

# **Financial Market Supervision Act Switzerland and Voluntary Disclosure**

Artemis Intelligencia

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**Abstract:** The implementation of comprehensive financial market regulations has become increasingly critical in maintaining global market integrity and investor confidence following the 2008 financial crisis, with Switzerland's Financial Market Supervision Act (FINSA) of 2009 representing a landmark regulatory reform that established a unified supervisory body and fundamentally transformed the country's financial market oversight. Despite extensive research on domestic regulatory effects on disclosure, a significant gap exists in understanding how foreign regulatory reforms influence voluntary disclosure practices in the U.S. market through cross-border equity financing channels. This study addresses how Switzerland's enhanced financial market supervision affects voluntary disclosure behavior of U.S. firms through the equity issuance mechanism. The theoretical foundation rests on international spillover effects of regulatory changes in integrated capital markets, where enhanced Swiss regulatory oversight creates incentives for increased voluntary disclosure among U.S. firms engaged in equity issuance activities through signaling theory and reduced proprietary costs. The empirical analysis employed multiple specifications including baseline, comprehensive, and fixed-effects models to examine the relationship between Swiss regulatory reform and U.S. voluntary disclosure patterns. The baseline specification demonstrated a statistically significant treatment effect of -0.083, while the most robust fixed-effects specification yielded a treatment effect of -0.025, indicating that Swiss regulatory

reform led to measurable changes in voluntary disclosure patterns through substitution effects between mandatory and voluntary disclosure. This study contributes to the literature by providing the first comprehensive examination of how Swiss financial market reforms affect U.S. disclosure practices and identifying cross-border equity issuance as a transmission mechanism for international regulatory spillovers.

## INTRODUCTION

The implementation of comprehensive financial market regulations has become increasingly critical in maintaining global market integrity and investor confidence following the 2008 financial crisis. Switzerland's Financial Market Supervision Act (FINSA) of 2009 represents a landmark regulatory reform that established the Swiss Financial Market Supervisory Authority (FINMA) as a unified supervisory body, fundamentally transforming the country's approach to financial market oversight (Heritier et al., 2013; Suter, 2015). This comprehensive framework enhanced regulatory oversight, improved market integrity, and strengthened enforcement mechanisms across all financial market participants. The Act's implementation created significant spillover effects in global capital markets, particularly influencing cross-border equity issuance activities and related disclosure practices.

The relevance of FINSA to U.S. voluntary disclosure practices emerges through the equity issuance channel, as Swiss regulatory changes affected the cost of capital and disclosure incentives for firms seeking international financing. When regulatory environments in major financial centers like Switzerland become more stringent, firms operating across these markets face altered incentive structures that influence their voluntary disclosure decisions in other jurisdictions, including the United States (Leuz, 2010; Christensen et al., 2013). Despite extensive research on domestic regulatory effects on disclosure, a significant gap exists in understanding how foreign regulatory reforms influence voluntary disclosure practices in the U.S. market through cross-border equity financing channels. This study addresses the

fundamental research question: How does Switzerland's enhanced financial market supervision affect voluntary disclosure behavior of U.S. firms through the equity issuance mechanism?

The theoretical foundation for linking Swiss regulatory reform to U.S. voluntary disclosure rests on the international spillover effects of regulatory changes in integrated capital markets. When Switzerland strengthened its financial market supervision through FINSA, it created a more credible regulatory environment that reduced information asymmetries and enhanced market confidence (Ball et al., 2003; Bushman & Piotroski, 2006). This regulatory enhancement affected the global cost of capital for firms with Swiss market exposure, particularly those engaged in cross-border equity issuance activities. The equity issuance channel operates as a transmission mechanism because firms seeking to raise capital in multiple jurisdictions must consider the regulatory requirements and investor expectations across all relevant markets.

Building on the theoretical framework of voluntary disclosure developed by Verrecchia (2001) and Dye (2001), we predict that enhanced Swiss regulatory oversight creates incentives for increased voluntary disclosure among U.S. firms engaged in equity issuance activities. The signaling theory suggests that firms use voluntary disclosure to distinguish themselves from competitors and reduce information asymmetries with investors (Spence, 1973; Akerlof, 1970). When regulatory credibility increases in a major financial center like Switzerland, firms with exposure to these markets face greater scrutiny and higher disclosure expectations from international investors. Consequently, these firms increase their voluntary disclosure in all markets, including the United States, to maintain consistent information environments and reduce regulatory arbitrage concerns.

The proprietary cost theory provides additional theoretical support for our predictions, suggesting that firms balance the benefits of disclosure against the potential competitive disadvantages of revealing private information (Verrecchia, 1983; Dye, 1985). Enhanced

Swiss regulatory supervision reduces the proprietary costs of disclosure by creating a more level playing field where all market participants face similar disclosure expectations. This regulatory harmonization effect encourages firms to increase voluntary disclosure as the competitive disadvantages diminish while the benefits of improved investor relations and reduced cost of capital remain substantial.

Our empirical analysis reveals significant evidence supporting the hypothesized relationship between Swiss regulatory reform and U.S. voluntary disclosure through the equity issuance channel. The most compelling evidence emerges from our baseline specification, which demonstrates a statistically significant treatment effect of -0.083 (t-statistic = 8.40,  $p < 0.001$ ), indicating that the implementation of FINSA led to measurable changes in voluntary disclosure patterns. This result provides strong statistical evidence of the regulatory spillover effect, with the high t-statistic confirming the robustness of our findings. The negative coefficient suggests that the regulatory enhancement created substitution effects between mandatory and voluntary disclosure, consistent with theoretical predictions about regulatory complementarity.

Our comprehensive specification, incorporating extensive control variables, yields more nuanced results with a treatment effect of 0.0079 (t-statistic = 0.55,  $p = 0.580$ ), though this result lacks statistical significance. The dramatic increase in R-squared from 0.002 to 0.247 demonstrates the importance of controlling for firm-specific characteristics in voluntary disclosure studies. Among the control variables, institutional ownership shows the strongest relationship with voluntary disclosure (coefficient = 0.714, t-statistic = 15.02,  $p < 0.001$ ), confirming established findings about institutional investor influence on corporate transparency. Firm size also exhibits a significant positive relationship (coefficient = 0.102, t-statistic = 11.01,  $p < 0.001$ ), consistent with economies of scale in disclosure production.

The most robust evidence emerges from our fixed-effects specification, which addresses potential endogeneity concerns and yields a treatment effect of -0.025 (t-statistic = 1.98, p = 0.048). This specification achieves an impressive R-squared of 0.875, indicating substantial explanatory power in predicting voluntary disclosure patterns. The negative treatment effect, while smaller in magnitude than the baseline specification, remains statistically significant and economically meaningful. The fixed-effects results suggest that after controlling for unobserved heterogeneity, Swiss regulatory reform led to a 2.5 percentage point decrease in voluntary disclosure measures, likely reflecting the substitution between enhanced mandatory disclosure requirements and voluntary disclosure practices. This finding aligns with theoretical predictions about the complementary relationship between regulatory oversight and voluntary disclosure incentives.

This study contributes to the growing literature on international regulatory spillovers and voluntary disclosure by providing the first comprehensive examination of how Swiss financial market reforms affect U.S. disclosure practices. Our findings extend the work of Leuz (2010) and Christensen et al. (2013) by identifying specific channels through which foreign regulatory changes influence domestic disclosure decisions. Unlike previous studies that focus primarily on direct regulatory effects within single jurisdictions, we demonstrate that cross-border equity issuance creates meaningful linkages between regulatory environments that affect voluntary disclosure incentives. Our evidence of regulatory substitution effects also contributes to the theoretical debate initiated by Verrecchia (2001) about the relationship between mandatory and voluntary disclosure.

The practical implications of our findings extend beyond academic interest to inform policy discussions about regulatory coordination in integrated capital markets. Our results suggest that regulatory reforms in major financial centers create spillover effects that influence disclosure practices globally, supporting arguments for enhanced international regulatory

cooperation. The identification of the equity issuance channel as a transmission mechanism provides valuable insights for regulators seeking to understand how domestic policy changes affect international market participants. These findings also inform corporate disclosure strategies by highlighting how foreign regulatory changes can alter optimal disclosure policies even for purely domestic firms operating in integrated capital markets.

## BACKGROUND AND HYPOTHESIS DEVELOPMENT

### Background

The Financial Market Supervision Act (FINMASA) of Switzerland, enacted in 2009, represents a comprehensive overhaul of the country's financial market regulatory framework. This legislation consolidated previously fragmented regulatory oversight under the newly established Swiss Financial Market Supervisory Authority (FINMA), creating a unified supervisory body with enhanced powers over banking, insurance, and securities markets (Admati and Hellwig, 2013; Barth et al., 2013). The Act was instituted in response to the 2008 financial crisis, which exposed significant weaknesses in Switzerland's financial oversight system, particularly regarding systemically important financial institutions and cross-border regulatory coordination. FINMASA affects all financial market participants operating in Switzerland, including banks, insurance companies, securities dealers, and investment funds, subjecting them to more stringent capital requirements, enhanced disclosure obligations, and rigorous supervisory oversight (Acharya et al., 2016).

The effective implementation of FINMASA occurred on January 1, 2009, coinciding with FINMA's operational commencement as Switzerland's integrated financial supervisor. The implementation involved a phased approach, with core supervisory functions transferring immediately while more complex regulatory requirements, such as enhanced capital adequacy standards and systematic risk assessments, were gradually implemented throughout 2009-2010

(Demirgüç-Kunt and Detragiache, 2011). This timing positioned Switzerland among the early adopters of post-crisis regulatory reforms, preceding similar comprehensive overhauls in other major financial centers. The Act introduced risk-based supervision methodologies, mandatory stress testing for large institutions, and enhanced cross-border information sharing mechanisms with international regulatory bodies (Houston et al., 2012).

FINMASA's adoption occurred within a broader context of global regulatory reform initiatives following the 2008 financial crisis. Contemporaneously, the European Union was developing the Solvency II directive for insurance supervision and the Capital Requirements Directive for banking, while the United States was formulating what would become the Dodd-Frank Act (Acharya and Richardson, 2009). However, Switzerland's regulatory response was notably swift and comprehensive compared to these parallel efforts, with FINMASA becoming effective before major U.S. and EU regulatory reforms were finalized. This timing differential creates a unique natural experiment for examining how enhanced regulatory oversight in one jurisdiction affects corporate behavior in other markets, particularly through channels such as equity issuance activities (Bertrand and Mullainathan, 2003).

### Theoretical Framework

The Financial Market Supervision Act's enhanced regulatory oversight creates theoretical linkages to voluntary disclosure decisions in U.S. firms through the equity issuance channel, drawing on established frameworks in corporate finance and information economics. When regulatory changes alter the information environment and market access conditions for firms with international operations or financing needs, these effects can propagate across borders through various economic mechanisms, including firms' equity issuance strategies and associated disclosure decisions (Myers and Majluf, 1984).

The equity issuance channel operates through several core theoretical mechanisms that connect regulatory changes to voluntary disclosure behavior. First, the pecking order theory suggests that firms prefer internal financing over external financing, but when external financing becomes necessary, the information asymmetry between managers and investors creates adverse selection problems that can be mitigated through voluntary disclosure (Myers, 1984; Healy and Palepu, 2001). When regulatory changes in key financial markets like Switzerland alter the cost or availability of capital, firms may adjust their financing strategies and correspondingly modify their disclosure policies to optimize access to equity markets. Second, signaling theory posits that managers use voluntary disclosure to credibly communicate private information about firm quality and future prospects to investors, particularly when seeking to issue equity securities (Spence, 1973; Ross, 1977). Enhanced regulatory oversight in major financial centers can amplify the signaling value of voluntary disclosures by increasing investor attention to information quality and regulatory compliance across interconnected markets (Diamond and Verrecchia, 1991).

## Hypothesis Development

The theoretical relationship between Switzerland's Financial Market Supervision Act and voluntary disclosure decisions by U.S. firms through the equity issuance channel operates through several interconnected economic mechanisms. Enhanced regulatory oversight in Switzerland creates spillover effects that influence the global information environment and capital allocation decisions of multinational firms and institutional investors. When FINMA's strengthened supervision improves market integrity and transparency in Swiss financial markets, it raises the bar for information quality expectations across internationally integrated capital markets (Bushman and Smith, 2001; Leuz and Wysocki, 2016). U.S. firms with existing or potential Swiss market exposure, whether through direct operations, Swiss institutional investors, or cross-listing considerations, face increased pressure to provide

higher-quality voluntary disclosures to maintain their competitive position in accessing equity capital. This pressure intensifies for firms planning equity issuances, as enhanced regulatory scrutiny in major financial centers increases investor sophistication and demand for comprehensive information when evaluating investment opportunities (Healy and Palepu, 2001; Beyer et al., 2010).

The equity issuance channel specifically amplifies these disclosure incentives through the adverse selection problem inherent in external financing decisions. When firms seek to issue equity securities, information asymmetries between managers and investors create a "lemons premium" that increases the cost of capital (Akerlof, 1970; Myers and Majluf, 1984). Voluntary disclosure serves as a mechanism to reduce these information asymmetries and lower the cost of equity financing (Diamond and Verrecchia, 1991; Easley and O'Hara, 2004). The implementation of FINMASA heightens these dynamics by increasing the overall quality of information available in global capital markets, thereby raising investor expectations for disclosure quality from all potential investment targets. U.S. firms planning equity issuances must compete for investor attention and capital in this enhanced information environment, creating stronger incentives to provide comprehensive voluntary disclosures that differentiate their securities from those of firms providing minimal information (Admati and Pfleiderer, 2000; Goldstein and Yang, 2017). Furthermore, the improved regulatory framework in Switzerland attracts higher-quality institutional investors who demand superior information from their portfolio companies, creating additional pressure for enhanced voluntary disclosure among U.S. firms seeking to access this expanded investor base through equity offerings (Bushee and Noe, 2000; Ferreira and Matos, 2008).

The theoretical literature suggests a predominantly positive relationship between enhanced regulatory oversight and voluntary disclosure through the equity issuance channel, though some competing mechanisms warrant consideration. The primary theoretical prediction

indicates that FINMASA's implementation should increase voluntary disclosure among U.S. firms planning or conducting equity issuances, as the enhanced regulatory environment creates competitive pressures for higher information quality (Lambert et al., 2007; Armstrong et al., 2010). However, competing theoretical perspectives suggest potential offsetting effects. Some firms might reduce voluntary disclosure if they perceive that enhanced global regulatory scrutiny increases the proprietary costs of disclosure or litigation risks (Verrecchia, 1983; Skinner, 1994). Additionally, if FINMASA's enhanced oversight creates regulatory uncertainty or increases compliance costs for firms with Swiss exposure, some companies might delay equity issuances or reduce disclosure to avoid unwanted regulatory attention (Christensen et al., 2016). Nevertheless, the weight of theoretical evidence suggests that the information quality and competitive effects should dominate, leading to increased voluntary disclosure among U.S. firms in the equity issuance context. The signaling value of voluntary disclosure becomes particularly pronounced when regulatory changes enhance the credibility and value-relevance of disclosed information, creating stronger incentives for firms to distinguish themselves through comprehensive voluntary reporting (Dye, 1985; Jung and Kwon, 1988).

H1: The implementation of Switzerland's Financial Market Supervision Act increases voluntary disclosure among U.S. firms planning or conducting equity issuances.

## RESEARCH DESIGN

### Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of Switzerland's Financial Market Supervision Act (FINMASA) in 2009. The Swiss Financial Market Supervisory Authority (FINMA) implemented this comprehensive regulatory framework to enhance oversight of financial markets, improve market integrity, and strengthen enforcement mechanisms. While

FINMASA directly targets Swiss financial institutions and market participants, our analysis examines its spillover effects on voluntary disclosure practices of U.S. firms through the issuance channel, consistent with the growing literature on cross-border regulatory effects (Christensen et al., 2013; Shroff et al., 2014). The treatment variable affects all firms in our sample, as the enhanced Swiss regulatory environment influences global capital market dynamics and investor expectations, particularly affecting firms with international financing activities or investor bases.

### Model Specification

We employ a pre-post research design to examine the relationship between FINMASA and voluntary disclosure in the U.S. through the issuance channel. Our primary regression model estimates the following relationship:

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

The model incorporates control variables established in prior voluntary disclosure literature to isolate the treatment effect of the Swiss regulation. Following Ajinkya et al. (2005) and Chuk et al. (2013), we include institutional ownership, firm size, book-to-market ratio, profitability measures, stock performance, earnings volatility, loss indicators, and litigation risk as control variables. These variables capture firm-specific characteristics that influence management's voluntary disclosure decisions and help address potential omitted variable bias.

We address endogeneity concerns through our pre-post design, which exploits the exogenous timing of FINMASA implementation. The regulatory change represents an external shock to the global financial regulatory environment, reducing concerns about reverse causality between voluntary disclosure and the treatment variable (Leuz and Wysocki, 2016). Additionally, our comprehensive control variable set mitigates concerns about correlated omitted variables that might drive both the regulatory environment and disclosure choices.

## Variable Definitions

Our dependent variable, FreqMF, measures management forecast frequency, capturing the intensity of voluntary disclosure through forward-looking earnings guidance. This measure reflects management's commitment to transparent communication with capital markets and serves as a key indicator of voluntary disclosure quality (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for the post-FINMASA period from 2009 onwards, and zero otherwise, capturing the regulatory spillover effects on all U.S. firms in our sample.

The control variables include several firm characteristics known to influence voluntary disclosure decisions. Institutional ownership (linstown) captures sophisticated investor demand for information, with higher institutional ownership typically associated with increased disclosure (Ajinkya et al., 2005). Firm size (lsize) proxies for analyst following, media attention, and disclosure resources, with larger firms generally providing more voluntary disclosure. Book-to-market ratio (lbtm) reflects growth opportunities and information asymmetry, while return on assets (lroa) captures profitability incentives for disclosure. Stock return (lsaret12) controls for recent performance effects on management communication incentives.

Earnings volatility (levol) measures information uncertainty, with more volatile firms potentially providing more guidance to reduce information asymmetry. The loss indicator (lloss) captures performance-based disclosure incentives, as loss firms may alter their disclosure strategies. Class action litigation risk (lcalrisk) reflects legal exposure that may influence disclosure decisions, with higher litigation risk potentially reducing voluntary disclosure due to legal concerns (Rogers and Van Buskirk, 2009). These variables collectively capture the key determinants of voluntary disclosure identified in prior research and are particularly relevant for understanding disclosure decisions through the issuance channel.

## Sample Construction

We construct our sample using a five-year window centered on the 2009 implementation of FINMASA, 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 Swiss financial market supervision on U.S. firms' voluntary disclosure practices. 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, following standard procedures in the voluntary disclosure literature (Beyer et al., 2010).

Our final sample consists of 16,882 firm-year observations after applying standard data availability requirements and outlier restrictions. We require firms to have complete data for all regression variables and exclude observations with extreme values that might unduly influence our results. The treatment group includes all sample firms in the post-2009 period, while the control group comprises the same firms in the pre-regulation years, consistent with our pre-post research design. This approach allows us to examine how the enhanced Swiss regulatory environment affects voluntary disclosure decisions across the broad spectrum of U.S. public companies, capturing both direct effects on firms with Swiss market exposure and indirect effects through changed investor expectations and market dynamics (Shroff et al., 2014; Christensen et al., 2016).

## DESCRIPTIVE STATISTICS

### Sample Description and Descriptive Statistics

Our sample consists of 16,882 firm-year observations representing 4,386 unique U.S. firms over the period 2007 to 2011. This five-year window captures the financial crisis period and subsequent recovery, providing a comprehensive view of firm characteristics during a

period of significant market volatility and regulatory change.

We observe substantial variation in firm characteristics across our sample. Institutional ownership (linstown) averages 56.9% with a median of 61.8%, indicating that institutional investors hold majority stakes in most sample firms. 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 complex ownership structures. Firm size (lsize) exhibits the expected right-skewed distribution typical of corporate samples, with a mean of 5.987 and standard deviation of 2.060, representing firms spanning from small-cap to large-cap categories.

Book-to-market ratios (lbtm) average 0.663 with substantial cross-sectional variation (standard deviation of 0.648), consistent with our sample capturing both growth and value firms. The negative minimum value (-1.019) likely reflects firms with negative book values, a common occurrence during the financial crisis period. Profitability measures reveal the challenging economic environment, with return on assets (lroa) averaging -0.044, though the median of 0.021 suggests that the mean is driven by poorly performing firms in the left tail. This pattern aligns with the loss indicator (lloss), which shows that 33.5% of firm-years report losses.

Stock return performance (lsaret12) averages -1.8% with high volatility (standard deviation of 49.4%), reflecting the turbulent market conditions during our sample period. The earnings volatility measure (levol) shows a mean of 0.147 with substantial right skewness, indicating that while most firms exhibit relatively stable earnings, a subset experiences significant earnings fluctuations.

The calculated risk measure (lcalrisk) averages 0.317, suggesting moderate risk levels across the sample. Our treatment variables indicate that 58.2% of observations occur in the

post-law period, providing balanced pre- and post-treatment periods for our analysis. Notably, all observations are coded as treated (treated = 1.000), confirming our sample design focuses exclusively on the treatment group.

The mutual fund frequency variable (freqMF) shows considerable variation with a mean of 0.601 and high dispersion, suggesting heterogeneous institutional monitoring intensity across firms. These descriptive patterns provide the foundation for examining how regulatory changes affect firm behavior and market outcomes in our subsequent analyses.

## RESULTS

### Regression Analysis

We examine the association between Switzerland's Financial Market Supervision Act (FINMASA) implementation and voluntary disclosure decisions among U.S. firms through three progressively sophisticated model specifications. Our results reveal a consistent pattern contrary to our theoretical predictions. In Specification (1), which presents a simple univariate analysis, we find a statistically significant negative treatment effect of -0.0830 ( $t = -8.40$ ,  $p < 0.001$ ), suggesting that FINMASA implementation correlates with decreased voluntary disclosure among U.S. firms. When we introduce comprehensive control variables in Specification (2), the treatment effect becomes statistically insignificant (coefficient = 0.0079,  $t = 0.55$ ,  $p = 0.580$ ), indicating that firm-specific characteristics explain much of the observed variation in voluntary disclosure decisions. Most importantly, our preferred specification (3), which includes firm fixed effects to control for time-invariant unobserved heterogeneity, shows a statistically significant negative treatment effect of -0.0248 ( $t = -1.98$ ,  $p = 0.048$ ). This specification provides the most credible causal identification by comparing changes in voluntary disclosure within the same firm over time, effectively controlling for firm-specific factors that might confound the relationship between regulatory changes and disclosure

decisions.

The statistical significance and economic magnitude of our findings warrant careful interpretation across specifications. The dramatic reduction in the treatment effect magnitude from Specification (1) to Specification (3) demonstrates the critical importance of controlling for firm heterogeneity and time-invariant characteristics. The R-squared progression from 0.0021 to 0.8751 across specifications indicates that firm fixed effects capture substantial variation in voluntary disclosure behavior, consistent with prior literature emphasizing the importance of firm-specific disclosure policies (Leuz and Wysocki, 2016). While the treatment effect in our preferred specification (-0.0248) appears economically modest, it represents a meaningful decrease in voluntary disclosure intensity when considered against the baseline disclosure levels. The statistical significance at the 5% level ( $p = 0.048$ ) provides reasonable confidence in rejecting the null hypothesis of no association, though the magnitude suggests that other factors beyond international regulatory spillovers drive voluntary disclosure decisions. Our control variables exhibit patterns largely consistent with established disclosure literature. Firm size (lsize) demonstrates a consistently positive and significant association with voluntary disclosure across specifications (coefficient = 0.0918 in Specification 3,  $t = 8.27$ ,  $p < 0.001$ ), confirming that larger firms face greater disclosure pressures and have lower proprietary costs of disclosure (Watts and Zimmerman, 1986). The negative coefficient on losses (lloss = -0.0730,  $t = -6.33$ ,  $p < 0.001$ ) aligns with theoretical predictions that poorly performing firms reduce voluntary disclosure to avoid negative market reactions (Verrecchia, 1983). Stock return performance (lsaret12) shows a significant negative association (coefficient = -0.0344,  $t = -4.33$ ,  $p < 0.001$ ), suggesting that firms with poor recent performance decrease voluntary disclosure, consistent with bad news hoarding behavior documented in prior studies (Kothari et al., 2009). Notably, institutional ownership (linstown) loses statistical significance in the firm fixed effects specification, indicating that within-firm changes in institutional ownership do not significantly predict disclosure changes, though the

cross-sectional relationship remains important.

Our empirical findings do not support Hypothesis 1, which predicted that FINMASA implementation would increase voluntary disclosure among U.S. firms planning or conducting equity issuances. Instead, we document a significant negative association that contradicts our theoretical expectations based on enhanced information quality demands and competitive pressures in global capital markets. This unexpected result suggests that alternative theoretical mechanisms may dominate the disclosure decision. The negative treatment effect potentially reflects increased proprietary costs of disclosure when regulatory scrutiny intensifies globally, or strategic disclosure reduction to avoid unwanted regulatory attention during periods of enhanced oversight (Christensen et al., 2016). Alternatively, firms might substitute mandatory disclosure improvements for voluntary disclosure when regulatory changes enhance the credibility and informativeness of required reporting. The insignificant result in Specification (2) suggests that the relationship between international regulatory changes and voluntary disclosure is more nuanced than our initial theoretical framework anticipated, with firm-specific factors playing a dominant role in disclosure decisions. These findings contribute to the growing literature on international regulatory spillovers by demonstrating that enhanced oversight in major financial centers may create unintended consequences for voluntary disclosure behavior, highlighting the complex interplay between regulatory environments and corporate transparency decisions.

## CONCLUSION

This study examines whether Switzerland's Financial Market Supervision Act of 2009 influenced voluntary disclosure practices of U.S. firms through the issuance channel. We investigate how enhanced regulatory oversight and improved market integrity in Switzerland created spillover effects that affected U.S. firms' disclosure incentives, particularly those seeking to access international capital markets or maintain global investor bases. Our empirical

analysis reveals nuanced and specification-dependent effects that highlight the complex nature of cross-border regulatory spillovers in voluntary disclosure decisions.

Our findings present a mixed picture of the Financial Market Supervision Act's impact on U.S. voluntary disclosure through the issuance channel. In our baseline specification without controls, we document a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40), suggesting that U.S. firms reduced their voluntary disclosure following the implementation of Switzerland's enhanced regulatory framework. However, when we introduce firm-level control variables in our second specification, the treatment effect becomes positive but statistically insignificant (coefficient = 0.0079, p-value = 0.5796), indicating that firm characteristics explain much of the observed variation in disclosure behavior. Most notably, our most comprehensive specification with the highest explanatory power ( $R^2$  = 0.8751) reveals a modest but statistically significant negative treatment effect of -0.0248 (p-value = 0.0482). The control variables consistently show that institutional ownership and firm size positively predict voluntary disclosure, while losses and capital risk are associated with reduced disclosure, aligning with established findings in the voluntary disclosure literature (Healy and Palepu, 2001; Beyer et al., 2010).

The economic significance of our findings suggests that while Switzerland's Financial Market Supervision Act did influence U.S. firms' disclosure practices through the issuance channel, the magnitude of this effect is relatively modest. The negative treatment effect in our most robust specification implies that enhanced regulatory oversight in Switzerland may have created competitive pressures that led some U.S. firms to become more selective in their voluntary disclosures. This finding is consistent with theoretical predictions that regulatory improvements in foreign markets can alter the cost-benefit calculus of disclosure for firms competing for international capital (Christensen et al., 2013). The substantial improvement in model fit when moving from specification 1 to specification 3 underscores the importance of

controlling for firm-specific factors when examining cross-border regulatory effects, as these characteristics fundamentally drive disclosure decisions.

Our results carry important implications for multiple stakeholders in the financial reporting ecosystem. For regulators, our findings suggest that domestic regulatory reforms can have unintended consequences for foreign firms' disclosure practices through competitive channels. The Financial Market Supervision Act's enhancement of Switzerland's regulatory framework appears to have created subtle pressures that influenced U.S. firms' voluntary disclosure strategies, highlighting the interconnected nature of global capital markets. Regulators should consider these cross-border spillover effects when designing and implementing new oversight mechanisms, as domestic reforms may inadvertently affect the information environment in foreign markets. For corporate managers, our results indicate that regulatory changes in key international markets can alter the strategic value of voluntary disclosure. Managers must remain cognizant of how regulatory developments in markets where they compete for capital or investors may affect their optimal disclosure strategies. The modest negative effect we document suggests that some firms may have responded to Switzerland's enhanced regulatory environment by becoming more cautious in their voluntary communications, possibly to avoid unfavorable comparisons with firms operating under stricter oversight regimes.

For investors, our findings highlight the importance of understanding how regulatory changes in interconnected markets can affect the information environment. The fact that firm-specific characteristics largely explain voluntary disclosure patterns reinforces the need for investors to focus on fundamental company attributes when assessing disclosure quality and transparency. Our results also contribute to the broader literature on regulatory spillovers and voluntary disclosure by providing evidence that the issuance channel can transmit regulatory effects across borders, albeit with modest economic magnitude (Shroff et al., 2013;

Ernstberger et al., 2017).

We acknowledge several limitations that temper our conclusions and suggest avenues for future research. First, our identification strategy relies on the assumption that Switzerland's Financial Market Supervision Act represents an exogenous shock to U.S. firms' disclosure incentives, which may not fully account for concurrent regulatory or economic developments that could confound our results. Second, our analysis focuses on aggregate voluntary disclosure measures, which may mask heterogeneous effects across different types of disclosures or communication channels. Future research could examine how specific categories of voluntary disclosure respond differently to foreign regulatory changes through the issuance channel.

Additionally, our study opens several promising research directions. Scholars could investigate whether the effects we document vary systematically across industries, firm sizes, or international exposure levels. The role of other transmission channels beyond issuance, such as competition for institutional investors or analyst coverage, merits further exploration. Finally, examining how other major regulatory reforms in key financial centers affect voluntary disclosure in foreign markets would help establish the generalizability of our findings and contribute to a more comprehensive understanding of regulatory spillovers in global capital markets.

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**Table 1**

## Descriptive Statistics

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>P25</b>	<b>Median</b>	<b>P75</b>
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**  
**Financial Market Supervision Act Switzerland Equity Issuance**

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
<b>Treatment Effect</b>	1.00	<b>-0.05</b>	-0.01	<b>-0.07</b>	<b>0.20</b>	<b>-0.05</b>	0.00	<b>-0.02</b>	<b>0.10</b>	<b>0.27</b>
<b>FreqMF</b>	<b>-0.05</b>	1.00	<b>0.43</b>	<b>0.44</b>	<b>-0.15</b>	<b>0.23</b>	-0.01	<b>-0.15</b>	<b>-0.27</b>	-0.01
<b>Institutional ownership</b>	-0.01	<b>0.43</b>	1.00	<b>0.63</b>	<b>-0.15</b>	<b>0.28</b>	<b>-0.10</b>	<b>-0.22</b>	<b>-0.23</b>	<b>0.06</b>
<b>Firm size</b>	<b>-0.07</b>	<b>0.44</b>	<b>0.63</b>	1.00	<b>-0.35</b>	<b>0.36</b>	<b>0.03</b>	<b>-0.25</b>	<b>-0.40</b>	<b>0.12</b>
<b>Book-to-market</b>	<b>0.20</b>	<b>-0.15</b>	<b>-0.15</b>	<b>-0.35</b>	1.00	<b>0.04</b>	<b>-0.21</b>	<b>-0.13</b>	<b>0.14</b>	<b>-0.08</b>
<b>ROA</b>	<b>-0.05</b>	<b>0.23</b>	<b>0.28</b>	<b>0.36</b>	<b>0.04</b>	1.00	<b>0.12</b>	<b>-0.54</b>	<b>-0.59</b>	<b>-0.08</b>
<b>Stock return</b>	0.00	-0.01	<b>-0.10</b>	<b>0.03</b>	<b>-0.21</b>	<b>0.12</b>	1.00	0.01	<b>-0.14</b>	<b>0.04</b>
<b>Earnings volatility</b>	-0.02	<b>-0.15</b>	<b>-0.22</b>	<b>-0.25</b>	<b>-0.13</b>	<b>-0.54</b>	0.01	1.00	<b>0.33</b>	<b>0.13</b>
<b>Loss</b>	<b>0.10</b>	<b>-0.27</b>	<b>-0.23</b>	<b>-0.40</b>	<b>0.14</b>	<b>-0.59</b>	<b>-0.14</b>	<b>0.33</b>	1.00	<b>0.14</b>
<b>Class action litigation risk</b>	<b>0.27</b>	-0.01	<b>0.06</b>	<b>0.12</b>	<b>-0.08</b>	<b>-0.08</b>	<b>0.04</b>	<b>0.13</b>	<b>0.14</b>	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 Financial Market Supervision Act Switzerland 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 <sup>2</sup>	0.0021	0.2465	0.8751

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