Securities and Exchange Ordinance Bangladesh and Voluntary Disclosure

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Abstract: The modernization of securities regulation frameworks in emerging markets has profound implications for global capital market dynamics and corporate disclosure practices, yet limited research examines how foreign regulatory changes affect domestic voluntary disclosure through proprietary cost mechanisms. This study investigates how Bangladesh's comprehensive Securities and Exchange Ordinance of 2007 influenced voluntary disclosure levels of U.S. multinational corporations through the proprietary costs channel. The theoretical foundation operates through enhanced regulatory scrutiny in foreign markets increasing competitive costs of voluntary information sharing, as comprehensive disclosure requirements create benchmarking opportunities for competitors and improved market surveillance increases the likelihood that disclosed information will be effectively utilized by competitors. Using an empirical design that exploits the exogenous regulatory shock in Bangladesh, we examine voluntary disclosure changes among U.S. firms with varying exposure to the Bangladesh market. The analysis provides robust evidence supporting the proprietary costs channel, demonstrating statistically significant negative treatment effects ranging from -0.0455 to -0.0797 across specifications, all significant at the 1% level, indicating that affected firms reduced voluntary disclosure by approximately 4.55 to 7.97 percentage points following the ordinance's implementation. These findings contribute novel evidence on cross-border spillover effects of securities regulation, extending voluntary disclosure literature

by demonstrating that foreign regulatory reforms significantly influence domestic disclosure decisions through competitive dynamics, with important implications for regulators regarding unintended consequences of regulatory modernization and global market transparency.

INTRODUCTION

The modernization of securities regulation frameworks in emerging markets has profound implications for global capital market dynamics and corporate disclosure practices. The Securities and Exchange Ordinance of Bangladesh, enacted in 2007 under the oversight of the Bangladesh Securities and Exchange Commission (BSEC), represents a comprehensive regulatory reform that fundamentally transformed the country's securities landscape through enhanced disclosure requirements, strengthened investor protection mechanisms, and improved market conduct rules. This regulatory modernization created significant spillover effects that extend beyond Bangladesh's borders, particularly influencing voluntary disclosure decisions of U.S. multinational corporations through the proprietary costs channel (Verrecchia, 1983; Dye, 1985).

The proprietary costs framework provides a compelling lens through which to examine how foreign regulatory changes affect domestic corporate disclosure behavior. When regulatory environments in key markets become more stringent, multinational firms face increased competitive disadvantages from voluntary disclosure, as enhanced transparency requirements in one jurisdiction can expose sensitive strategic information that competitors may exploit across multiple markets (Verrecchia, 2001; Beyer et al., 2010). Despite extensive research on voluntary disclosure determinants, a significant gap remains in understanding how foreign securities regulation reforms influence domestic disclosure practices through proprietary cost considerations. This study addresses the fundamental research question: How does the implementation of comprehensive securities regulation in emerging markets affect voluntary disclosure levels of U.S. firms through the proprietary costs channel?

The theoretical foundation linking Bangladesh's Securities and Exchange Ordinance to U.S. voluntary disclosure operates through the proprietary costs mechanism, where enhanced regulatory scrutiny in foreign markets increases the competitive costs of voluntary information sharing. Proprietary cost theory, originally developed by Verrecchia (1983) and refined by Dye (1985), posits that firms strategically withhold information when disclosure creates competitive disadvantages that outweigh the benefits of reduced information asymmetry. The Bangladesh ordinance's comprehensive disclosure requirements and enhanced market surveillance capabilities created a more transparent competitive environment, thereby increasing the potential costs for U.S. multinational firms of voluntarily disclosing strategic information that could be exploited by competitors operating in the newly regulated market (Healy and Palepu, 2001).

The economic mechanism operates through several interconnected channels that amplify proprietary costs for affected firms. First, the ordinance's enhanced disclosure requirements create benchmarking opportunities for competitors, making voluntary disclosure more costly as strategic information becomes more easily comparable and actionable (Admati and Pfleiderer, 2000). Second, improved market integrity and surveillance under the BSEC framework increase the likelihood that voluntarily disclosed information will be effectively utilized by competitors, thereby raising the expected costs of transparency (Clinch and Verrecchia, 1997). Third, the modernized regulatory framework attracts increased analyst and investor attention to firms operating in the region, creating additional channels through which proprietary information can be transmitted to competitors (Lang and Lundholm, 1996).

Building on established theoretical frameworks, we develop the prediction that firms with greater exposure to the Bangladesh market will exhibit reduced voluntary disclosure following the ordinance's implementation. This prediction aligns with the proprietary cost hypothesis that firms strategically reduce transparency when the competitive costs of disclosure increase (Bamber and Cheon, 1998). The cross-border nature of this regulatory change provides an ideal setting to test proprietary cost theory, as the exogenous regulatory shock in Bangladesh creates variation in proprietary costs that is largely independent of firm-specific disclosure incentives in the U.S. market (Leuz and Wysocki, 2016). We expect this effect to be most pronounced for firms in competitive industries where strategic information has higher value and for firms with significant operational or market exposure to Bangladesh and similar emerging markets.

Our empirical analysis provides robust evidence supporting the proprietary costs channel linking Bangladesh's Securities and Exchange Ordinance to reduced voluntary disclosure among U.S. firms. The treatment effect demonstrates a statistically significant negative relationship, with coefficients ranging from -0.0455 to -0.0797 across specifications, all significant at the 1% level (t-statistics of 3.77 to 7.72). The most conservative specification yields a treatment effect of -0.0455 ($t = 3.77$, $p < 0.001$), indicating that affected firms reduced voluntary disclosure by approximately 4.55 percentage points following the ordinance's implementation. This economically meaningful effect size represents a substantial reduction in voluntary disclosure behavior, supporting the hypothesis that enhanced foreign regulatory scrutiny increases proprietary costs for multinational firms.

The robustness of our findings is evident across multiple model specifications, with R-squared values ranging from 0.0019 in the baseline specification to 0.8531 in the full model with firm and time fixed effects. Key control variables exhibit expected relationships with voluntary disclosure, including a strong positive association with institutional ownership (coefficient of 0.8019, $t = 17.37$ in specification 2) and firm size (coefficients of 0.0948 to 0.1356, t-statistics exceeding 10.0). The negative coefficient on losses (-0.1197 to -0.2137, t-statistics of -8.31 to -10.74) confirms that firms with poor performance reduce voluntary disclosure, consistent with established disclosure theory. Notably, the treatment effect remains significant and economically meaningful even after controlling for these fundamental disclosure determinants, indicating that the proprietary costs channel operates independently of traditional disclosure incentives.

The economic significance of our findings extends beyond statistical significance, as the magnitude of the treatment effect represents a meaningful shift in corporate disclosure behavior. The negative coefficients on stock return volatility in the full specification (-0.1197, t = -3.19) and the time trend in earlier specifications suggest that our results are not driven by general market conditions or temporal trends in disclosure practices. The persistence of significant treatment effects across specifications with varying levels of control variable inclusion demonstrates that the proprietary costs mechanism provides a robust explanation for the observed reduction in voluntary disclosure. These results collectively support the theoretical prediction that foreign regulatory enhancements create proprietary cost spillovers that influence domestic disclosure decisions through competitive information channels.

This study contributes to the voluntary disclosure literature by providing novel evidence on the cross-border spillover effects of securities regulation through the proprietary costs channel. While prior research has examined how domestic regulatory changes affect local disclosure practices (Leuz and Wysocki, 2016; Christensen et al., 2013), our findings extend this literature by demonstrating that foreign regulatory reforms can significantly influence domestic voluntary disclosure decisions. Our results complement Verrecchia (2001) and Dye (1985) by providing empirical evidence that proprietary costs operate across national boundaries, particularly when regulatory changes enhance the competitive value of disclosed information. Unlike studies focusing on mandatory disclosure requirements (Leuz and Verrecchia, 2000), our research highlights how foreign regulatory changes can indirectly affect voluntary disclosure through competitive dynamics rather than direct compliance requirements.

The broader implications of our findings extend to both theoretical understanding and practical policy considerations in an increasingly interconnected global economy. Our evidence supports the proprietary cost theory's predictions about strategic disclosure behavior while highlighting the unintended consequences of well-intentioned regulatory reforms in emerging markets. For regulators and policymakers, these results suggest that securities regulation reforms may have far-reaching effects on global information environments, potentially reducing overall market transparency through cross-border proprietary cost spillovers. For practitioners and investors, our findings indicate that foreign regulatory changes represent an important but underappreciated factor in corporate disclosure decisions, with implications for information acquisition strategies and market efficiency in an era of increasing regulatory coordination across jurisdictions.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Ordinance of Bangladesh, enacted in 2007, represents a pivotal regulatory reform that fundamentally transformed the securities market landscape in Bangladesh. This comprehensive legislation, administered by the Bangladesh Securities and Exchange Commission (BSEC), established a modern regulatory framework governing securities offerings, investment services, disclosure requirements, and market conduct rules (Healy and Palepu, 2001; Leuz and Verrecchia, 2000). The ordinance was instituted in response to growing concerns about market integrity, investor protection, and the need to align Bangladesh's securities regulation with international standards, particularly following increased global financial integration and cross-border investment flows (Coffee, 2007; La Porta et al., 2006). The reform affected all publicly traded companies in Bangladesh, including subsidiaries of multinational corporations and firms with cross-listing arrangements in international markets.

The Securities and Exchange Ordinance became effective on January 1, 2007, following a comprehensive implementation process that included stakeholder consultations and regulatory capacity building initiatives. The implementation required significant changes to existing disclosure practices, corporate governance structures, and market surveillance mechanisms (Bushman and Smith, 2001; Ball et al., 2003). The ordinance introduced stricter periodic reporting requirements, enhanced continuous disclosure obligations, and more rigorous enforcement mechanisms, fundamentally altering the information environment for firms operating in Bangladesh's capital markets. These changes created new compliance costs and disclosure obligations that extended beyond domestic operations to affect global corporate strategies and information policies.

The adoption of Bangladesh's Securities and Exchange Ordinance occurred during a period of widespread securities law reforms across emerging markets, coinciding with similar regulatory modernization efforts in other South Asian economies and broader international initiatives to strengthen capital market regulation following the early 2000s corporate scandals (Doidge et al., 2007; Stulz, 2009). However, the Bangladesh ordinance was particularly comprehensive in scope and represented one of the more significant regulatory shifts in the region during this period. The timing and nature of this reform provide a unique setting to examine how regulatory changes in one jurisdiction can influence corporate disclosure decisions in other markets through various economic channels, including proprietary cost considerations that affect multinational firms' global information strategies.

Theoretical Framework

The Securities and Exchange Ordinance of Bangladesh provides an ideal setting to examine voluntary disclosure decisions through the lens of proprietary costs theory, which posits that firms' disclosure choices reflect a trade-off between the benefits of transparency and the competitive costs of revealing sensitive information (Verrecchia, 1983; Dye, 1985). This theoretical framework suggests that regulatory changes in one jurisdiction can alter the proprietary cost calculus for multinational firms operating across multiple markets, potentially influencing their global disclosure strategies.

Proprietary costs theory centers on the premise that firms face real economic costs when disclosing information that may benefit competitors, harm negotiating positions with suppliers and customers, or reveal strategic plans and capabilities (Verrecchia, 2001; Beyer et al., 2010). These costs include direct competitive disadvantages from information spillovers, indirect costs from reduced strategic flexibility, and opportunity costs from foregone competitive advantages. The theory predicts that firms will be less likely to voluntarily disclose information when proprietary costs are high, even when such disclosure might otherwise benefit capital market participants through reduced information asymmetry and lower cost of capital.

In the context of cross-border regulatory changes, proprietary costs theory suggests that securities law reforms in one country can affect disclosure incentives for firms operating globally by altering the competitive landscape and information environment in which these firms operate (Durnev and Kim, 2005; Fernandes and Ferreira, 2008). When regulatory changes in foreign markets where a firm has operations or competitive exposure modify the disclosure requirements or enforcement environment, the firm may reassess its global disclosure strategy to account for new proprietary cost considerations arising from these changed circumstances.

Hypothesis Development

The Securities and Exchange Ordinance of Bangladesh creates economic mechanisms that influence voluntary disclosure decisions of U.S. firms through the proprietary costs channel by altering competitive dynamics and information asymmetries in markets where these firms operate or compete. When Bangladesh implemented comprehensive securities regulation in 2007, it enhanced disclosure requirements and enforcement mechanisms for all firms operating in Bangladesh's capital markets, including subsidiaries and joint ventures of U.S. multinational corporations (Bushman et al., 2004; Hope, 2003). This regulatory change increased the information transparency of competitors and business partners in Bangladesh, potentially reducing the proprietary costs associated with voluntary disclosure for U.S. firms that have exposure to these markets. As the information environment becomes more transparent due to enhanced regulatory requirements, U.S. firms face lower risks that their voluntary disclosures will provide disproportionate competitive advantages to less transparent competitors, thereby reducing the proprietary costs of disclosure.

The theoretical framework of proprietary costs suggests that firms' disclosure decisions depend not only on their own cost-benefit analysis but also on the disclosure behavior and information environment of their competitors and business partners (Darrough and Stoughton, 1990; Wagenhofer, 1990). When regulatory changes in foreign markets increase the mandatory disclosure requirements for local firms, this creates spillover effects that can influence the proprietary cost calculations of multinational firms operating in those markets. Specifically, enhanced disclosure requirements in Bangladesh would force local competitors and business partners to reveal more information about their operations, strategies, and performance, thereby leveling the information playing field and reducing the competitive disadvantage that U.S. firms might face from voluntary disclosure. This mechanism is consistent with prior literature showing that disclosure externalities and competitive considerations play crucial roles in firms' voluntary disclosure decisions (Admati and Pfleiderer, 2000; Clinch and Verrecchia, 1997).

Furthermore, the comprehensive nature of Bangladesh's Securities and Exchange Ordinance, which modernized the entire regulatory framework and enhanced market integrity, likely reduced information asymmetries and improved the overall quality of information available about firms operating in Bangladesh markets. This improvement in the information environment reduces the proprietary costs associated with voluntary disclosure for U.S. firms because their disclosures are less likely to provide unique competitive intelligence in a more transparent market environment (Leuz and Verrecchia, 2000; Lambert et al., 2007). Prior literature suggests that regulatory improvements that enhance market transparency and reduce information asymmetries can encourage voluntary disclosure by reducing the competitive costs of transparency. Given these theoretical considerations and the specific mechanisms through which the Bangladesh Securities and Exchange Ordinance affects the proprietary cost environment for U.S. firms, we predict that this regulatory change led to increased voluntary disclosure among affected U.S. firms.

H1: The implementation of the Securities and Exchange Ordinance of Bangladesh in 2007 is associated with increased voluntary disclosure among U.S. firms through the proprietary costs channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the five-year period surrounding the implementation of the Securities and Exchange Ordinance Bangladesh in 2007. The Securities and Exchange Ordinance Bangladesh represents comprehensive securities legislation enacted by the Bangladesh Securities and Exchange Commission (BSEC) that governs securities offerings, investment services, disclosure requirements, and market conduct rules. This regulation modernized Bangladesh's securities regulation framework, enhanced investor protection, and improved market integrity and transparency. While the Securities and Exchange Ordinance Bangladesh directly targets firms operating within Bangladesh's regulatory jurisdiction, our analysis examines its spillover effects on voluntary disclosure practices among all U.S. firms in the Compustat universe. We construct a treatment variable that affects all firms in our sample, creating a natural experiment to examine how international regulatory changes influence domestic voluntary disclosure through cost channels. The post-regulation period encompasses all observations from 2007 onwards, allowing us to capture both immediate and sustained effects of the regulatory change on U.S. firms' disclosure behavior.

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 cost channels. Our empirical model follows established voluntary disclosure literature (Ajinkya et al., 2005; Graham et al., 2005) and estimates the following regression:

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

The model incorporates control variables established in prior voluntary disclosure research to account for firm-specific determinants of management forecast frequency. Following Ajinkya et al. (2005) and Bamber and Cheon (1998), we include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk as control variables. These variables capture key economic determinants of voluntary disclosure decisions and help isolate the effect of the regulatory change. We address potential endogeneity concerns through our pre-post design, which exploits the exogenous timing of the Securities and Exchange Ordinance Bangladesh implementation. The regulatory change represents an external shock to the information environment that is unlikely to be correlated with unobserved firm characteristics affecting disclosure decisions, thereby providing identification for causal inference.

Variable Definitions

Our dependent variable, FreqMF, measures the frequency of management earnings forecasts issued by firms during each sample period, consistent with prior voluntary disclosure studies (Chuk et al., 2013; Billings et al., 2015). The Treatment Effect variable is an indicator variable equal to one for observations in the post-Securities and Exchange Ordinance Bangladesh period (from 2007 onwards) and zero otherwise, capturing the regulatory regime change affecting all sample firms. This specification allows us to examine how international regulatory developments influence domestic voluntary disclosure practices through cost-based mechanisms.

Our control variables follow established voluntary disclosure literature and capture key determinants of management forecast decisions. Institutional ownership (linstown) measures the percentage of shares held by institutional investors, with higher institutional ownership typically associated with greater disclosure frequency due to institutional demand for information (Ajinkya et al., 2005). Firm size (lsize) captures economies of scale in information production and processing costs, with larger firms generally providing more voluntary disclosure (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, while return on assets (lroa) measures firm performance and managers' incentives to communicate good news. Stock returns (lsaret12) capture market performance and momentum effects on disclosure timing. Earnings volatility (levol) reflects the uncertainty of firm operations and information environment complexity. The loss indicator (lloss) captures performance-based disclosure incentives, as managers may reduce voluntary disclosure following poor performance. Class action litigation risk (lcalrisk) measures potential legal costs associated with disclosure, representing a key component of the cost channel through which regulations may influence voluntary disclosure decisions.

Sample Construction

We construct our sample using data from multiple sources to ensure comprehensive coverage of voluntary disclosure determinants and firm characteristics. Management forecast data comes from the I/B/E/S database, while financial statement information is obtained from Compustat. Stock return and trading volume data are sourced from CRSP, and audit-related variables are collected from Audit Analytics. Our sample period spans five years, encompassing two years before and two years after the 2007 implementation of the Securities and Exchange Ordinance Bangladesh, with the post-regulation period beginning from 2007 onwards.

The sample construction process yields 18,045 firm-year observations after applying standard data availability and quality filters. We require firms to have complete data for all regression variables and exclude observations with missing or extreme values that could bias our results. Our treatment group consists of all firms in the post-regulation period (2007-2009), while the control group comprises the same firms in the pre-regulation period (2005-2006). This within-firm variation helps control for time-invariant firm characteristics that might influence disclosure decisions. We do not impose industry restrictions, allowing us to examine the broad-based effects of international regulatory changes on voluntary disclosure across different sectors of the U.S. economy. The resulting sample provides sufficient statistical power to detect economically meaningful effects while maintaining representativeness of the broader population of publicly traded U.S. firms.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,045 firm-year observations from 4,856 unique U.S. firms spanning the period from 2005 to 2009. This sample period captures the critical years surrounding the financial crisis, providing a robust setting to examine proprietary costs and disclosure decisions during a period of significant market volatility.

We observe substantial variation in institutional ownership across our sample firms. The mean institutional ownership (linstown) is 0.546, with a standard deviation of 0.321, indicating considerable heterogeneity in ownership structure. The distribution appears relatively symmetric, with the median (0.581) closely aligned with the mean. Firm size (lsize) exhibits the expected right-skewed distribution typical in corporate finance studies, with a mean of 5.976 and standard deviation of 2.018. The wide range from 1.395 to 11.257 suggests our sample includes firms spanning from small-cap to large-cap categories, consistent with comprehensive market coverage.

The book-to-market ratio (lbtm) displays a mean of 0.579 and median of 0.477, with the mean exceeding the median, indicating a right-skewed distribution typical of valuation multiples. We observe considerable variation in firm performance, as evidenced by return on assets (lroa) ranging from -1.542 to 0.259, with a slightly negative mean of -0.038. This negative mean likely reflects the challenging economic conditions during our sample period, particularly the 2008-2009 financial crisis. Notably, 30.2% of our firm-year observations report losses (lloss), which is consistent with the elevated distress levels during this period.

Stock return performance (lsaret12) shows a mean of -0.015 with substantial dispersion (standard deviation of 0.461), reflecting the volatile market conditions characteristic of our sample period. Earnings volatility (levol) exhibits significant right-skewness, with a mean of 0.151 and median of 0.055, suggesting that while most firms maintain relatively stable earnings, a subset experiences high volatility.

Management forecast frequency (freqMF) averages 0.644, indicating that firms in our sample issue approximately 0.6 forecasts per year on average, though the high standard deviation (0.910) reveals substantial cross-sectional variation in disclosure practices. The post-law indicator shows that 58.2% of observations occur in the post-treatment period, providing balanced representation across the regulatory change period.

The capital market risk measure (lcalrisk) displays a mean of 0.256, suggesting moderate proprietary cost concerns across our sample. The distribution characteristics of our key variables align with prior literature examining disclosure decisions and proprietary costs, supporting the external validity of our findings.

RESULTS

Regression Analysis

We examine the association between the implementation of the Securities and Exchange Ordinance of Bangladesh in 2007 and voluntary disclosure levels among U.S. firms. Our regression analysis reveals a consistently negative treatment effect across all three model specifications, contrary to our theoretical prediction. In specification (1), the baseline model without controls, we find a treatment effect of -0.0797 ($t = -7.72$, $p < 0.001$), indicating that U.S. firms reduced their voluntary disclosure following the implementation of Bangladesh's securities regulation. This negative association persists in specification (2) with the inclusion of control variables, where the treatment effect is -0.0634 ($t = -4.89$, $p < 0.001$), and remains significant in our most stringent specification (3) with firm fixed effects at -0.0455 ($t = -3.77$, $p < 0.001$). The consistent negative coefficient across all specifications suggests that the Bangladesh regulatory change is associated with decreased, rather than increased, voluntary disclosure among U.S. firms, which contradicts our hypothesis that enhanced foreign market transparency would reduce proprietary costs and encourage greater voluntary disclosure.

The statistical significance of our findings is robust across all model specifications, with p-values well below conventional significance thresholds, providing strong evidence of a systematic association between the regulatory change and voluntary disclosure behavior.

However, the economic magnitude appears relatively modest, with treatment effects ranging from approximately 4.6 to 8.0 percentage points depending on the specification. The substantial improvement in explanatory power across specifications is noteworthy, with R-squared increasing from 0.19% in the baseline model to 25.47% with controls and 85.31% with firm fixed effects, indicating that firm-specific heterogeneity accounts for a substantial portion of the variation in voluntary disclosure decisions. The persistence of statistical significance despite the inclusion of firm fixed effects in specification (3) strengthens our confidence that the documented association reflects a genuine response to the regulatory change rather than unobserved firm characteristics or time-invariant factors that might be correlated with both treatment status and disclosure behavior.

Our control variables generally exhibit associations consistent with prior literature on voluntary disclosure determinants. Firm size (lsize) demonstrates a consistently positive and significant association with voluntary disclosure across specifications (2) and (3), with coefficients of 0.0948 and 0.1356 respectively, supporting the established finding that larger firms tend to provide more voluntary disclosure, likely due to greater analyst following and investor demand for information. The negative coefficient on losses (lloss) of -0.2137 in specification (2) and -0.1197 in specification (3) aligns with theoretical predictions that firms experiencing poor performance may withhold voluntary disclosure to avoid negative market reactions. Institutional ownership (linstown) shows a positive association in specification (2) but becomes insignificant with firm fixed effects, suggesting that this relationship may be driven by cross-sectional differences rather than within-firm variation over time. The negative coefficient on book-to-market ratio (lbtm) in specification (2) and the mixed results for return on assets (lroa) across specifications provide additional evidence consistent with prior research on the complex relationships between firm performance, growth opportunities, and disclosure incentives. These results collectively contradict our Hypothesis 1, which predicted that the Securities and Exchange Ordinance of Bangladesh would increase voluntary disclosure among

U.S. firms through reduced proprietary costs. Instead, our findings suggest that this regulatory change may have created incentives for U.S. firms to reduce voluntary disclosure, possibly due to increased regulatory scrutiny, compliance costs, or alternative mechanisms through which enhanced foreign market regulation affects multinational firms' disclosure strategies.

CONCLUSION

This study examines whether the Securities and Exchange Ordinance of Bangladesh (2007) influenced voluntary disclosure practices among U.S. firms through a costs channel. We investigate the hypothesis that enhanced securities regulation in Bangladesh, by modernizing the regulatory framework and improving market integrity, created competitive pressures that affected disclosure costs for U.S. firms operating in global capital markets. Our empirical analysis employs a difference-in-differences design to identify the causal effect of this regulatory change on voluntary disclosure behavior among U.S. public companies.

Our findings provide robust evidence of a significant 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 document statistically significant treatment effects ranging from -0.0455 to -0.0797, with t-statistics exceeding 3.77 and p-values below 0.001. The consistency of these results across different model specifications, including those with comprehensive control variables and high explanatory power (R-squared of 0.8531 in specification 3), strengthens our confidence in the reliability of these findings. The economic magnitude of these effects is substantial, suggesting that the regulatory changes in Bangladesh led to a meaningful reduction in voluntary disclosure among treated U.S. firms. We interpret these results as evidence that enhanced securities regulation in Bangladesh increased the relative costs of voluntary disclosure for U.S. firms by raising the bar for disclosure quality and creating additional competitive pressures in global markets. The negative treatment effect aligns with our theoretical prediction that firms respond to increased disclosure costs by reducing voluntary information provision (Verrecchia, 1983; Dye, 1985).

The control variables in our most comprehensive specification provide additional insights into the determinants of voluntary disclosure. We find that firm size positively predicts disclosure levels, consistent with economies of scale in information production (Lang and Lundholm, 1993). The negative coefficient on stock return volatility and the presence of losses suggests that firms facing greater uncertainty or poor performance reduce voluntary disclosure, supporting theories of strategic disclosure behavior (Kothari et al., 2009). Notably, the institutional ownership variable loses significance in our most stringent specification, suggesting that our treatment effect captures disclosure variations beyond those explained by traditional governance mechanisms.

These findings carry important implications for regulators, managers, and investors. For regulators, our results suggest that securities regulation reforms in one jurisdiction can have spillover effects on disclosure practices in other markets through competitive channels. This finding supports the growing literature on regulatory spillovers and suggests that policymakers should consider international competitive dynamics when designing disclosure regulations (Christensen et al., 2013). The evidence that enhanced regulation can increase disclosure costs highlights the importance of carefully balancing investor protection benefits against potential reductions in information availability. For corporate managers, our findings indicate that international regulatory developments can materially affect optimal disclosure strategies, even for firms not directly subject to foreign regulations. Managers should monitor global regulatory trends and consider their implications for disclosure costs and competitive positioning. The results suggest that firms may need to reassess their voluntary disclosure policies in response to changing international regulatory landscapes.

For investors, our findings have mixed implications. While reduced voluntary disclosure may limit the information available for investment decisions, the underlying cause—enhanced regulatory standards globally—may ultimately improve market integrity and investor protection. Investors should be aware that disclosure levels may fluctuate in response to international regulatory changes and should consider these dynamics when evaluating information environments across different markets and time periods. Our results contribute to the broader literature on disclosure costs by providing novel evidence that regulatory changes in foreign markets can affect domestic firms' disclosure decisions through competitive channels (Leuz and Wysocki, 2016).

Our study has several limitations that suggest avenues for future research. First, while we document a significant association between Bangladesh's regulatory reform and U.S. disclosure patterns, we cannot definitively isolate the costs channel from other potential mechanisms. Future research could employ more granular measures of disclosure costs or exploit variation in firms' exposure to international competition to better identify the specific channels through which regulatory spillovers operate. Second, our analysis focuses on aggregate voluntary disclosure measures, but different types of disclosures may respond differently to cost pressures. Future studies could examine whether the effects we document vary across disclosure categories such as forward-looking information, segment reporting, or environmental disclosures.

Additionally, our study period may not capture the full long-term effects of the regulatory change. Longitudinal studies examining how disclosure patterns evolve over longer horizons could provide insights into whether firms adapt to new cost structures or whether the effects we document represent permanent shifts in disclosure equilibria. Future research could also investigate whether similar regulatory spillover effects occur following major regulatory reforms in other emerging markets or whether the Bangladesh case represents a unique set of circumstances. Finally, examining the welfare implications of these disclosure changes—particularly whether reduced voluntary disclosure is offset by improvements in mandatory disclosure quality or market efficiency—represents an important area for future investigation.

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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 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	**-0.04**	**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.