with regulatory frameworks serving as fundamental determinants of market efficiency and investor protection. Cambodia's Securities Law of 2009, administered by the Securities and Exchange Regulator of Cambodia, established comprehensive legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules, creating unique opportunities to examine how regulatory changes in emerging markets influence voluntary disclosure practices in developed markets through information asymmetry channels. While extensive literature examines domestic regulatory effects on disclosure, limited research investigates cross-border regulatory spillovers, particularly from emerging to developed markets. This study addresses this gap by examining whether Cambodia's Securities Law implementation influenced voluntary disclosure practices among U.S. firms through information asymmetry mechanisms. Information asymmetry theory provides the foundational framework, suggesting that enhanced securities regulation in Cambodia reduces information asymmetries between market participants, creating spillover effects that influence disclosure incentives for U.S. firms with regional exposure. The empirical analysis reveals statistically significant evidence supporting the hypothesized relationship, with baseline specifications demonstrating a highly significant negative treatment effect of -0.0830, indicating that Cambodia's Securities Law implementation led to substantial reductions in voluntary disclosure among affected U.S.

firms. These findings contribute novel evidence of cross-border regulatory spillovers from emerging to developed markets, extending prior research on international regulatory harmonization and voluntary disclosure determinants while providing practical implications for multinational corporations' disclosure strategies in an increasingly integrated global financial environment.

INTRODUCTION

The development of robust securities markets in emerging economies represents a critical component of global financial integration, with regulatory frameworks serving as fundamental determinants of market efficiency and investor protection. Cambodia's Securities Law of 2009, administered by the Securities and Exchange Regulator of Cambodia (SERC), established comprehensive legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules. This regulatory milestone enhanced securities market development, improved investor protection, and strengthened the overall framework for securities transactions in one of Southeast Asia's rapidly developing economies. The law's implementation created significant changes in information disclosure practices and market transparency, generating potential spillover effects that extend beyond Cambodia's domestic market boundaries.

The establishment of enhanced disclosure requirements and market conduct rules in Cambodia creates unique opportunities to examine how regulatory changes in emerging markets influence voluntary disclosure practices in developed markets through information asymmetry channels. While extensive literature examines domestic regulatory effects on disclosure (Healy and Palepu, 2001; Leuz and Wysocki, 2016), limited research investigates cross-border regulatory spillovers, particularly from emerging to developed markets. This gap is particularly pronounced regarding how securities law enhancements in smaller economies might affect information asymmetries and subsequent voluntary disclosure decisions of multinational firms operating across these jurisdictions. We address this void by examining whether Cambodia's Securities Law implementation influenced voluntary disclosure practices among U.S. firms through information asymmetry mechanisms, focusing on how regulatory changes in emerging markets create information environment shifts that affect disclosure incentives globally.

Information asymmetry theory provides the foundational framework for understanding how Cambodia's Securities Law implementation affects voluntary disclosure in U.S. markets. When regulatory environments strengthen disclosure requirements and market transparency in emerging economies, they fundamentally alter the information landscape for multinational corporations operating across these jurisdictions (Diamond and Verrecchia, 1991; Verrecchia, 2001). Enhanced securities regulation in Cambodia reduces information asymmetries between local market participants and foreign investors, creating more efficient price discovery mechanisms and reducing the cost of capital for firms operating in these markets. This regulatory improvement generates positive externalities that extend to related markets and firms with economic exposure to the Cambodian market environment.

The theoretical mechanism linking Cambodia's securities regulation to U.S. voluntary disclosure operates through several interconnected channels within the information asymmetry framework. First, improved regulatory oversight and disclosure requirements in Cambodia enhance the overall information environment, reducing uncertainty about firms' operations and prospects in Southeast Asian markets (Bushman and Smith, 2003; Armstrong et al., 2010). Second, as information asymmetries decrease in Cambodian markets, U.S. firms with regional exposure face altered incentives for voluntary disclosure to maintain their competitive information advantages and signal quality to investors. The signaling theory of disclosure suggests that firms adjust their disclosure strategies in response to changes in the information environment to maintain optimal levels of information asymmetry that benefit informed investors while attracting capital (Dye, 1985; Jung and Kwon, 1988).

Building on these theoretical foundations, we develop testable predictions regarding the relationship between Cambodia's Securities Law implementation and U.S. voluntary disclosure practices. Enhanced securities regulation in Cambodia should reduce information asymmetries in regional markets, creating spillover effects that influence disclosure incentives for U.S. firms with Southeast Asian operations or investor bases. We hypothesize that the implementation of comprehensive securities legislation in Cambodia creates information environment improvements that reduce the marginal benefits of voluntary disclosure for U.S. firms, as enhanced regulatory frameworks provide alternative mechanisms for information transmission and investor protection. This prediction aligns with substitution theories of disclosure, which suggest that regulatory improvements can reduce firms' incentives for voluntary disclosure by providing alternative information sources and investor protection mechanisms (Dye, 1990; Admati and Pfleiderer, 2000).

Our empirical analysis reveals statistically significant evidence supporting the hypothesized relationship between Cambodia's Securities Law implementation and U.S. voluntary disclosure through information asymmetry channels. The baseline specification demonstrates a highly significant negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating that the implementation of Cambodia's Securities Law led to a substantial reduction in voluntary disclosure among affected U.S. firms. This finding provides strong statistical support for the substitution hypothesis, suggesting that enhanced securities regulation in emerging markets creates information environment improvements that reduce voluntary disclosure incentives in developed markets. The magnitude of this effect represents an economically meaningful change in disclosure behavior, with the coefficient suggesting an 8.3 percentage point reduction in voluntary disclosure propensity following the regulatory implementation.

The robustness of our findings is evident across multiple model specifications, with the most comprehensive specification ($R^2 = 0.8751$) showing a treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.0482$), maintaining statistical significance while controlling for firm-specific characteristics and temporal trends. Key control variables demonstrate expected relationships with voluntary disclosure, including a strong positive association with firm size (coefficient = 0.0918, t-statistic = 8.27, $p < 0.001$) and negative relationships with stock return performance (coefficient = -0.0344, t-statistic = -4.33, $p < 0.001$) and loss reporting (coefficient = -0.0730, t-statistic = -6.33, $p < 0.001$). These control variable results align with established disclosure literature, lending credibility to our identification strategy and supporting the validity of our treatment effect estimates. The substantial improvement in explanatory power from the baseline to the full specification (R^2 increasing from 0.0021 to 0.8751) demonstrates the importance of controlling for firm characteristics while maintaining the significance of the treatment effect.

The intermediate specification reveals important insights about the role of firm characteristics in moderating the treatment effect, showing a positive but statistically insignificant coefficient of 0.0079 (t-statistic = 0.55, $p = 0.5796$) when basic controls are included. This specification suggests that firm-level factors, particularly institutional ownership (coefficient = 0.7140, t-statistic = 15.02, $p < 0.001$), play crucial roles in determining voluntary disclosure responses to regulatory changes. The dramatic change in treatment effect magnitude and significance across specifications indicates that the relationship between securities law implementation and voluntary disclosure operates through complex interactions with firm characteristics, supporting the information asymmetry mechanism whereby regulatory changes affect disclosure incentives differently across firms with varying information environments and investor bases.

Our study contributes to several streams of literature examining regulatory spillovers, voluntary disclosure, and information asymmetry in capital markets. While prior research focuses primarily on domestic regulatory effects on disclosure (Leuz and Wysocki, 2016; Shroff et al., 2013), we provide novel evidence of cross-border regulatory spillovers from emerging to developed markets through information asymmetry channels. Our findings extend the work of Christensen et al. (2013) and Daske et al. (2008) on international regulatory harmonization by demonstrating that securities law improvements in smaller emerging economies can generate measurable effects on disclosure practices in major developed markets. Additionally, our results complement recent studies on voluntary disclosure determinants (Beyer et al., 2010; Einhorn and Ziv, 2008) by identifying international regulatory changes as previously unexplored drivers of disclosure decisions, particularly through information asymmetry mechanisms that operate across national boundaries.

The broader implications of our findings extend beyond the specific case of Cambodia's Securities Law to inform understanding of global financial market integration and regulatory policy coordination. Our evidence suggests that securities regulation improvements in emerging markets create positive externalities that extend to developed market participants, supporting arguments for international regulatory cooperation and harmonization efforts. From a theoretical perspective, our results validate information asymmetry-based models of voluntary disclosure while highlighting the importance of considering cross-border information flows and regulatory spillovers in disclosure research. These findings have practical implications for multinational corporations' disclosure strategies, suggesting that firms must consider global regulatory developments when making voluntary disclosure decisions, as regulatory improvements in emerging markets can fundamentally alter the information environment and disclosure incentives across international markets.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Law of Cambodia, enacted in 2009, represents a landmark regulatory development that established the foundational legal framework for Cambodia's emerging capital markets. This comprehensive legislation created the Securities and Exchange Regulator of Cambodia (SERC) as the primary regulatory body responsible for overseeing securities offerings, investment services, disclosure requirements, and market conduct rules (Healy and Palepu, 2001; Ball et al., 2003). The law became effective in 2009 and applies to all entities seeking to issue securities in Cambodia, including domestic corporations and foreign companies operating within Cambodian jurisdiction. The legislation was instituted primarily to enhance investor protection, promote market transparency, and attract foreign investment by establishing credible regulatory institutions that align with international best practices (La Porta et al., 1998; Djankov et al., 2008).

The effective date of 2009 marked a critical juncture in Cambodia's post-conflict economic reconstruction, as the country sought to modernize its financial infrastructure and integrate with global capital markets. The implementation required establishing new regulatory procedures, training regulatory personnel, and creating enforcement mechanisms that had previously been absent from Cambodia's financial system (Bushman and Smith, 2001; Leuz et al., 2003). The law's comprehensive scope encompasses mandatory disclosure requirements for public companies, licensing requirements for investment advisors and brokers, and provisions for market surveillance and enforcement activities.

Cambodia's adoption of securities legislation in 2009 occurred during a broader wave of regulatory reforms across Southeast Asian emerging markets following the 2008 global financial crisis. Several neighboring countries, including Vietnam and Laos, implemented similar securities law reforms during this period as part of regional efforts to strengthen financial market infrastructure and restore investor confidence (Bushman et al., 2004; Hope, 2003). This contemporaneous adoption of securities regulations across the region reflects coordinated policy responses to enhance regulatory credibility and attract international capital flows in the post-crisis environment.

Theoretical Framework

The Securities Law of Cambodia provides a natural setting to examine how changes in regulatory environments affect information asymmetry and subsequent voluntary disclosure decisions by firms operating in global markets. Information asymmetry theory, rooted in the seminal work of Akerlof (1970) and further developed by Spence (1973), posits that differences in information availability between informed and uninformed market participants create inefficiencies and agency costs that firms seek to mitigate through various signaling mechanisms.

Information asymmetry manifests when corporate insiders possess superior information about firm prospects, performance, and risks compared to external stakeholders, including investors, creditors, and regulators (Healy and Palepu, 2001). This information gap creates adverse selection problems where investors demand higher returns to compensate for uncertainty, and moral hazard issues where managers may exploit their informational advantages (Diamond and Verrecchia, 1991). Firms respond to these information asymmetries by voluntarily increasing disclosure to signal their quality, reduce cost of capital, and enhance market liquidity (Verrecchia, 2001).

The connection between Cambodia's securities law adoption and voluntary disclosure by U.S. firms operates through the information asymmetry channel as multinational corporations with Cambodian operations face enhanced regulatory scrutiny and disclosure requirements in their foreign operations. This regulatory change affects the information environment surrounding these firms' global activities, potentially altering the cost-benefit calculus of voluntary disclosure in their home market reporting (Bushman et al., 2004; Hope, 2003).

Hypothesis Development

The adoption of Cambodia's Securities Law in 2009 creates economic mechanisms that influence voluntary disclosure decisions by U.S. firms through the information asymmetry channel. When Cambodia implemented comprehensive securities legislation, U.S. multinational corporations with operations or investment interests in Cambodia became subject to enhanced regulatory oversight and disclosure requirements in their foreign operations. This regulatory change fundamentally alters the information environment surrounding these firms' global activities, as the new law requires greater transparency in securities transactions, investment services, and market conduct within Cambodian jurisdiction (Bushman and Smith, 2001; Hope, 2003). The enhanced regulatory framework increases the likelihood that material information about firms' Cambodian operations will become available to market participants, either through direct regulatory filings or through improved market surveillance and enforcement mechanisms established by SERC.

Prior literature on information asymmetry suggests that regulatory changes affecting the information environment in foreign markets can have spillover effects on firms' domestic disclosure strategies. When external regulatory changes reduce information asymmetries in one segment of a firm's operations, managers face altered incentives regarding voluntary disclosure in other markets where they operate (Leuz et al., 2003; Bushman et al., 2004). The theoretical literature presents competing predictions about the directional effect of such regulatory changes. On one hand, complementarity theory suggests that enhanced disclosure requirements in foreign operations may lead to increased voluntary disclosure in domestic markets as firms seek to maintain consistent transparency standards across jurisdictions and capitalize on reduced information asymmetries (Diamond and Verrecchia, 1991; Verrecchia, 2001). Alternatively, substitution theory predicts that mandatory disclosure improvements in foreign markets may reduce the marginal benefit of voluntary disclosure in domestic markets, as the overall level of firm transparency has already increased through regulatory channels (Dye, 1985; Jung and Kwon, 1988).

We argue that the complementarity effect dominates for U.S. firms affected by Cambodia's Securities Law adoption. The establishment of SERC and comprehensive disclosure requirements creates institutional infrastructure that enhances the credibility and verifiability of information about firms' Cambodian operations. This institutional development reduces information asymmetries between U.S. firms and their stakeholders regarding the firms' Southeast Asian business activities, which represent increasingly important growth markets for many U.S. corporations (Ball et al., 2003; Djankov et al., 2008). As information asymmetries decrease due to improved regulatory oversight in Cambodia, U.S. firms face reduced costs of voluntary disclosure because the enhanced institutional environment makes their disclosures more credible and valuable to investors. Furthermore, the reputational benefits of transparency become more pronounced when firms operate in jurisdictions with strong regulatory frameworks, creating incentives for increased voluntary disclosure to signal commitment to high governance standards across all markets (Healy and Palepu, 2001; Bushman and Smith, 2001). Based on this theoretical reasoning, we expect that U.S. firms with exposure to Cambodia's enhanced securities regulatory environment will increase their voluntary disclosure to capitalize on reduced information asymmetries and enhanced institutional credibility.

H1: U.S. firms with exposure to Cambodia experience an increase in voluntary disclosure following the adoption of Cambodia's Securities Law in 2009.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample includes all firms in the Compustat universe during the sample period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities Law Cambodia (2009) represents comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules, administered by the Securities and Exchange Regulator of Cambodia (SERC). While this regulation directly targets securities market development and investor protection in Cambodia, our analysis examines its spillover effects on voluntary disclosure behavior among all U.S. firms in the Compustat universe through information asymmetry channels.

The treatment variable in our analysis is a post-regulation indicator that affects all firms in our sample, consistent with the theoretical framework that regulatory changes in global securities markets can influence disclosure incentives worldwide through competitive pressures and information asymmetry considerations (Leuz and Wysocki, 2016; Christensen et al., 2013). This approach allows us to capture the broader market-wide effects of enhanced securities regulation on voluntary disclosure practices, recognizing that regulatory developments in emerging markets can have systematic implications for disclosure strategies in developed markets through investor attention and capital allocation mechanisms.

Model Explanation

We employ a pre-post research design to examine the relationship between Cambodia's Securities Law and voluntary disclosure in the U.S. through the information asymmetry channel. Our regression model estimates the effect of the regulatory change on management forecast frequency, which serves as our primary measure of voluntary disclosure. The model specification follows established literature in voluntary disclosure research (Ajinkya et al., 2005; Chuk et al., 2013) and incorporates firm-specific characteristics that prior research has identified as determinants of disclosure decisions.

The regression model controls for key firm characteristics that influence voluntary disclosure through their effects on information asymmetry and disclosure incentives. We include institutional ownership as institutional investors demand greater transparency and have superior monitoring capabilities (Ajinkya et al., 2005). Firm size captures economies of scale in information production and reduced proprietary costs of disclosure (Lang and Lundholm, 1993). Book-to-market ratio proxies for growth opportunities and information asymmetry, while return on assets controls for firm performance effects on disclosure incentives. We also control for stock return performance, earnings volatility, loss indicators, and class action litigation risk, all of which prior literature has shown to significantly influence management's disclosure decisions (Skinner, 1994; Rogers and Stocken, 2005).

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change in Cambodia relative to individual U.S. firm characteristics. The timing and implementation of Cambodia's Securities Law provides a quasi-experimental setting that is unlikely to be correlated with unobservable firm-specific factors that simultaneously determine voluntary disclosure decisions (Leuz and Wysocki, 2016). Additionally, our comprehensive set of control variables helps mitigate concerns about omitted variable bias by capturing the primary determinants of voluntary disclosure identified in prior literature.

Mathematical Model

FreqMF = β_0 + β_1Treatment Effect + γ_1Institutional Ownership + γ_2Firm Size + γ_3Book-to-Market + γ_4ROA + γ_5Stock Return + γ_6Earnings Volatility + γ_7Loss + γ_8Class Action Risk + γ_9Time Trend + ε

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and represents the number of management earnings forecasts issued by a firm during the fiscal year. This measure captures voluntary disclosure behavior and has been widely used in prior literature to examine factors influencing management's disclosure decisions (Chuk et al., 2013; Hirst et al., 2008). Management forecasts represent a particularly important form of voluntary disclosure as they provide forward-looking information that reduces information asymmetry between managers and investors.

The Treatment Effect variable is an indicator variable equal to one for the post-Cambodia Securities Law period (from 2009 onwards) and zero otherwise, affecting all firms in our sample. This variable captures the systematic effect of enhanced global securities regulation on voluntary disclosure incentives through information asymmetry channels. The control variables include several firm characteristics identified in prior research as key determinants of voluntary disclosure decisions (Ajinkya et al., 2005). Institutional Ownership represents the percentage of shares held by institutional investors and is expected to be positively associated with voluntary disclosure as institutional investors demand greater transparency. Firm Size, measured as the natural logarithm of market capitalization, is expected to be positively related to disclosure frequency due to economies of scale in information production and greater analyst following.

Book-to-Market ratio captures growth opportunities and information asymmetry, with higher ratios potentially indicating lower disclosure frequency due to reduced investor demand for forward-looking information. ROA measures firm profitability and is expected to be positively associated with voluntary disclosure as managers of profitable firms have incentives to communicate good performance. Stock Return captures recent stock performance, with poor performance potentially increasing disclosure to explain results. Earnings Volatility measures the variability of earnings and may be negatively associated with forecast frequency due to increased uncertainty. Loss is an indicator for firms reporting losses, which may increase disclosure to provide explanations to investors. Class Action Risk captures litigation exposure and may have ambiguous effects on disclosure, as it can both increase disclosure to reduce information asymmetry and decrease disclosure to avoid legal liability (Rogers and Stocken, 2005).

Sample Construction

Our sample construction focuses on a five-year window around the implementation of Cambodia's Securities Law in 2009, spanning two years before and two years after the regulation, with the post-regulation period beginning from 2009 onwards. This event window allows us to capture both pre-regulation disclosure patterns and the subsequent effects of enhanced global securities regulation on voluntary disclosure behavior. The choice of a relatively narrow window helps ensure that our results are not confounded by other major regulatory or economic events that might influence disclosure decisions.

We obtain financial statement data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. Our sample construction process begins with all U.S. firms available in Compustat during the sample period and applies standard data filters to ensure data quality and completeness. We require firms to have sufficient data for all regression variables and exclude financial firms and utilities due to their unique regulatory environments. After applying these restrictions and requiring non-missing values for all variables, our final sample consists of 16,882 firm-year observations.

The research design treats all firms as potentially affected by the regulatory change, recognizing that enhanced securities regulation in global markets can influence disclosure incentives through competitive pressures and information asymmetry considerations. This approach is consistent with prior literature examining spillover effects of regulatory changes and allows us to capture market-wide responses to enhanced securities regulation (Christensen et al., 2013; Leuz and Wysocki, 2016). Our treatment group consists of all firm-year observations from 2009 onwards, while the control group includes all firm-year observations from the pre-regulation period, providing a clean identification strategy for estimating the regulatory effects on voluntary disclosure behavior.

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 sample period captures the financial crisis and its aftermath, providing a relevant setting for examining information asymmetry dynamics during a period of heightened market uncertainty.

We examine several key variables that capture firm characteristics and information environment quality. Institutional ownership (linstown) exhibits substantial variation, with a mean of 0.569 and standard deviation of 0.318, indicating considerable heterogeneity in institutional investor presence across our sample firms. The distribution appears reasonably symmetric, with the median (0.618) slightly exceeding the mean. Firm size (lsize) shows the expected right-skewed distribution typical of corporate samples, with a mean of 5.987 and median of 5.940, suggesting our sample includes firms across the size spectrum while maintaining reasonable representation of larger firms.

The book-to-market ratio (lbtm) displays a mean of 0.663 and median of 0.531, with the mean exceeding the median, consistent with the typical right-skewed distribution of valuation multiples. Return on assets (lroa) presents a concerning pattern, with a negative mean of -0.044 but positive median of 0.021, reflecting the impact of the financial crisis period on firm profitability. This distribution suggests that while the median firm remains profitable, a substantial number of firms experienced significant losses during this period.

Stock returns (lsaret12) exhibit negative performance on average (-0.018), consistent with the challenging market conditions during our sample period. The earnings volatility measure (levol) shows considerable variation, with a mean of 0.147 and standard deviation of 0.284, indicating substantial heterogeneity in earnings predictability across firms. The loss indicator (lloss) reveals that approximately 33.5% of firm-year observations report losses, substantially higher than typical pre-crisis levels and reflecting the economic distress during our sample period.

Our measure of information asymmetry risk (lcalrisk) exhibits a mean of 0.317 with considerable cross-sectional variation (standard deviation of 0.289). The management forecast frequency variable (freqMF) shows that many firms in our sample do not issue forecasts (median of 0.000), while others provide multiple forecasts annually, consistent with prior literature documenting heterogeneous voluntary disclosure practices.

The treatment variables indicate that our sample spans both pre- and post-treatment periods, with 58.2% of observations occurring in the post-treatment period. These descriptive statistics provide a foundation for our subsequent analyses examining the relationship between regulatory changes and information asymmetry in U.S. capital markets.

RESULTS

Regression Analysis

We examine the association between Cambodia's Securities Law adoption in 2009 and voluntary disclosure by U.S. firms with exposure to Cambodian markets. Our analysis employs three model specifications with increasing levels of control for confounding factors.

Specification (1) presents a simple treatment effect without controls, Specification (2) incorporates firm-level control variables, and Specification (3) adds firm fixed effects to control for time-invariant unobserved heterogeneity. The treatment effect estimates vary substantially across specifications, indicating the importance of controlling for firm characteristics and unobserved heterogeneity when examining this association. Specification (1) yields a large negative treatment effect of -0.0830 ($t = -8.40$, $p < 0.001$), while Specification (2) produces a small positive but statistically insignificant coefficient of 0.0079 ($t = 0.55$, $p = 0.580$). Our most rigorous specification (3), which includes firm fixed effects, shows a negative treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$).

The statistical significance and economic magnitude of our findings depend critically on model specification. The treatment effect in Specification (3), our preferred model due to its inclusion of firm fixed effects, is statistically significant at the 5% level but economically modest in magnitude. The coefficient of -0.0248 suggests that U.S. firms with Cambodian exposure experience a 2.48 percentage point decrease in voluntary disclosure following the Securities Law adoption, representing a relatively small economic effect. The dramatic difference in R-squared values across specifications (0.0021, 0.2465, and 0.8751 for Specifications 1, 2, and 3, respectively) demonstrates that firm fixed effects explain substantial variation in voluntary disclosure behavior, emphasizing the importance of controlling for unobserved firm heterogeneity. The large standard errors and varying significance levels across specifications suggest that the treatment effect is sensitive to model specification, which raises questions about the robustness of the estimated association.

Our control variables exhibit patterns largely consistent with prior voluntary disclosure literature. Firm size (lsize) demonstrates a consistently positive and significant association with voluntary disclosure across all specifications (coefficients ranging from 0.0918 to 0.1024, all significant at $p < 0.001$), confirming established findings that larger firms engage in more voluntary disclosure due to lower proprietary costs and greater analyst following (Lang and Lundholm, 1993). Institutional ownership (linstown) shows a strong positive association in Specification (2) but becomes insignificant when firm fixed effects are included, suggesting that the cross-sectional relationship may be driven by time-invariant firm characteristics. Loss firms (lloss) consistently exhibit lower voluntary disclosure across all specifications, aligning with prior research indicating that managers of poorly performing firms reduce disclosure to avoid negative market reactions (Miller, 2002). Stock return performance (lsaret12) negatively correlates with voluntary disclosure, consistent with managers' incentives to reduce disclosure following poor performance. Notably, our results do not support Hypothesis H1, which predicted increased voluntary disclosure following Cambodia's Securities Law adoption. Instead, we find evidence of a negative association in our most rigorous specification, suggesting that the mandatory disclosure improvements in Cambodia may substitute for, rather than complement, voluntary disclosure by U.S. firms. This finding aligns with substitution theory (Dye, 1985), which predicts that enhanced mandatory disclosure in one domain reduces the marginal benefit of voluntary disclosure in other domains, contrary to our theoretical prediction that complementarity effects would dominate.

CONCLUSION

This study examines whether the enactment of Cambodia's Securities Law in 2009 influenced voluntary disclosure practices among U.S. firms through information asymmetry channels. We investigate how enhanced securities regulation in an emerging market context creates spillover effects that alter disclosure incentives for firms operating in more developed capital markets. Our analysis focuses specifically on the asymmetry mechanism, whereby regulatory improvements in one jurisdiction can reduce information disparities and subsequently influence corporate disclosure behavior in other markets through cross-border information flows and competitive dynamics.

Our empirical findings reveal nuanced effects that depend critically on model specification and the inclusion of control variables. 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 the Cambodia Securities Law implementation was associated with reduced voluntary disclosure among U.S. firms. However, when we incorporate firm-specific 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 fully specified model with additional controls yields a negative treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$), which is statistically significant at conventional levels but economically modest in magnitude. The substantial increase in explanatory power from 0.21% in the baseline model to 87.51% in the full specification underscores the importance of controlling for firm heterogeneity when examining disclosure responses to regulatory changes.

The control variables reveal expected relationships consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership and firm size are positively associated with disclosure levels, while firms reporting losses and those with higher litigation risk exhibit lower disclosure propensity. These findings align with established theories suggesting that larger firms with sophisticated investor bases face greater disclosure demands, while firms facing potential litigation costs or poor performance may reduce voluntary disclosures to avoid adverse consequences (Skinner, 1994; Francis et al., 1994). The negative coefficient on stock return volatility in our full specification suggests that firms operating in more uncertain environments may strategically limit disclosure to preserve flexibility, consistent with proprietary cost theories of disclosure (Verrecchia, 1983).

Our findings carry important implications for regulators, managers, and investors operating in increasingly interconnected global capital markets. For regulators, our results suggest that securities law reforms in emerging markets can generate cross-border spillover effects, though the magnitude and direction of these effects may be context-dependent. The modest negative effect we document implies that enhanced regulatory frameworks in developing economies may reduce information asymmetries sufficiently to diminish U.S. firms' incentives for voluntary disclosure, possibly through reduced competitive pressure or altered investor attention allocation. This finding contributes to the growing literature on regulatory spillovers and suggests that policymakers should consider international dimensions when evaluating the effectiveness of domestic securities regulations (Christensen et al., 2013; Shroff et al., 2013).

For corporate managers, our results highlight the complex interplay between global regulatory developments and disclosure strategy. The sensitivity of our treatment effects to model specification suggests that firm-specific factors remain the primary determinants of disclosure policy, but managers should nonetheless monitor international regulatory changes that may affect investor expectations or competitive dynamics. For investors, our findings underscore the importance of understanding how global regulatory developments may influence the information environment, particularly for firms with international operations or investor bases. The asymmetry channel we examine suggests that regulatory improvements in one jurisdiction can affect information flows and disclosure incentives across borders, potentially altering the relative informativeness of voluntary disclosures.

Our study faces several important limitations that suggest caution in interpreting the results and point toward promising avenues for future research. First, our identification strategy relies on the timing of Cambodia's Securities Law enactment, but we cannot fully rule out contemporaneous events that may have influenced U.S. disclosure practices during the same period. The global financial crisis and subsequent regulatory responses in major economies may have created confounding effects that our specification cannot entirely capture.

Second, our measure of voluntary disclosure may not capture all relevant dimensions of corporate transparency, and the specific channels through which Cambodian regulatory changes affect U.S. firms remain somewhat opaque in our analysis.

Future research could extend our findings by examining more granular measures of information asymmetry and exploring heterogeneous treatment effects across different types of firms or disclosure categories. Investigating whether the effects we document vary by firm size, industry, or international exposure could provide deeper insights into the mechanisms driving cross-border regulatory spillovers. Additionally, examining similar regulatory changes in other emerging markets would help establish the generalizability of our findings and contribute to a broader understanding of how global regulatory developments shape corporate disclosure behavior through asymmetry channels. Finally, future studies could explore the welfare implications of these spillover effects and whether they enhance or diminish overall market efficiency and investor protection.

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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 Law Cambodia Information Asymmetry

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.05**	-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 Law Cambodia 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.