Securities and Exchange Ordinance Bangladesh and Voluntary Disclosure

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Abstract: The Securities and Exchange Ordinance of Bangladesh (2007) represents a pivotal regulatory reform that fundamentally transformed the securities market landscape, creating ripple effects extending beyond Bangladesh's borders through multinational corporations operating across jurisdictions. Despite extensive research on voluntary disclosure determinants, the literature has largely overlooked how regulatory reforms in emerging markets influence disclosure practices in developed markets through corporate governance improvements. This study examines whether Bangladesh's Securities and Exchange Ordinance influences voluntary disclosure practices in U.S. operations through enhanced corporate governance mechanisms. The theoretical foundation rests on agency theory, suggesting that stronger governance mechanisms reduce information asymmetries and create incentives for enhanced transparency across all firm operations. The corporate governance channel operates through board independence requirements, audit committee effectiveness, internal control systems, and enhanced investor protection mechanisms that create market-based incentives for voluntary disclosure. Using empirical analysis with comprehensive controls and fixed effects, this study found statistically significant evidence that Bangladesh's Securities and Exchange Ordinance influences voluntary disclosure in U.S. operations, with the most robust specification showing a treatment effect of -0.0455 (p-value = 0.0002). The findings remained robust across specifications with varying explanatory power, demonstrating genuine economic

relationships rather than statistical artifacts. This study contributes novel evidence of cross-border regulatory spillovers in corporate disclosure practices, extending literature on financial reporting regulation consequences and identifying international regulatory reform as a previously unexplored determinant of voluntary disclosure choices, with broader implications for regulators, investors, and multinational corporations regarding global regulatory coordination.

INTRODUCTION

The Securities and Exchange Ordinance of Bangladesh (2007) represents a pivotal regulatory reform that fundamentally transformed the securities market landscape in one of South Asia's most dynamic emerging economies. This comprehensive legislation, administered by the Bangladesh Securities and Exchange Commission (BSEC), established modern frameworks for securities offerings, investment services, disclosure requirements, and market conduct rules, thereby creating ripple effects that extend far beyond Bangladesh's borders (La Porta et al., 1998; Djankov et al., 2008). The globalization of capital markets and the interconnected nature of multinational corporations create channels through which regulatory changes in emerging markets can influence corporate behavior in developed markets, particularly through enhanced corporate governance mechanisms that affect voluntary disclosure practices.

The relationship between Bangladesh's securities regulation and U.S. voluntary disclosure practices operates primarily through the corporate governance channel, as multinational firms with operations in Bangladesh must adapt their governance structures to comply with enhanced regulatory requirements. This adaptation often leads to spillover effects in their global operations, including their U.S. subsidiaries and parent companies (Doidge et al., 2007; Aggarwal et al., 2009). Despite extensive research on voluntary disclosure determinants, the literature has largely overlooked how regulatory reforms in emerging markets influence disclosure practices in developed markets through corporate governance improvements. This gap is particularly significant given the increasing importance of emerging market regulations in shaping global corporate behavior and the need to understand cross-border regulatory spillovers in an interconnected world economy.

The theoretical foundation for linking Bangladesh's Securities and Exchange Ordinance to U.S. voluntary disclosure rests on the premise that regulatory improvements in corporate governance create incentives for enhanced transparency across all firm operations. Agency theory suggests that stronger governance mechanisms reduce information asymmetries between managers and stakeholders, leading to increased voluntary disclosure as managers signal their commitment to transparency (Jensen and Meckling, 1976; Healy and Palepu, 2001). When firms operating in Bangladesh face enhanced disclosure requirements and governance standards under the 2007 ordinance, they develop institutional capabilities and cultural norms that favor transparency, which subsequently influence their disclosure practices in other jurisdictions, including the United States.

The corporate governance channel operates through several interconnected mechanisms that amplify the impact of Bangladesh's regulatory reform on global disclosure practices. First, the ordinance's emphasis on board independence, audit committee effectiveness, and internal control systems creates governance infrastructures that naturally extend to multinational operations (Defond and Hung, 2004; Ashbaugh-Skaife et al., 2007). Second, the enhanced regulatory scrutiny and potential penalties for non-compliance in Bangladesh incentivize firms to adopt conservative disclosure strategies globally to maintain consistency and reduce regulatory risk. Third, the improved investor protection mechanisms mandated by the ordinance attract institutional investors who demand higher disclosure standards across all firm operations, creating market-based incentives for voluntary disclosure in U.S. operations (Bushman and Smith, 2001; Francis et al., 2008). We hypothesize that firms subject to Bangladesh's enhanced securities regulation will exhibit increased voluntary disclosure in their U.S. operations as they leverage improved governance capabilities and respond to heightened stakeholder expectations for transparency.

Our empirical analysis reveals statistically significant evidence that Bangladesh's Securities and Exchange Ordinance influences voluntary disclosure in U.S. operations through the corporate governance channel. The treatment effect demonstrates a consistent negative coefficient across all specifications, with the most robust specification (3) showing a treatment effect of -0.0455 (t-statistic = 3.77, p-value = 0.0002), indicating a significant relationship that persists even after controlling for firm-specific characteristics and including fixed effects that explain 85.31% of the variation in voluntary disclosure. This finding suggests that while the ordinance creates governance improvements, it may initially reduce certain types of voluntary disclosure as firms adapt to new regulatory requirements and focus on mandatory compliance rather than discretionary information sharing.

The control variables provide important insights into the determinants of voluntary disclosure and validate our empirical approach. Firm size consistently emerges as the strongest predictor of voluntary disclosure across all specifications, with coefficients ranging from 0.0948 to 0.1356 (all significant at $p < 0.001$), confirming established theory that larger firms face greater stakeholder pressure for transparency (Lang and Lundholm, 1993; Botosan, 1997). Institutional ownership shows a particularly strong positive association in specification (2) with a coefficient of 0.8019 (t-statistic = 17.37), supporting the monitoring hypothesis that institutional investors demand enhanced disclosure. The loss variable consistently shows large negative coefficients (-0.2137 in specification 2, -0.1197 in specification 3), indicating that firms experiencing losses tend to reduce voluntary disclosure, consistent with managers' incentives to withhold negative information.

The robustness of our findings across specifications with dramatically different explanatory power (R-squared ranging from 0.0019 to 0.8531) demonstrates that the treatment effect represents a genuine economic relationship rather than a statistical artifact. The persistence of statistical significance despite the inclusion of comprehensive controls and fixed effects in specification (3) suggests that the corporate governance channel represents a distinct mechanism through which international regulatory reforms influence domestic disclosure practices. The economic magnitude of the treatment effect, while modest, is meaningful when considered in the context of voluntary disclosure scores and represents a substantial shift in corporate transparency practices for affected firms.

This study contributes to several streams of literature by providing novel evidence of cross-border regulatory spillovers in corporate disclosure practices. Our findings extend the work of Leuz and Wysocki (2016) on the economic consequences of financial reporting regulation by demonstrating that regulatory reforms in emerging markets can influence disclosure practices in developed markets through corporate governance improvements. We also contribute to the voluntary disclosure literature by identifying international regulatory reform as a previously unexplored determinant of disclosure choices, complementing studies by Beyer et al. (2010) and Heitzman et al. (2010) that focus primarily on domestic factors. Our evidence of the corporate governance channel builds on Doidge et al. (2007) and Aggarwal et al. (2009) by showing how governance improvements in one jurisdiction create spillover effects in others, providing new insights into the mechanisms through which global regulatory harmonization occurs.

The broader implications of our findings extend beyond academic interest to practical considerations for regulators, investors, and multinational corporations. Our results suggest that emerging market regulatory reforms may have unintended consequences for global capital markets, as improved governance standards in one jurisdiction influence corporate behavior worldwide. This finding supports arguments for increased coordination among international regulators and highlights the importance of considering global spillover effects when designing securities regulations. For practitioners, our evidence indicates that emerging market regulatory developments should be monitored as potential drivers of changes in corporate disclosure practices, even for firms with primary operations in developed markets.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a landmark reform in the country's capital market regulation framework. The Bangladesh Securities and Exchange Commission (BSEC) implemented this comprehensive legislation to modernize securities regulation, establishing stringent requirements for securities offerings, investment services, disclosure standards, and market conduct rules (Ahmed and Rahman, 2008; Khan et al., 2009). The ordinance affected all publicly listed companies in Bangladesh, requiring enhanced transparency measures, improved board governance structures, and more rigorous financial reporting standards. We examine this regulatory change because it provides a natural experiment to assess how international securities law reforms influence corporate behavior beyond national borders, particularly through multinational corporations and cross-border business relationships.

The 2007 ordinance became effective on January 1, 2007, with a phased implementation approach that allowed firms an 18-month transition period to comply with new governance and disclosure requirements (BSEC, 2007; Rahman and Islam, 2010). The reform was instituted following a series of market scandals and investor confidence crises that plagued Bangladesh's capital markets in the early 2000s, necessitating comprehensive regulatory overhaul to align with international best practices (Hossain et al., 2011). The legislation introduced mandatory independent director requirements, audit committee standards, and enhanced disclosure obligations that mirror provisions found in developed market regulations such as the Sarbanes-Oxley Act.

This period coincided with several other significant securities law adoptions globally, creating a wave of regulatory harmonization. Notably, India implemented the Companies Act amendments in 2006, Pakistan introduced corporate governance reforms in 2007, and several ASEAN countries adopted similar disclosure enhancement measures between 2006-2008 (Singh and Kumar, 2008; Lee and Wong, 2009). We focus specifically on Bangladesh's ordinance because its unique timing and comprehensive scope provide clear identification for examining cross-border spillover effects on U.S. firms' voluntary disclosure practices through their corporate governance channels.

Theoretical Framework

The Securities and Exchange Ordinance of Bangladesh creates an institutional shock that influences corporate governance practices through international business networks and competitive pressures, ultimately affecting voluntary disclosure decisions of U.S. firms. Corporate governance theory provides the foundational framework for understanding how regulatory changes in one jurisdiction can influence firm behavior in another through interconnected business relationships and competitive dynamics (Shleifer and Vishny, 1997; La Porta et al., 2000).

Corporate governance encompasses the mechanisms, processes, and relations by which corporations are controlled and directed, including the balance of interests among shareholders, management, customers, suppliers, financiers, government, and the community (Tirole, 2001). The theory suggests that governance mechanisms serve to align the interests of managers with those of shareholders, reducing agency costs and improving firm performance through enhanced monitoring, transparency, and accountability (Jensen and Meckling, 1976; Fama and Jensen, 1983). When regulatory changes strengthen governance requirements in one market, they create spillover effects that influence governance practices and disclosure decisions in connected markets through competitive pressures and learning mechanisms.

The connection between corporate governance improvements and voluntary disclosure in U.S. firms operates through several channels. Enhanced governance standards in international markets create benchmarking pressures for U.S. firms operating globally, as investors and stakeholders expect consistent governance quality across jurisdictions (Coffee, 2007). Additionally, U.S. firms with business relationships in reformed markets face increased scrutiny from partners who now operate under stricter governance regimes, creating incentives for voluntary disclosure to signal governance quality and maintain competitive positioning (Doidge et al., 2007).

Hypothesis Development

The Securities and Exchange Ordinance of Bangladesh creates economic mechanisms that influence U.S. firms' voluntary disclosure decisions through corporate governance channels. When Bangladesh implemented comprehensive securities reforms requiring enhanced board independence, audit committee effectiveness, and disclosure transparency, it established new governance benchmarks that reverberate through international business networks (Aggarwal et al., 2011; Lel and Miller, 2015). U.S. firms with direct or indirect exposure to Bangladeshi markets face increased pressure to demonstrate governance quality comparable to these new standards, as investors and business partners develop heightened expectations for transparency and accountability. The competitive dynamics theory suggests that regulatory improvements in one jurisdiction create positive externalities for firms in other markets, as enhanced governance becomes a competitive differentiator in global business relationships (Kedia and Rajgopal, 2011).

The theoretical framework of governance convergence provides additional support for cross-border spillover effects on voluntary disclosure. As Bangladesh's securities law aligned its governance requirements with international best practices, it reduced the governance gap between emerging and developed markets, creating pressure for global governance standardization (Doidge et al., 2007; Aggarwal et al., 2009). U.S. firms operating in international markets benefit from voluntary disclosure increases because such disclosures signal their commitment to high governance standards, reducing information asymmetries and lowering cost of capital in global markets. The bonding hypothesis suggests that firms voluntarily adopt higher disclosure standards to bond themselves to better governance practices, particularly when operating in environments where governance quality becomes increasingly important for competitive positioning (Coffee, 2002; Siegel, 2005). Furthermore, institutional theory indicates that regulatory changes create isomorphic pressures that lead firms to adopt similar practices across jurisdictions, even when not legally required to do so (DiMaggio and Powell, 1983).

Prior literature provides mixed theoretical predictions regarding the direction and magnitude of cross-border governance effects on voluntary disclosure. Some studies suggest that regulatory improvements in foreign markets primarily benefit domestic firms in those markets without significant spillover effects (La Porta et al., 2006). However, more recent evidence indicates that governance reforms create positive externalities for firms in connected markets through competitive pressures, investor expectations, and business relationship channels (Lel and Miller, 2015; Christensen et al., 2016). The preponderance of theoretical arguments supports the view that comprehensive securities law reforms like Bangladesh's ordinance create incentives for increased voluntary disclosure among U.S. firms, particularly those with international exposure or operations. The governance spillover effect operates through multiple channels: competitive benchmarking against improved international standards, investor expectations for consistent governance quality across markets, and business relationship pressures from partners operating under enhanced regulatory regimes.

H1: U.S. firms increase voluntary disclosure following the implementation of the Securities and Exchange Ordinance of Bangladesh through the corporate governance 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 and Exchange Ordinance Bangladesh in 2007. The Bangladesh Securities and Exchange Commission (BSEC) serves as the regulatory authority responsible for administering this comprehensive securities legislation, which governs securities offerings, investment services, disclosure requirements, and market conduct rules. While the Securities and Exchange Ordinance Bangladesh may directly target specific firms or industries within Bangladesh's jurisdiction, our analysis examines the spillover effects on all U.S. firms in the Compustat universe through governance channels, consistent with prior research on cross-border regulatory effects (Christensen et al., 2013; DeFond et al., 2011). The treatment variable affects all firms in our sample, as we examine whether the modernized securities regulation framework and enhanced investor protection measures in Bangladesh create governance externalities that influence voluntary disclosure practices among U.S. firms.

Model Specification

We employ a pre-post research design to examine the relationship between the Securities and Exchange Ordinance Bangladesh and voluntary disclosure in the U.S. through governance channels. Our empirical model follows established frameworks in the voluntary disclosure literature (Ajinkya et al., 2005; Bamber et al., 2010) and is specified as follows:

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

The model incorporates control variables established in prior literature as key determinants of voluntary disclosure frequency. Following Ajinkya et al. (2005) and Houston et al. (2010), we include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicators, and class action litigation risk as control variables. These variables capture firm-specific characteristics that influence managers' incentives to provide voluntary guidance and help isolate the effect of the regulatory change on disclosure behavior. The governance channel operates through enhanced market integrity and transparency standards that may create competitive pressures or benchmarking effects for U.S. firms, particularly those with international operations or investor bases.

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory implementation in Bangladesh. The timing and content of the Securities and Exchange Ordinance Bangladesh were determined by regulatory authorities independent of U.S. firm characteristics, providing a quasi-experimental setting for identification (Leuz, 2010). Additionally, we include firm-level controls and time trends to account for concurrent changes in the disclosure environment that might confound our results.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary disclosure by U.S. firms. This variable is constructed following established methodologies in the voluntary disclosure literature (Chuk et al., 2013; Rogers and Stocken, 2005) and represents the number of management earnings forecasts issued by a firm during a given period. The Treatment Effect variable is an indicator variable equal to one for the post-Securities and Exchange Ordinance Bangladesh period from 2007 onwards, and zero otherwise, affecting all firms in our sample as we examine spillover effects through governance channels.

Our control variables follow established research in voluntary disclosure determinants. Institutional ownership (linstown) captures the monitoring role of institutional investors and their demand for information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in information production and greater analyst following of larger firms. Book-to-market ratio (lbtm) captures growth opportunities and information asymmetry, with growth firms typically providing more forward-looking guidance. Return on assets (lroa) measures firm performance, as managers of better-performing firms have greater incentives to communicate performance to the market.

Stock returns (lsaret12) control for recent performance and market conditions that influence disclosure decisions. Earnings volatility (levol) captures the uncertainty in firm operations, with more volatile firms potentially providing more guidance to reduce information asymmetry. The loss indicator (lloss) identifies firms reporting losses, as these firms face different disclosure incentives due to litigation concerns and investor expectations. Class action litigation risk (lcalrisk) captures legal exposure that may constrain voluntary disclosure due to potential legal costs. These variables collectively represent key governance and information environment factors that influence managers' voluntary disclosure decisions through various theoretical channels established in prior research (Bamber et al., 2010; Houston et al., 2010).

Sample Construction

We construct our sample using an event window centered on the 2007 implementation of the Securities and Exchange Ordinance Bangladesh, spanning two years before and two years after the regulation, resulting in a five-year sample period from 2005 to 2009. The post-regulation period includes 2007 onwards to capture the full impact of the regulatory change on voluntary disclosure behavior. Our data sources include Compustat for financial statement information, I/B/E/S for management forecast data, Audit Analytics for auditor characteristics, and CRSP for stock return and market data, following established data construction procedures in the disclosure literature (Chuk et al., 2013; Houston et al., 2010).

The sample construction process yields 18,045 firm-year observations representing U.S. firms during the event window. We define the treatment group as all firms in the post-regulation period (2007-2009) and the control group as all firms in the pre-regulation period (2005-2006), allowing us to examine whether the enhanced governance standards and market integrity measures introduced by the Securities and Exchange Ordinance Bangladesh create spillover effects on U.S. voluntary disclosure practices. Our research design treats all firms as potentially affected by the regulatory change through governance channels, consistent with theories of regulatory competition and international governance convergence (Coffee, 2007; Leuz, 2010). We apply standard sample restrictions including the availability of required financial data and management forecast information, while maintaining broad coverage of the Compustat universe to ensure generalizability of our findings.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,045 firm-year observations representing 4,856 unique U.S. firms over the period 2005 to 2009. This five-year window provides a balanced panel that captures both pre- and post-treatment periods, with the post_law indicator showing that 58.2% of observations occur in the post-treatment period.

We observe considerable variation in firm characteristics across our sample. Institutional ownership (linstown) averages 54.6% with substantial cross-sectional variation (standard deviation of 32.1%), ranging from minimal institutional presence (0.1%) to complete institutional ownership. The distribution appears relatively symmetric, with the median

(58.1%) closely approximating the mean. Firm size (lsize) exhibits the expected right-skewed distribution typical of corporate samples, with a mean of 5.976 and standard deviation of 2.018, indicating substantial size heterogeneity across sample firms.

Book-to-market ratios (lbtm) average 0.579, suggesting our sample includes firms across the growth-value spectrum. The positive skewness (mean exceeding median of 0.477) indicates a concentration of growth firms, consistent with prior literature examining U.S. equity markets during this period. Profitability measures reveal interesting patterns: while return on assets (lroa) shows a slightly negative mean (-0.038), the positive median (0.025) suggests that the distribution is left-skewed due to poorly performing firms. This interpretation aligns with our loss indicator (lloss), which shows that 30.2% of firm-years report losses.

Stock return performance (lsaret12) displays the characteristic volatility of equity markets, with a mean of -1.5% and substantial dispersion (standard deviation of 46.1%). The negative mean returns likely reflect the challenging economic conditions during our sample period, which encompasses the 2008 financial crisis. Earnings volatility (levol) averages 15.1% with considerable variation, consistent with heterogeneous business risk across firms and industries.

Management forecast frequency (freqMF) shows substantial variation, with a mean of 0.644 and standard deviation of 0.910, indicating that while many firms provide no forecasts, others issue multiple forecasts annually. The calculated risk measure (lcalrisk) averages 25.6%, suggesting moderate systematic risk exposure across our sample firms.

These descriptive statistics reveal a diverse sample of U.S. firms with substantial cross-sectional variation in ownership structure, performance, and disclosure practices. The sample characteristics appear consistent with prior studies examining corporate governance and disclosure during this period, providing confidence in the representativeness of our data for testing our hypotheses.

RESULTS

Regression Analysis

We examine the association between the implementation of Bangladesh's Securities and Exchange Ordinance in 2007 and voluntary disclosure levels among U.S. firms. Our findings consistently contradict the predicted positive relationship outlined in H1. Across all three model specifications, we document a statistically significant negative treatment effect, indicating that U.S. firms actually decreased voluntary disclosure following the implementation of Bangladesh's securities reforms. The treatment effect ranges from -0.0797 in the baseline specification to -0.0455 in our most rigorous firm fixed effects model. These results suggest that rather than creating positive spillover effects through corporate governance channels, the regulatory enhancement in Bangladesh may have reduced competitive pressures for voluntary disclosure among U.S. firms, possibly because improved governance standards in emerging markets reduced the relative signaling value of voluntary disclosures for U.S. firms operating internationally.

The statistical significance of our findings remains robust across all specifications, with t-statistics ranging from -7.72 to -3.77 and p-values consistently below 0.001. The economic magnitude of the treatment effect, while statistically significant, appears relatively modest in absolute terms. The most conservative estimate from our firm fixed effects specification (Specification 3) indicates a 4.55 percentage point decrease in voluntary disclosure, which represents a meaningful but not dramatic change in disclosure behavior. The progression of R-squared values from 0.0019 in the baseline model to 0.8531 in the firm fixed effects specification demonstrates substantial improvement in explanatory power as we incorporate additional controls and account for unobserved firm heterogeneity. The consistency of the negative treatment effect across specifications, despite varying magnitudes, provides confidence in the robustness of our core finding. Notably, the firm fixed effects specification (Specification 3) represents our most credible identification strategy, as it controls for time-invariant firm characteristics that could confound the treatment effect estimation.

Our control variables generally behave consistently with prior literature expectations, though some relationships vary across specifications. Firm size (lsize) consistently exhibits a positive and significant association with voluntary disclosure across all models, supporting the established finding that larger firms provide more voluntary information. The loss indicator (lloss) demonstrates a robust negative relationship with voluntary disclosure, consistent with managers' incentives to reduce transparency during periods of poor performance. Interestingly, institutional ownership (linstown) shows a positive significant effect in Specification 2 but becomes insignificant in the firm fixed effects model, suggesting that the cross-sectional relationship between institutional ownership and disclosure may be driven by unobserved firm characteristics rather than a causal mechanism. Stock return volatility (levol) exhibits an unexpected sign change from positive in Specification 2 to negative in Specification 3, indicating that the relationship between uncertainty and voluntary disclosure may be more complex than previously understood. The time trend variable loses significance in the firm fixed effects specification, suggesting that temporal patterns in disclosure are better captured by firm-specific trends rather than a common time effect. Overall, our results decisively reject H1, as we find no evidence supporting the theoretical prediction that U.S. firms increased voluntary disclosure following Bangladesh's securities law reforms. Instead, our findings suggest that regulatory improvements in emerging markets may have unintended negative spillover effects on voluntary disclosure in developed markets, possibly through reduced competitive differentiation incentives or changed investor expectations regarding the relative importance of voluntary disclosures when mandatory governance standards improve globally.

CONCLUSION

This study examines whether the Securities and Exchange Ordinance of Bangladesh (2007) influenced voluntary disclosure practices among U.S. firms through governance channels. We investigate how comprehensive securities legislation that modernized regulatory frameworks, enhanced investor protection, and improved market integrity in Bangladesh created spillover effects that reduced voluntary disclosure incentives for U.S. companies. Our research contributes to the growing literature on cross-border regulatory effects and the role of governance mechanisms in shaping corporate disclosure decisions (Shroff et al., 2013; Christensen et al., 2013).

Our empirical analysis reveals a consistent negative relationship between the implementation of Bangladesh's Securities and Exchange Ordinance and voluntary disclosure levels among U.S. firms. Across all three specifications, we find statistically significant treatment effects ranging from -0.0455 to -0.0797, with t-statistics between 3.77 and 7.72, indicating strong statistical significance at conventional levels. The economic magnitude suggests that U.S. firms reduced their voluntary disclosure by approximately 4.6 to 8.0 percentage points following the ordinance's implementation. The robustness of these findings across specifications with varying control structures, including models with R-squared values reaching 0.8531, demonstrates the reliability of our results. These findings suggest that improvements in governance standards in emerging markets can create competitive pressures that lead firms in developed markets to strategically reduce voluntary disclosure, potentially to maintain informational advantages or reduce compliance costs in an increasingly competitive global environment.

The governance channel appears to be the primary mechanism through which this cross-border regulatory effect operates. The Bangladesh ordinance's emphasis on enhanced investor protection and market transparency likely improved the governance environment for firms operating in or connected to Bangladeshi markets. This improvement may have created benchmarking effects that influenced U.S. firms' disclosure strategies, particularly those with international operations or investor bases. Our control variable results provide additional insights into the governance mechanism, with firm size consistently showing positive associations with disclosure (coefficients ranging from 0.0948 to 0.1356), while loss-making firms consistently exhibit lower disclosure levels (coefficients of -0.1197 to -0.2137), consistent with prior literature on voluntary disclosure determinants (Verrecchia, 2001; Healy and Palepu, 2001).

These findings carry important implications for multiple stakeholders. Regulators should recognize that securities legislation in one jurisdiction can have unintended consequences for disclosure practices in other markets through governance spillovers. The negative effect we document suggests that improvements in governance standards globally may not uniformly increase transparency, as firms may strategically adjust their disclosure policies in response to changing competitive dynamics. This finding is particularly relevant for international regulatory coordination efforts and suggests that policymakers should consider cross-border effects when designing securities regulations. For managers, our results indicate that international regulatory developments can materially affect optimal disclosure strategies, even when firms are not directly subject to foreign regulations. Managers should monitor global governance trends and consider how improvements in international markets might influence their own disclosure decisions and competitive positioning.

Investors should be aware that regulatory improvements in emerging markets may paradoxically lead to reduced voluntary disclosure in developed markets, potentially affecting information availability for investment decisions. The governance channel we identify suggests that investors need to consider how global regulatory developments might influence the information environment of their portfolio companies. Our findings contribute to the broader literature on voluntary disclosure by demonstrating that governance improvements in one market can create strategic incentives for firms in other markets to reduce disclosure, challenging the conventional wisdom that better governance universally leads to greater transparency (Beyer et al., 2010; Leuz and Wysocki, 2016).

Our study has several limitations that suggest avenues for future research. First, while we identify the governance channel as the primary mechanism, we cannot fully isolate this channel from other potential economic mechanisms such as competitive effects or capital market pressures. Future research could employ more granular identification strategies to separate these channels more precisely. Second, our analysis focuses on aggregate voluntary disclosure measures, but the Bangladesh ordinance may have differential effects across specific types of disclosure or industry sectors. Future studies could examine heterogeneous treatment effects across disclosure categories or industries with varying exposure to international markets.

Additionally, our study period may not capture the full long-term effects of the regulatory change, as firms may adjust their disclosure strategies gradually over time. Longitudinal studies examining the persistence of these effects would provide valuable insights into the durability of cross-border governance spillovers. Future research could also investigate whether similar patterns emerge following securities legislation in other emerging markets, or whether the Bangladesh case represents a unique set of circumstances. Finally, examining the welfare implications of these disclosure reductions would help determine whether the observed effects represent efficient market responses or potentially harmful reductions in transparency that merit regulatory attention.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	18,045	0.6445	0.9100	0.0000	0.0000	1.6094
Treatment Effect	18,045	0.5823	0.4932	0.0000	1.0000	1.0000
Institutional ownership	18,045	0.5465	0.3208	0.2574	0.5809	0.8228
Firm size	18,045	5.9763	2.0179	4.5194	5.9058	7.3195
Book-to-market	18,045	0.5791	0.5635	0.2750	0.4769	0.7395
ROA	18,045	-0.0382	0.2507	-0.0220	0.0248	0.0702
Stock return	18,045	-0.0145	0.4614	-0.2780	-0.0879	0.1438
Earnings volatility	18,045	0.1509	0.2914	0.0227	0.0552	0.1498
Loss	18,045	0.3024	0.4593	0.0000	0.0000	1.0000
Class action litigation risk	18,045	0.2560	0.2575	0.0701	0.1561	0.3481
Time Trend	18,045	1.9447	1.4164	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 and Exchange Ordinance Bangladesh Corporate Governance

	Treatment Effect	**FreqMF**	**Institutional ownership**	**Firm size**	**Book-to-market**	**ROA**	**Stock return**	**Earnings volatility**	**Loss**	**Class action litigation risk**
Treatment Effect	1.00	**-0.04**	**0.12**	-0.01	**0.16**	**-0.05**	**-0.03**	0.01	**0.06**	**-0.15**
FreqMF	**-0.04**	1.00	**0.44**	**0.44**	**-0.13**	**0.23**	**-0.02**	**-0.14**	**-0.26**	0.00
Institutional ownership	**0.12**	**0.44**	1.00	**0.63**	**-0.07**	**0.26**	**-0.13**	**-0.20**	**-0.20**	0.01
Firm size	-0.01	**0.44**	**0.63**	1.00	**-0.30**	**0.35**	**0.02**	**-0.25**	**-0.38**	**0.07**
Book-to-market	**0.16**	**-0.13**	**-0.07**	**-0.30**	1.00	**0.03**	**-0.21**	**-0.12**	**0.12**	**-0.14**
ROA	**-0.05**	**0.23**	**0.26**	**0.35**	**0.03**	1.00	**0.19**	**-0.52**	**-0.62**	**-0.15**
Stock return	**-0.03**	**-0.02**	**-0.13**	**0.02**	**-0.21**	**0.19**	1.00	**-0.04**	**-0.20**	**-0.06**
Earnings volatility	0.01	**-0.14**	**-0.20**	**-0.25**	**-0.12**	**-0.52**	**-0.04**	1.00	**0.36**	**0.23**
Loss	**0.06**	**-0.26**	**-0.20**	**-0.38**	**0.12**	**-0.62**	**-0.20**	**0.36**	1.00	**0.18**
Class action litigation risk	**-0.15**	0.00	0.01	**0.07**	**-0.14**	**-0.15**	**-0.06**	**0.23**	**0.18**	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 and Exchange Ordinance Bangladesh on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0797*** (7.72)	-0.0634*** (4.89)	-0.0455*** (3.77)
Institutional ownership		0.8019*** (17.37)	-0.0587 (0.93)
Firm size		0.0948*** (10.65)	0.1356*** (10.91)
Book-to-market		-0.0328** (2.29)	-0.0204 (1.51)
ROA		0.1178*** (3.68)	0.0275 (0.97)
Stock return		-0.0423*** (3.47)	-0.0376*** (4.06)
Earnings volatility		0.0816*** (2.66)	-0.1197*** (3.19)
Loss		-0.2137*** (10.74)	-0.1197*** (8.31)
Class action litigation risk		-0.0311 (1.04)	-0.0227 (1.16)
Time Trend		-0.0227*** (3.86)	-0.0016 (0.28)
Firm fixed effects	No	No	Yes
N	18,045	18,045	18,045
R^2	0.0019	0.2547	0.8531

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