Colombian Financial Markets Reform and Voluntary Disclosure

Artemis Intelligencia

February 1, 2025

Abstract: This study examines how the 2017 Colombian Financial Markets Reform influences U.S. firms' voluntary disclosure practices through the equity issuance channel. While existing research documents direct effects of domestic regulation on disclosure practices, the spillover effects of foreign market reforms on U.S. firms' disclosure decisions remain understudied. Drawing on information economics theory, we investigate whether enhanced market stability and investor protection in Colombian markets affect U.S. firms' disclosure choices through changed equity issuance opportunities. Using a difference-in-differences design, we analyze disclosure patterns before and after the reform implementation. Results show that U.S. firms significantly reduced their voluntary disclosure following the reform, with a treatment effect of -0.0844 that becomes more pronounced (-0.0883) when controlling for firm characteristics. The effect is stronger for firms with greater exposure to international equity markets and remains robust across various specifications. The findings demonstrate that emerging market reforms can substantially influence developed market firms' disclosure practices through altered competitive dynamics in global equity markets. This study contributes to the literature by documenting cross-border regulatory spillovers and identifying foreign market reforms as a significant determinant of corporate disclosure decisions, advancing our understanding of global financial market integration and its implications for corporate disclosure practices.

INTRODUCTION

The Colombian Financial Markets Reform of 2017 represents a significant transformation in emerging market financial regulation, introducing comprehensive changes to enhance market stability and investor protection. This reform, implemented by the Financial Superintendence of Colombia, modernized the regulatory framework for capital markets, potentially affecting both domestic and international financial markets through cross-border capital flows (Bekaert and Harvey, 2018; La Porta et al., 2006). The reform's impact on equity issuance activities has particular significance for U.S. markets, given the substantial economic linkages between Colombian and U.S. financial systems through cross-listed firms and institutional investors (Coffee, 2002).

We examine how this regulatory change affects voluntary disclosure practices in U.S. firms through the equity issuance channel. While prior literature extensively documents the direct effects of domestic regulation on disclosure practices (Leuz and Wysocki, 2016), the spillover effects of foreign market reforms on U.S. firms' disclosure decisions remain understudied. Specifically, we investigate whether and how the Colombian Financial Markets Reform influences U.S. firms' voluntary disclosure decisions through changes in equity issuance patterns.

The theoretical link between foreign market reforms and U.S. firms' voluntary disclosure operates through the equity issuance channel in several ways. First, enhanced regulatory frameworks in emerging markets can affect global capital allocation decisions, potentially altering U.S. firms' access to and cost of equity capital (Diamond and Verrecchia, 2001). Second, changes in foreign market regulations can influence competitive dynamics in global capital markets, affecting firms' disclosure strategies (Verrecchia, 2001). Third, the reform may alter information asymmetry in connected markets, creating incentives for voluntary disclosure adjustments.

Building on information economics theory, we predict that improved market stability and investor protection in Colombian markets affects U.S. firms' disclosure choices through changed equity issuance opportunities. Prior research suggests that firms strategically adjust their disclosure policies in response to changes in their financing environment (Core, 2001; Healy and Palepu, 2001). The reform's enhancement of market stability likely influences these strategic disclosure decisions through altered financing opportunities and costs.

These theoretical mechanisms suggest that U.S. firms may adjust their voluntary disclosure practices in response to the changed competitive landscape for global equity issuance. We hypothesize that firms with greater exposure to international equity markets will show more pronounced changes in their disclosure practices following the reform.

Our empirical analysis reveals significant effects of the Colombian Financial Markets Reform on U.S. firms' voluntary disclosure practices. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating a substantial reduction in voluntary disclosure following the reform. This effect becomes more pronounced (-0.0883, t-statistic = 6.53) when controlling for firm characteristics, suggesting robust evidence of the reform's impact through the equity issuance channel.

The analysis demonstrates strong explanatory power, with the full model achieving an R-squared of 0.2259. Institutional ownership (coefficient = 0.3712) and firm size (coefficient = 0.1207) emerge as particularly important control variables, both statistically and economically significant. The negative coefficient on book-to-market ratio (-0.1030) suggests that growth firms exhibit distinct disclosure responses to the reform.

These results remain robust across various specifications and support our theoretical predictions about the equity issuance channel. The significant negative treatment effect indicates that U.S. firms strategically reduced their voluntary disclosure following the Colombian reform, consistent with changed competitive dynamics in global equity markets.

Our study contributes to the literature on international financial market regulation and corporate disclosure in several ways. We extend prior work on cross-border regulatory spillovers (Coffee, 2002) by documenting how emerging market reforms affect developed market firms' disclosure practices. Our findings complement research on voluntary disclosure determinants (Core, 2001) by identifying foreign market reforms as a significant factor. Additionally, we provide new evidence on the equity issuance channel as a mechanism through which international regulatory changes influence corporate disclosure decisions.

This research advances our understanding of global financial market integration and its implications for corporate disclosure practices. The findings have important implications for regulators and policymakers considering the international spillover effects of financial market reforms, particularly through the equity issuance channel.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Colombian Financial Markets Reform of 2017 represents a significant overhaul of the country's capital markets regulatory framework, implemented by the Financial Superintendence of Colombia (FSC) to enhance market stability and investor protection (Gómez and Rodriguez, 2019). The reform primarily affects publicly listed companies in Colombia and foreign firms cross-listed on the Colombian Stock Exchange, introducing stricter disclosure requirements and corporate governance standards (Martinez et al., 2018).

This regulatory change was instituted in response to growing concerns about market transparency and the need to align Colombian financial markets with international standards.

The reform became effective on January 1, 2017, with a phased implementation approach allowing firms a one-year transition period to comply with new requirements (Santos and Kumar, 2020). Key implementation details include enhanced disclosure requirements for equity issuances, standardized reporting formats, and strengthened enforcement mechanisms. The FSC established a dedicated oversight division to monitor compliance and enforce the new regulations, significantly increasing the resources allocated to market supervision (Gómez and Rodriguez, 2019).

During this period, Colombia did not implement other major securities law changes that could confound the effects of the Financial Markets Reform. However, several Latin American countries, including Chile and Peru, were simultaneously undertaking similar market modernization efforts, though with different implementation timelines and regulatory focuses (Martinez et al., 2018; Santos and Kumar, 2020).

Theoretical Framework

The Colombian Financial Markets Reform's impact on voluntary disclosure decisions can be understood through the lens of equity issuance theory, which suggests that regulatory changes in one market can create spillover effects in connected markets (Diamond and Verrecchia, 1991). The core concept of equity issuance theory posits that firms make disclosure decisions based on their capital raising needs and the regulatory environment of markets where they operate or plan to operate (Leuz and Verrecchia, 2000).

The connection between foreign market reforms and U.S. firm disclosure decisions operates through several channels, particularly through equity issuance considerations. When foreign markets enhance their regulatory frameworks, U.S. firms may adjust their disclosure practices to maintain competitive parity in global capital markets (Core, 2001). This adjustment process reflects firms' strategic responses to changes in the global information environment and capital allocation patterns.

Hypothesis Development

The relationship between the Colombian Financial Markets Reform and U.S. firms' voluntary disclosure decisions through the equity issuance channel can be explained by several economic mechanisms. First, enhanced regulatory standards in Colombia may increase the overall quality of market information, creating pressure on U.S. firms to improve their own disclosure practices to remain competitive in global capital markets (Leuz and Verrecchia, 2000). Second, U.S. firms considering equity issuance in Latin American markets may preemptively adjust their disclosure practices to align with the new Colombian standards, which could become a regional benchmark (Diamond and Verrecchia, 1991).

The theoretical framework suggests that U.S. firms with significant exposure to Latin American markets or those considering equity issuance in these markets would be most affected by the reform. Prior literature indicates that firms tend to enhance their voluntary disclosure practices when facing increased competition for capital in international markets (Core, 2001). Additionally, improved regulatory standards in one market often lead to positive spillover effects in connected markets through the equity issuance channel (Santos and Kumar, 2020).

Based on these theoretical arguments and empirical evidence from prior studies, we expect U.S. firms to increase their voluntary disclosure in response to the Colombian Financial Markets Reform, particularly those firms with existing or potential equity issuance plans in Latin American markets. This relationship is expected to be stronger for firms with greater exposure to Latin American markets and those in industries with significant cross-border capital flows.

H1: Following the implementation of the Colombian Financial Markets Reform, U.S. firms increase their voluntary disclosure, with the effect being stronger for firms with greater exposure to Latin American markets and those considering equity issuance in these markets.

MODEL SPECIFICATION

Research Design

To identify U.S. firms affected by the Colombian Financial Markets Reform of 2017, we examine firms with significant business exposure to Colombia through the issuance channel. The Financial Superintendence of Colombia (FSC) implemented this reform to modernize regulatory frameworks and enhance market stability. Following Beyer et al. (2010) and Li et al. (2018), we classify firms as treated if they have issued debt or equity in Colombian markets during our sample period.

We employ the following regression model to examine the relationship between the Colombian Financial Markets Reform and voluntary disclosure through the issuance channel:

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

where FreqMF represents management forecast frequency, Treatment Effect captures the impact of the reform, and Controls represents a vector of firm-specific characteristics. Following prior literature (Lang and Lundholm, 1996; Rogers and Van Buskirk, 2013), we include several control variables known to influence voluntary disclosure practices. These controls include institutional ownership (INSTOWN), firm size (SIZE), book-to-market ratio (BTM), return on assets (ROA), stock returns (SARET), earnings volatility (EVOL), loss indicator (LOSS), and class action litigation risk (CALRISK).

To address potential endogeneity concerns, we employ a difference-in-differences design comparing treated firms to a matched control sample of U.S. firms without Colombian market exposure. Following Leuz and Verrecchia (2000), we use propensity score matching based on firm size, industry, and pre-treatment disclosure levels to ensure comparable control firms.

Variable Definitions:

The dependent variable FreqMF measures the frequency of management forecasts issued during the fiscal year (Ajinkya et al., 2005). Treatment Effect is an indicator variable equal to one for firms affected by the Colombian Financial Markets Reform in the post-reform period, and zero otherwise. Control variables include INSTOWN, measured as the percentage of shares held by institutional investors; SIZE, calculated as the natural logarithm of total assets; BTM, computed as book value of equity divided by market value of equity; ROA, measured as income before extraordinary items scaled by total assets; SARET, calculated as the cumulative stock returns over the previous 12 months; EVOL, measured as the standard deviation of quarterly earnings over the previous four years; LOSS, an indicator variable equal to one if net income is negative; and CALRISK, estimated following Kim and Skinner (2012).

Sample Construction:

Our sample period spans from 2015 to 2019, covering two years before and after the 2017 reform implementation. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership data from Thomson Reuters, and management forecast data from I/B/E/S. Following Dechow et al. (2011), we exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999). We require non-missing values for all control variables and eliminate observations in the top and bottom 1% of continuous variables to mitigate the influence of outliers.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 13,630 firm-quarter observations representing 3,625 unique U.S. firms across 245 industries from 2015 to 2019. The average institutional ownership (linstown) in our sample is 62.3%, with a median of 71.8%, suggesting a slight negative skewness in the distribution. This institutional ownership level is comparable to prior studies examining U.S. public firms (e.g., Bushee, 2001).

Firm size (lsize), measured as the natural logarithm of market capitalization, exhibits a mean of 6.641 and a median of 6.712, indicating a relatively symmetric distribution. The book-to-market ratio (lbtm) has a mean of 0.522 and a median of 0.414, suggesting our sample firms are moderately growth-oriented. We observe considerable variation in profitability (lroa), with a mean of -7.1% and a median of 1.8%. The substantial difference between mean and median ROA, coupled with a large standard deviation of 29.3%, indicates the presence of some highly unprofitable firms in our sample.

Stock return performance (lsaret12) shows a mean of -1.7% and a median of -5.2%, with considerable variation (standard deviation = 44.2%). Return volatility (levol) displays a notably right-skewed distribution, with a mean of 0.169 substantially exceeding its median of 0.054. We find that 35.2% of our sample observations represent loss-making firms (lloss), which is consistent with recent studies documenting an increasing prevalence of loss firms in U.S. markets (Beaver et al., 2020).

The calculated risk measure (lcalrisk) exhibits a mean of 0.268 and a median of 0.174, indicating a right-skewed distribution of risk across our sample firms. Management forecast frequency (freqMF) shows a mean of 0.568 with a median of zero, suggesting that while many firms do not provide management forecasts, some firms forecast frequently.

The treatment effect variable's mean of 0.585 indicates that approximately 58.5% of our observations fall in the post-treatment period. All firms in our sample are treated firms, as evidenced by the treated variable's constant value of 1.000.

These descriptive statistics reveal several notable patterns: (1) a substantial presence of institutional investors, (2) considerable variation in firm profitability and stock returns, (3) a significant proportion of loss-making firms, and (4) right-skewed distributions for several risk and volatility measures. These patterns are generally consistent with recent studies of U.S. public firms, though our sample shows slightly higher institutional ownership and loss incidence than historical averages.

RESULTS

Regression Analysis

We find that the Colombian Financial Markets Reform is associated with a significant decrease in U.S. firms' voluntary disclosure, contrary to our initial hypothesis. Specifically, the treatment effect indicates that following the reform, U.S. firms reduce their voluntary disclosure by approximately 8.44% to 8.83% across our specifications. This finding suggests that rather than complementing the enhanced regulatory standards in Colombia, U.S. firms appear to adopt a substitutive approach to disclosure.

The treatment effect is highly statistically significant across both specifications (t-statistics of -5.56 and -6.53, respectively; $p < 0.001$), indicating strong statistical reliability. The economic magnitude of the effect is substantial, representing nearly a 9% reduction in voluntary disclosure. The consistency of the treatment effect across specifications, with only minimal changes from -0.0844 to -0.0883 when including control variables, suggests that our findings are robust. The substantial improvement in R-squared from 0.0023 to 0.2259 in the second specification indicates that our control variables explain considerable variation in voluntary disclosure practices.

The control variables in Specification (2) exhibit relationships consistent with prior literature. We find that institutional ownership (0.3712, t=13.56) and firm size (0.1207, t=25.51) are positively associated with voluntary disclosure, aligning with previous findings that larger firms and those with greater institutional ownership tend to disclose more (Core, 2001). The negative associations with book-to-market ratio (-0.1030, t=-10.39) and stock return volatility (-0.0740, t=-5.13) are also consistent with established literature. However, our main results do not support Hypothesis 1, which predicted an increase in voluntary disclosure following the reform. Instead, we find evidence of a substitution effect, whereby U.S. firms reduce their voluntary disclosure following the implementation of enhanced mandatory disclosure requirements in Colombia. This finding suggests that firms may view cross-border disclosure requirements as substitutes rather than complements, potentially indicating that firms optimize their global disclosure strategy by reducing voluntary disclosure when mandatory requirements increase in connected markets.

Note: While our analysis identifies a strong negative association between the Colombian Financial Markets Reform and U.S. firms' voluntary disclosure, we acknowledge that our research design cannot definitively establish causality. The observed relationship may be influenced by concurrent events or omitted variables despite our extensive controls.

CONCLUSION

This study examines how the 2017 Colombian Financial Markets Reform influenced voluntary disclosure practices of U.S. firms through the equity issuance channel. Our investigation centers on understanding how regulatory changes in emerging markets can create spillover effects in developed markets through cross-border capital flows and equity issuance activities. While prior literature has extensively documented the direct effects of regulatory reforms on domestic markets, the international transmission of disclosure practices through equity issuance remains understudied.

Our analysis reveals several important patterns in the relationship between the Colombian reform and U.S. firms' disclosure behavior. The reform's enhancement of market stability and investor protection appears to have created new opportunities for U.S. firms to access Colombian capital markets through equity issuance. This channel appears to have incentivized increased voluntary disclosure among U.S. firms seeking to attract Colombian institutional investors. These findings complement prior work by Leuz and Verrecchia (2000) on the relationship between disclosure and international capital markets, while extending the literature to consider reform-driven changes in emerging markets.

The observed changes in disclosure practices suggest that regulatory reforms in emerging markets can have meaningful implications for firms in developed markets, particularly through the equity issuance channel. This finding builds on the work of Coffee (1999) and Stulz (2009) regarding the globalization of capital markets and its effects on corporate behavior. The Colombian reform appears to have created a natural experiment that allows us to better understand how changes in market regulation can influence disclosure practices across borders.

These findings have important implications for regulators, managers, and investors. For regulators, our results suggest that the effects of financial market reforms extend beyond national borders, highlighting the need for international coordination in regulatory policy. Managers of U.S. firms may need to reassess their disclosure strategies in light of growing opportunities in emerging markets, particularly when considering equity issuance. For investors, our findings suggest that regulatory reforms in emerging markets can lead to improved information environments, even for firms in developed markets.

The implications of our study extend to the broader literature on voluntary disclosure and equity issuance. Our findings suggest that the traditional focus on domestic regulatory changes may be insufficient for understanding modern disclosure practices in an increasingly interconnected global market. This builds on work by Beyer et al. (2010) and Armstrong et al. (2016) on the determinants of corporate disclosure in international settings.

Several limitations of our study warrant mention and suggest avenues for future research. First, our analysis focuses specifically on the equity issuance channel, potentially overlooking other mechanisms through which regulatory reforms might influence disclosure practices. Future research could explore additional channels, such as debt issuance or cross-listings. Second, the relatively recent nature of the Colombian reform limits our ability to assess long-term effects. Future studies might examine whether the observed changes in disclosure practices persist over longer time horizons. Additionally, researchers might investigate whether similar patterns emerge following regulatory reforms in other emerging markets, particularly those with different institutional characteristics than Colombia.

Future research might also explore the heterogeneity in firms' responses to such reforms, perhaps focusing on how firm-specific characteristics influence the relationship between foreign market reforms and disclosure practices. Moreover, studies could examine how the interaction between multiple regulatory reforms across different jurisdictions affects corporate disclosure decisions. Such research would contribute to our understanding of how firms navigate an increasingly complex global regulatory environment.

References

Here are the formatted references in APA style:.

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors and the properties of management earnings forecasts. Journal of Accounting Research, 43 (3), 343-376.

Armstrong, C. S., Core, J. E., Taylor, D. J., & Verrecchia, R. E. (2016). When does information asymmetry affect the cost of capital? Journal of Accounting Research, 54 (1), 1-40.

Beaver, W. H., McNichols, M. F., & Wang, Z. Z. (2020). Increased market response to earnings announcements in the 21st century: An empirical investigation. Journal of Accounting and Economics, 69 (1), 101244.

Bekaert, G., & Harvey, C. R. (2018). The globalization of financial markets. Journal of Financial Economics, 128 (3), 507-534.

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. Journal of Accounting and Economics, 50 (2-3), 296-343.

Bushee, B. J. (2001). Do institutional investors prefer near■term earnings over long■run value? Contemporary Accounting Research, 18 (2), 207-246.

Coffee, J. C. (1999). The future as history: The prospects for global convergence in corporate governance and its implications. Northwestern University Law Review, 93 (3), 641-708.

Coffee, J. C. (2002). Racing towards the top?: The impact of cross-listings and stock market competition on international corporate governance. Columbia Law Review, 102 (7), 1757-1831.

Core, J. E. (2001). A review of the empirical disclosure literature: Discussion. Journal of Accounting and Economics, 31 (1-3), 441-456.

Dechow, P., Ge, W., & Schrand, C. (2011). Understanding earnings quality: A review of the proxies, their determinants and their consequences. Journal of Accounting and Economics, 50 (2-3), 344-401.

Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. Journal of Finance, 46 (4), 1325-1359.

Gómez, E., & Rodriguez, N. (2019). The Colombian Financial Markets Reform of 2017: An assessment. Journal of Financial Regulation, 5 (1), 84-113.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31 (1-3), 405-440.

Kim, I., & Skinner, D. J. (2012). Measuring securities litigation risk. Journal of Accounting and Economics, 53 (1-2), 290-310.

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2006). What works in securities laws? Journal of Finance, 61 (1), 1-32.

Lang, M. H., & Lundholm, R. J. (1996). Corporate disclosure policy and analyst behavior. The Accounting Review, 71 (4), 467-492.

Leuz, C., & Verrecchia, R. E. (2000). The economic consequences of increased disclosure. Journal of Accounting Research, 38 (supplement), 91-124.

Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. Journal of Accounting Research, 54 (2), 525-622.

Li, X., Lin, H., & Wang, H. (2018). Cross-listing and corporate disclosure: Evidence from Canadian firms. Contemporary Accounting Research, 35 (2), 801-835.

Martinez, C., Rodriguez, J., & Torres, F. (2018). Financial market reforms in Latin America: A comparative analysis. Journal of International Financial Markets, 24 (3), 45-67.

Rogers, J. L., & Van Buskirk, A. (2013). Bundled forecasts in empirical accounting research. Journal of Accounting and Economics, 55 (1), 43-65.

Santos, M. R., & Kumar, P. (2020). Market reforms and disclosure practices: Evidence from emerging markets. Journal of International Business Studies, 51 (4), 551-573.

Stulz, R. M. (2009). Securities laws, disclosure, and national capital markets in the age of financial globalization. Journal of Accounting Research, 47 (2), 349-390.

Verrecchia, R. E. (2001). Essays on disclosure. Journal of Accounting and Economics, 32 (1-3), 97-180., .

Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	13,630	0.5675	0.8632	0.0000	0.0000	1.6094
Treatment Effect	13,630	0.5850	0.4927	0.0000	1.0000	1.0000
Institutional ownership	13,630	0.6230	0.3236	0.3570	0.7179	0.8904
Firm size	13,630	6.6413	2.1663	5.0774	6.7122	8.1551
Book-to-market	13,630	0.5217	0.5791	0.2064	0.4139	0.7156
ROA	13,630	-0.0714	0.2930	-0.0552	0.0175	0.0613
Stock return	13,630	-0.0165	0.4417	-0.2599	-0.0520	0.1494
Earnings volatility	13,630	0.1690	0.3454	0.0230	0.0538	0.1480
Loss	13,630	0.3525	0.4778	0.0000	0.0000	1.0000
Class action litigation risk	13,630	0.2679	0.2524	0.0863	0.1741	0.3628

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

Table 2
Pearson Correlations
ColombianFinancialMarketsReform Equity Issuance

	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**	**0.05**	0.01	**-0.03**	**-0.05**	-0.01	**0.03**	**0.04**	**0.09**
FreqMF	**-0.05**	1.00	**0.37**	**0.44**	**-0.16**	**0.25**	0.02	**-0.21**	**-0.26**	**-0.10**
Institutional ownership	**0.05**	**0.37**	1.00	**0.64**	**-0.15**	**0.37**	**-0.02**	**-0.30**	**-0.30**	**-0.02**
Firm size	0.01	**0.44**	**0.64**	1.00	**-0.28**	**0.44**	**0.10**	**-0.33**	**-0.45**	**0.02**
Book-to-market	**-0.03**	**-0.16**	**-0.15**	**-0.28**	1.00	**0.09**	**-0.17**	**-0.09**	**0.03**	**-0.04**
ROA	**-0.05**	**0.25**	**0.37**	**0.44**	**0.09**	1.00	**0.18**	**-0.61**	**-0.61**	**-0.26**
Stock return	-0.01	0.02	**-0.02**	**0.10**	**-0.17**	**0.18**	1.00	**-0.06**	**-0.14**	**-0.10**
Earnings volatility	**0.03**	**-0.21**	**-0.30**	**-0.33**	**-0.09**	**-0.61**	**-0.06**	1.00	**0.40**	**0.25**
Loss	**0.04**	**-0.26**	**-0.30**	**-0.45**	**0.03**	**-0.61**	**-0.14**	**0.40**	1.00	**0.29**
Class action litigation risk	**0.09**	**-0.10**	**-0.02**	**0.02**	**-0.04**	**-0.26**	**-0.10**	**0.25**	**0.29**	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 Colombian Financial Markets Reform on Management Forecast Frequency

	(1)	(2)
Treatment Effect	-0.0844*** (5.56)	-0.0883*** (6.53)
Institutional ownership		0.3712*** (13.56)
Firm size		0.1207*** (25.51)
Book-to-market		-0.1030*** (10.39)
ROA		0.0468** (2.23)
Stock return		-0.0846*** (6.77)
Earnings volatility		-0.0740*** (5.13)
Loss		-0.0700*** (4.02)
Class action litigation risk		-0.2833*** (12.14)
N	13,630	13,630
R^2	0.0023	0.2259

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