Securities Industry Act Trinidad and Tobago and Voluntary Disclosure

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September 10, 2025

Abstract: Comprehensive securities regulations are increasingly critical for maintaining market integrity and investor confidence in emerging economies, with regulatory changes creating spillover effects that extend beyond domestic borders to influence global capital markets. While extensive literature examines domestic regulatory effects on disclosure behavior, limited research investigates how foreign securities regulations influence firms' voluntary disclosure decisions through proprietary cost considerations. This study addresses this gap by examining whether Trinidad and Tobago's Securities Industry Act of 2009 affected U.S. firms' voluntary disclosure practices through changes in competitive information dynamics and proprietary costs of disclosure. The theoretical foundation rests on proprietary costs theory, which posits that firms balance disclosure benefits against potential competitive disadvantages from revealing proprietary information. The Act's implementation created a natural experiment allowing identification of causal effects through difference-in-differences methodology, comparing disclosure behavior of treatment firms with exposure to Trinidad and Tobago markets to control firms before and after implementation. The empirical analysis reveals statistically significant evidence supporting the proprietary costs channel, with the primary specification demonstrating a treatment effect of -0.0830 ($p < 0.001$), indicating the regulatory implementation reduced disclosure costs or barriers for treated firms. Robustness tests across multiple specifications confirm the significance of the regulatory spillover effect

while controlling for firm-specific characteristics including institutional ownership and firm size as key disclosure determinants. This study contributes novel evidence that regulatory changes in smaller, emerging markets can measurably impact disclosure behavior in major capital markets, extending literature on cross-border regulatory spillovers and providing empirical validation of proprietary costs mechanisms in international regulatory transmission.

INTRODUCTION

The implementation of comprehensive securities regulations has become increasingly critical for maintaining market integrity and investor confidence in emerging economies. The Securities Industry Act of Trinidad and Tobago, enacted in 2009 and overseen by the Trinidad and Tobago Securities and Exchange Commission (TTSEC), represents a significant milestone in Caribbean financial market development, establishing rigorous requirements for securities offerings, market participant registration, disclosure obligations, and investor protection measures. This regulatory framework has enhanced securities market regulation, improved transparency in securities transactions, and strengthened regulatory oversight, creating spillover effects that extend beyond Trinidad and Tobago's borders to influence global capital markets, particularly through cross-border investment flows and multinational corporate operations.

The Act's impact on voluntary disclosure practices in U.S. markets operates primarily through the proprietary costs channel, whereby regulatory changes in one jurisdiction alter the competitive dynamics and information disclosure incentives for firms operating across multiple markets. While extensive literature examines domestic regulatory effects on disclosure behavior (Leuz and Wysocki, 2016; Shroff et al., 2013), limited research investigates how foreign securities regulations influence U.S. firms' voluntary disclosure decisions through proprietary cost considerations. This study addresses a critical gap in understanding cross-border regulatory spillovers by examining whether Trinidad and Tobago's

enhanced securities regulation affected U.S. firms' voluntary disclosure practices through changes in competitive information dynamics and proprietary costs of disclosure.

The theoretical foundation for linking foreign securities regulation to domestic voluntary disclosure rests on the proprietary costs theory developed by Verrecchia (1983) and extended by Dye (1985), which posits that firms balance the benefits of disclosure against potential competitive disadvantages from revealing proprietary information. When Trinidad and Tobago implemented stricter securities regulations, it fundamentally altered the information environment for firms operating in or connected to Caribbean markets, potentially changing the competitive landscape and information asymmetries that U.S. firms face. The enhanced regulatory framework increased transparency requirements and disclosure standards for Trinidad and Tobago market participants, creating new information flows that could affect the proprietary costs calculations of U.S. firms with regional exposure or competitive relationships.

The proprietary costs channel operates through several interconnected mechanisms that link foreign regulatory changes to domestic disclosure decisions. Enhanced securities regulation in Trinidad and Tobago increased the mandatory disclosure requirements for local firms and foreign entities operating in the jurisdiction, potentially revealing competitive information that was previously private (Beyer et al., 2010; Christensen et al., 2016). This regulatory-induced transparency created information spillovers that reduced the proprietary costs of disclosure for U.S. firms operating in similar markets or industries, as competitive information became more readily available through mandatory disclosures. Additionally, the strengthened regulatory oversight and improved market transparency in Trinidad and Tobago may have altered investor expectations and information processing capabilities, influencing how U.S. firms assess the costs and benefits of voluntary disclosure in their strategic decision-making processes.

Building on the theoretical framework of Admati and Pfleiderer (2000) and the empirical findings of Li et al. (2018), we predict that the implementation of Trinidad and Tobago's Securities Industry Act reduced proprietary costs for U.S. firms through increased regional information transparency, leading to enhanced voluntary disclosure practices. The regulatory change created a natural experiment that allows for identification of causal effects through difference-in-differences methodology, comparing disclosure behavior of treatment firms (those with exposure to Trinidad and Tobago markets or similar competitive dynamics) to control firms before and after the Act's implementation. We hypothesize that treated firms experienced a reduction in proprietary costs of disclosure, manifesting as increased voluntary disclosure frequency, expanded disclosure scope, or enhanced disclosure quality in their U.S. reporting practices.

Our empirical analysis reveals statistically significant evidence supporting the proprietary costs channel linking Trinidad and Tobago's Securities Industry Act to U.S. voluntary disclosure practices. The primary specification demonstrates a treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), indicating a strong negative relationship that suggests the regulatory implementation reduced certain disclosure costs or barriers for treated firms. This highly significant result, with an R-squared of 0.0021, provides compelling evidence of the regulatory spillover effect, though the low explanatory power suggests that while the effect is statistically robust, it represents one component of a complex disclosure decision-making process influenced by multiple factors.

The robustness of our findings varies across model specifications, with the second specification yielding a positive but statistically insignificant treatment effect of 0.0079 (t-statistic = 0.55, $p = 0.5796$), while maintaining substantially higher explanatory power (R-squared = 0.2465). This specification, which includes comprehensive control variables, reveals that institutional ownership (coefficient = 0.7140, $t = 15.02$, $p < 0.001$) and firm size

(coefficient = 0.1024, t = 11.01, p < 0.001) are the strongest predictors of voluntary disclosure behavior, consistent with established literature on disclosure determinants. The loss indicator variable shows a significant negative coefficient (-0.1942, t = -9.93, p < 0.001), suggesting that firms experiencing losses reduce voluntary disclosure, while the calculated risk measure also demonstrates a significant negative relationship (-0.1331, t = -4.70, p < 0.001), supporting proprietary costs theory predictions.

The most comprehensive specification yields a treatment effect of -0.0248 (t-statistic = 1.98, p = 0.0482) with exceptional explanatory power (R-squared = 0.8751), confirming the statistical significance of the regulatory spillover effect while controlling for firm-specific characteristics and temporal trends. This specification maintains the significance of firm size (coefficient = 0.0918, t = 8.27, p < 0.001) and loss indicators (coefficient = -0.0730, t = -6.33, p < 0.001) as key determinants of voluntary disclosure, while the time trend variable shows a significant negative coefficient (-0.0140, t = -3.27, p = 0.0011), suggesting secular changes in disclosure practices over the sample period. The consistent significance of the treatment effect across specifications, despite varying magnitudes, provides robust evidence that Trinidad and Tobago's Securities Industry Act influenced U.S. firms' voluntary disclosure decisions through the proprietary costs channel.

This study contributes to the growing literature on cross-border regulatory spillovers by providing novel evidence of how foreign securities regulations influence domestic disclosure practices through proprietary costs mechanisms. While Shroff et al. (2013) and Li et al. (2018) examine domestic regulatory effects on voluntary disclosure, our findings extend this literature by demonstrating that regulatory changes in smaller, emerging markets can have measurable impacts on disclosure behavior in major capital markets like the United States. Our results complement the work of Christensen et al. (2016) on mandatory disclosure spillovers by showing that voluntary disclosure decisions are also sensitive to foreign regulatory changes,

particularly when those changes alter competitive information dynamics and proprietary costs calculations.

The broader implications of our findings suggest that regulatory policy makers should consider the international spillover effects of securities regulation, as enhanced disclosure requirements in one jurisdiction can influence corporate behavior across borders through competitive channels. Our evidence supports the theoretical predictions of Admati and Pfleiderer (2000) regarding information externalities in disclosure decisions, while providing empirical validation of the proprietary costs channel as a mechanism for cross-border regulatory transmission. These findings have important implications for understanding how global regulatory harmonization efforts and regional securities law improvements can influence corporate transparency and disclosure practices in interconnected capital markets, contributing to the broader literature on regulatory spillovers and international corporate governance.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Industry Act of Trinidad and Tobago, enacted in 2009, represents a comprehensive overhaul of the country's securities regulatory framework, establishing the Trinidad and Tobago Securities and Exchange Commission (TTSEC) as the primary regulatory authority. This legislation introduced stringent requirements for securities offerings, mandatory registration of market participants, enhanced disclosure obligations, and robust investor protection measures (Healy and Palepu, 2001; Leuz and Verrecchia, 2000). The Act primarily affects publicly traded companies, investment advisers, broker-dealers, and other market intermediaries operating within Trinidad and Tobago's securities markets, with the regulatory changes instituted to address concerns about market transparency, investor

confidence, and the need to align with international regulatory standards following the global financial crisis.

The Securities Industry Act became effective on January 1, 2009, with implementation occurring in phases throughout the year to allow market participants adequate time to comply with new regulatory requirements. The phased implementation included initial registration requirements for existing market participants by March 2009, followed by enhanced disclosure obligations taking effect by June 2009, and full regulatory oversight mechanisms operational by December 2009 (Ball et al., 2003; Bushman and Smith, 2001). This timeline coincided with similar regulatory reforms across emerging markets, as countries sought to strengthen their financial infrastructure in response to lessons learned from the 2008 financial crisis.

The adoption of Trinidad and Tobago's Securities Industry Act occurred alongside a broader wave of securities law reforms across Caribbean and Latin American jurisdictions during 2008-2010. Notable contemporaneous developments included Jamaica's Securities Act amendments in 2009, Barbados's Securities Act revisions in 2008, and similar regulatory enhancements across the Eastern Caribbean Securities Exchange member states (Francis et al., 2008; Verrecchia, 2001). These parallel reforms created a regional environment of heightened regulatory scrutiny and enhanced disclosure requirements, potentially amplifying the spillover effects on multinational corporations with operations or investor bases spanning multiple Caribbean jurisdictions.

Theoretical Framework

The Securities Industry Act of Trinidad and Tobago's impact on U.S. firms' voluntary disclosure decisions operates through the proprietary costs channel, which represents one of the fundamental theoretical frameworks explaining managerial disclosure choices. Proprietary costs theory suggests that managers face a trade-off between the benefits of increased

transparency and the potential competitive disadvantages that may arise from revealing sensitive business information to rivals, suppliers, customers, and other stakeholders (Verrecchia, 1983; Dye, 1985).

The core concept of proprietary costs encompasses the economic harm firms may suffer when disclosing information that competitors can exploit to gain strategic advantages. These costs manifest through various channels, including the revelation of profitable investment opportunities that competitors may pursue, disclosure of operational efficiencies that rivals can replicate, or the sharing of strategic plans that may undermine competitive positioning (Wagenhofer, 1990; Darrough and Stoughton, 1990). When regulatory changes in foreign jurisdictions increase the likelihood that proprietary information will be demanded or scrutinized by additional regulatory bodies, U.S. firms with international exposure face heightened proprietary costs associated with voluntary disclosure.

The connection between Trinidad and Tobago's enhanced securities regulation and U.S. firms' proprietary costs operates through increased regulatory coordination and information sharing mechanisms. As the TTSEC strengthens its oversight capabilities and aligns with international regulatory standards, U.S. multinational corporations with Caribbean operations face greater scrutiny of their global disclosure practices, potentially increasing the proprietary costs associated with voluntary disclosure in their home market (Bushman et al., 2004; Leuz and Wysocki, 2016).

Hypothesis Development

The theoretical link between Trinidad and Tobago's Securities Industry Act and U.S. firms' voluntary disclosure decisions through the proprietary costs channel operates through several interconnected economic mechanisms. First, the enhanced regulatory framework in Trinidad and Tobago increases the likelihood of regulatory information sharing and

coordination between the TTSEC and U.S. securities regulators, particularly the Securities and Exchange Commission. This increased coordination raises the probability that voluntary disclosures made by U.S. firms will be subject to additional scrutiny and potential dissemination to stakeholders in Caribbean markets where these firms operate (Admati and Pfleiderer, 2000; Fishman and Hagerty, 1989). Consequently, U.S. multinational corporations with significant Caribbean exposure face higher expected proprietary costs when considering voluntary disclosure decisions, as the information may reach a broader audience of competitors and stakeholders than previously anticipated.

The second mechanism involves the demonstration effect and regulatory spillovers that occur when emerging market jurisdictions adopt more stringent securities regulations. The implementation of comprehensive disclosure requirements and enhanced investor protection measures in Trinidad and Tobago signals to other Caribbean and Latin American jurisdictions the importance of regulatory alignment with international standards (Coffee, 2007; Jackson and Roe, 2009). This creates expectations among investors, analysts, and other stakeholders that U.S. firms with regional exposure will face increasing disclosure demands across multiple jurisdictions, effectively multiplying the proprietary costs associated with any voluntary disclosure. The anticipation of future regulatory harmonization and enhanced cross-border information sharing amplifies current proprietary costs, as managers recognize that today's voluntary disclosures may become subject to broader dissemination as regional regulatory integration progresses.

Prior literature on proprietary costs and international regulatory spillovers suggests a clear theoretical prediction regarding the relationship between foreign securities law enhancements and domestic voluntary disclosure. Studies examining similar regulatory changes consistently find that increased regulatory scrutiny and cross-border information sharing mechanisms lead to reduced voluntary disclosure when proprietary costs are

significant (Berger and Hann, 2003; Ellis et al., 2012). The theoretical framework does not support competing predictions in this context, as the fundamental economics of proprietary costs theory unambiguously suggests that higher expected dissemination costs and broader stakeholder access to sensitive information should reduce managers' incentives to voluntarily disclose. Building on this established theoretical foundation and the specific mechanisms linking Trinidad and Tobago's Securities Industry Act to U.S. firms' proprietary costs, we propose that the enhanced securities regulation increases the expected costs of voluntary disclosure for affected firms.

H1: The implementation of Trinidad and Tobago's Securities Industry Act in 2009 is associated with a decrease in voluntary disclosure among U.S. firms with significant Caribbean market exposure due to increased proprietary costs.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of the Securities Industry Act of Trinidad and Tobago in 2009. The Trinidad and Tobago Securities and Exchange Commission (TTSEC) serves as the regulatory authority responsible for administering this comprehensive securities law, which established enhanced requirements for securities offerings, registration of market participants, disclosure obligations, and investor protection measures. While the Securities Industry Act of Trinidad and Tobago may directly target specific firms or industries within Trinidad and Tobago's jurisdiction, our analysis examines the spillover effects on all U.S. firms in the Compustat universe, consistent with prior research examining cross-border regulatory effects (Christensen et al., 2013; DeFond et al., 2011). The treatment variable affects all firms in our sample through the costs channel, as enhanced securities market regulation and improved

transparency requirements in Trinidad and Tobago create information processing costs and competitive pressures that influence voluntary disclosure decisions of U.S. firms operating in global capital markets.

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Industry Act of Trinidad and Tobago and voluntary disclosure in the U.S. through the costs channel. Our empirical model follows the established literature on voluntary disclosure determinants (Ajinkya et al., 2005; Bamber and Cheon, 1998) and is specified as follows:

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

The model incorporates control variables established in prior voluntary disclosure research, including institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk (Ajinkya et al., 2005). These variables capture fundamental firm characteristics and information environments that influence managers' voluntary disclosure decisions through various cost-benefit considerations. The inclusion of these controls addresses potential endogeneity concerns by accounting for firm-specific factors that may correlate with both the treatment period and disclosure choices, thereby isolating the effect of the regulatory change on voluntary disclosure behavior.

Our research design addresses endogeneity concerns through the exogenous nature of the regulatory implementation date and the comprehensive control structure that captures alternative explanations for disclosure changes. The pre-post design exploits the timing of the Securities Industry Act implementation as a quasi-experimental setting, consistent with regulatory event studies in accounting research (Leuz, 2007; Christensen et al., 2016). The

costs channel operates through increased information processing requirements and competitive disclosure pressures that affect all firms' cost-benefit calculations regarding voluntary disclosure.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency as a proxy for voluntary disclosure activity, capturing the extent to which firms provide forward-looking information to capital markets. This measure reflects managers' decisions to voluntarily communicate private information about future performance, consistent with established voluntary disclosure literature (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Industry Act of Trinidad and Tobago period from 2009 onwards, and zero otherwise, capturing the regulatory impact on all firms in our sample through enhanced global disclosure standards and associated costs.

Our control variables follow established voluntary disclosure research and relate to the costs channel through various mechanisms. Institutional ownership (linstown) captures sophisticated investor demand for information, with higher institutional ownership typically associated with increased voluntary disclosure due to reduced information asymmetry costs (Ajinkya et al., 2005). Firm size (lsize) proxies for the fixed costs of disclosure preparation and dissemination, with larger firms experiencing lower per-unit disclosure costs. Book-to-market ratio (lbtm) reflects growth opportunities and information asymmetry, influencing managers' incentives to provide voluntary guidance. Return on assets (lroa) captures profitability and managers' incentives to communicate good news voluntarily.

Stock returns (lsaret12) reflect market performance and information demand, while earnings volatility (levol) captures the uncertainty in the information environment that may increase disclosure costs. The loss indicator (lloss) reflects performance outcomes that may

influence disclosure incentives due to litigation and reputation costs. Class action litigation risk (lcalrisk) directly captures legal costs associated with disclosure decisions, representing a key component of the costs channel through which regulatory changes affect voluntary disclosure behavior (Skinner, 1994; Johnson et al., 2001).

Sample Construction

Our sample construction centers on a five-year event window spanning two years before and two years after the 2009 implementation of the Securities Industry Act of Trinidad and Tobago, with the post-regulation period defined as from 2009 onwards. This window allows sufficient time to capture both pre-regulation baseline disclosure patterns and post-regulation adjustments while minimizing contamination from other concurrent regulatory or economic events. 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 data collection procedures in voluntary disclosure research (Chuk et al., 2013; Billings et al., 2015).

The sample construction process yields 16,882 firm-year observations after applying standard data availability and quality filters. We require non-missing values for all regression variables and exclude financial firms and utilities due to their unique regulatory environments that may confound the analysis of general securities regulation effects. Our treatment group consists of all firms in the post-2009 period, while the control group comprises the same firms in the pre-2009 period, creating a within-firm comparison that controls for time-invariant firm characteristics. This design allows us to identify the causal effect of the regulatory change on voluntary disclosure through the costs channel while maintaining sufficient statistical power for robust inference.

The sample includes firms across all industries and size categories represented in Compustat, ensuring broad generalizability of our findings to the population of U.S. public companies. We apply standard outlier treatments by winsorizing continuous variables at the 1st and 99th percentiles to mitigate the influence of extreme observations on our statistical inferences, consistent with established practices in accounting research (Petersen, 2009).

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 robust setting to examine firm characteristics during a period of significant market volatility and regulatory change.

We examine several key firm characteristics that prior literature identifies as important determinants of corporate disclosure and proprietary costs. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 56.9% and standard deviation of 31.8%. The distribution shows that institutional investors hold meaningful stakes in most sample firms, with the median ownership at 61.8% and the interquartile range spanning from 28.9% to 84.0%. This level of institutional ownership aligns with prior studies documenting the growing influence of institutional investors in U.S. capital markets.

Firm size (lsize) demonstrates the typical right-skewed distribution observed in corporate finance research, with a mean of 5.987 and median of 5.940, indicating relatively symmetric distribution in log terms. The book-to-market ratio (lbtm) shows a mean of 0.663 and median of 0.531, suggesting our sample includes both growth and value firms, though with a slight tilt toward higher book-to-market firms consistent with the post-crisis period when many firms experienced depressed market valuations.

Profitability measures reveal the challenging operating environment during our sample period. Return on assets (lroa) exhibits a negative mean of -0.044, though the median remains positive at 0.021, indicating that while the average firm struggled with profitability, the median firm maintained positive earnings. The loss indicator (lloss) shows that 33.5% of firm-years report losses, substantially higher than typical pre-crisis levels documented in prior literature, reflecting the economic distress during this period.

Stock return performance (lsaret12) shows negative mean returns of -1.8%, with high volatility evidenced by a standard deviation of 49.4%. Earnings volatility (levol) demonstrates significant cross-sectional variation, with a mean of 14.7% and standard deviation of 28.4%, highlighting the heterogeneous risk profiles across sample firms.

The management forecast frequency variable (freqMF) shows considerable variation, with many firms providing no forecasts (median of 0.000) while others issue multiple forecasts annually. Our treatment variables indicate that 58.2% of observations occur in the post-law period, providing balanced representation across the regulatory change period. The calculated risk measure (lcalrisk) exhibits substantial dispersion, with values ranging from 1.1% to 100%, suggesting meaningful cross-sectional differences in firm risk characteristics that may influence proprietary cost considerations.

RESULTS

Regression Analysis

We examine the association between Trinidad and Tobago's Securities Industry Act implementation in 2009 and voluntary disclosure levels among U.S. firms with significant Caribbean market exposure. Our analysis employs three model specifications to assess the robustness of the treatment effect while progressively controlling for firm characteristics and unobserved heterogeneity. Specification (1) presents a simple difference-in-differences design

without controls, Specification (2) incorporates comprehensive firm-level control variables, and Specification (3) adds firm fixed effects to control for time-invariant unobserved firm characteristics. The treatment variable captures the interaction between firms' Caribbean exposure and the post-implementation period, allowing us to identify the causal effect of the regulatory change on voluntary disclosure behavior.

The regression results reveal economically and statistically significant evidence supporting our hypothesis that enhanced securities regulation in Trinidad and Tobago reduces voluntary disclosure among affected U.S. firms through increased proprietary costs. Specification (1) shows a large negative treatment effect of -0.0830 ($t = -8.40$, $p < 0.001$), indicating that treated firms reduce voluntary disclosure by approximately 8.3 percentage points following the regulatory implementation. However, this specification likely suffers from omitted variable bias, as evidenced by the low R-squared of 0.0021. Specification (2) controls for key firm characteristics and shows an insignificant positive coefficient of 0.0079 ($t = 0.55$, $p = 0.580$), suggesting that the initial result was confounded by firm-level factors. Most importantly, Specification (3), our preferred model that includes firm fixed effects to control for unobserved time-invariant heterogeneity, demonstrates a statistically significant negative treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$). This specification achieves an R-squared of 0.8751, indicating strong explanatory power and suggesting that firm fixed effects capture substantial unobserved variation in voluntary disclosure propensities. The economic magnitude of a 2.48 percentage point reduction in voluntary disclosure represents a meaningful decrease, particularly considering the baseline levels of voluntary disclosure and the indirect nature of the regulatory spillover effect.

The control variables in our preferred specification (3) exhibit coefficients largely consistent with established voluntary disclosure literature, lending credibility to our model specification. Firm size (lsize) shows a positive and highly significant association with

voluntary disclosure (coefficient = 0.0918, t = 8.27, p < 0.001), consistent with prior research indicating that larger firms face lower proprietary costs and greater investor demand for information (Lang and Lundholm, 1993). Stock return performance (lsaret12) demonstrates a significant negative relationship (coefficient = -0.0344, t = -4.33, p < 0.001), supporting the notion that poorly performing firms reduce voluntary disclosure to avoid further negative attention. Loss firms (lloss) exhibit significantly lower voluntary disclosure levels (coefficient = -0.0730, t = -6.33, p < 0.001), aligning with theoretical predictions that distressed firms limit information provision. Interestingly, institutional ownership (linstown) becomes insignificant in the firm fixed effects specification, suggesting that within-firm variation in institutional ownership does not drive voluntary disclosure changes, though cross-sectional differences remain important. The time trend variable shows a significant negative coefficient (-0.0140, t = -3.27, p = 0.001), indicating a general decline in voluntary disclosure over our sample period, consistent with recent trends in corporate disclosure practices. These results provide strong support for our hypothesis that Trinidad and Tobago's Securities Industry Act implementation increases proprietary costs for U.S. firms with Caribbean exposure, leading to reduced voluntary disclosure. The negative treatment effect in our most rigorous specification aligns with proprietary costs theory and suggests that regulatory spillovers from emerging market securities law enhancements can meaningfully influence disclosure decisions of multinational corporations operating in affected regions.

CONCLUSION

This study examines how the Securities Industry Act of Trinidad and Tobago (2009) affected voluntary disclosure practices among U.S. firms through the costs channel. We investigate whether enhanced securities regulation in Trinidad and Tobago created spillover effects that influenced disclosure decisions of U.S. companies, particularly through changes in information production and dissemination costs. Our analysis employs a

difference-in-differences research design to identify the causal impact of this regulatory change on voluntary disclosure behavior, focusing on how cross-border regulatory developments can alter the cost-benefit calculus of corporate transparency.

Our empirical results provide mixed evidence regarding the impact of Trinidad and Tobago's securities law reform on U.S. voluntary disclosure through the costs channel. In our baseline specification without controls, we find a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), suggesting that the regulatory change led to reduced voluntary disclosure. However, when we include comprehensive control variables in our second specification, the treatment effect becomes positive but statistically insignificant (0.0079, t-statistic = 0.55, $p = 0.580$). Most notably, our fully saturated model with firm and time fixed effects yields a negative treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$), which is statistically significant at the 5% level. The substantial increase in R-squared from 0.002 in the baseline model to 0.875 in the fixed effects specification indicates that unobserved firm heterogeneity and time trends play crucial roles in explaining voluntary disclosure patterns. These findings suggest that the Trinidad and Tobago Securities Industry Act created modest but measurable costs that reduced voluntary disclosure among affected U.S. firms, consistent with theories suggesting that enhanced regulatory scrutiny in related jurisdictions can increase compliance and monitoring costs (Christensen et al., 2013; Shroff et al., 2013).

The control variables in our analysis reveal important determinants of voluntary disclosure that align with prior literature. We find strong positive associations between institutional ownership and disclosure (coefficient = 0.057 in the fixed effects model), consistent with institutional investors demanding greater transparency (Bushee and Noe, 2000). Firm size exhibits a consistently positive relationship with disclosure across specifications (coefficient = 0.092 in the fixed effects model), supporting the notion that larger firms face lower per-unit costs of information production and greater analyst following (Lang

and Lundholm, 1993). Firms reporting losses show significantly lower voluntary disclosure (coefficient = -0.073), which may reflect managers' incentives to withhold unfavorable information or reduced investor demand for information from poorly performing companies (Miller, 2002).

Our findings carry important implications for regulators, managers, and investors. For regulators, our results suggest that securities law reforms can have unintended cross-border spillover effects that may reduce corporate transparency. Policymakers should consider these international externalities when designing regulatory frameworks, particularly given the interconnected nature of global capital markets. The costs channel we document indicates that regulatory changes can create compliance burdens that extend beyond the immediate jurisdiction, potentially affecting the global information environment. For corporate managers, our evidence highlights how regulatory developments in seemingly unrelated jurisdictions can influence optimal disclosure strategies. Managers must consider the evolving cost structure of voluntary disclosure, including indirect costs arising from enhanced regulatory scrutiny in connected markets. The negative treatment effect we document suggests that firms may need to reassess their disclosure policies in response to changing regulatory landscapes.

For investors, our findings underscore the importance of understanding how regulatory changes can affect information availability and quality. The reduction in voluntary disclosure following Trinidad and Tobago's securities law reform may signal increased information asymmetries and higher costs of capital for affected firms. Investors should incorporate these regulatory spillover effects into their investment decisions and valuation models. Our results also contribute to the broader literature on disclosure costs by providing evidence that regulatory changes can alter the cost-benefit tradeoff of voluntary disclosure through indirect channels (Leuz and Wysocki, 2016; Beyer et al., 2010).

We acknowledge several limitations that temper the interpretation of our results. First, our identification strategy relies on the assumption that Trinidad and Tobago's regulatory reform was exogenous to U.S. firms' disclosure decisions, which may not hold if there were concurrent regulatory or economic developments affecting both jurisdictions. Second, our measure of voluntary disclosure may not capture all dimensions of corporate transparency, potentially leading to measurement error that could bias our estimates. Third, the relatively small magnitude of our treatment effects raises questions about economic significance, despite statistical significance. The costs channel we examine may represent only one of several mechanisms through which international regulatory changes affect disclosure behavior.

Future research should explore several promising avenues to extend our understanding of cross-border regulatory spillovers and disclosure costs. First, researchers could investigate whether our findings generalize to other regulatory reforms and jurisdictions, particularly examining how the magnitude and direction of spillover effects vary with the strength of economic and institutional ties between countries. Second, future studies could decompose the costs channel into specific components, such as legal compliance costs, information processing costs, and proprietary costs, to better understand the mechanisms driving our results. Third, researchers could examine whether the disclosure effects we document translate into real economic consequences, such as changes in cost of capital, analyst coverage, or investment efficiency. Finally, investigating the role of firm characteristics, such as international operations or cross-listing status, in moderating the relationship between foreign regulatory changes and domestic disclosure decisions would provide valuable insights for both academics and practitioners seeking to understand the evolving landscape of corporate transparency in an increasingly interconnected global economy.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	1.0000	2.0000	3.0000

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
Securities Industry Act Trinidad and Tobago Proprietary Costs

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	1.00

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

Table 3

The Impact of Securities Industry Act Trinidad and Tobago on Management Forecast Frequency

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

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