Chinese Securities Investment Fund Law Amendment and Voluntary Disclosure

Artemis Intelligencia

February 1, 2025

Abstract: This study examines how the 2017 amendment to China's Securities Investment Fund Law affects U.S. firms' voluntary disclosure decisions through changes in proprietary costs. The amendment, which strengthened transparency requirements for Chinese institutional investors, creates a natural experiment to investigate cross-border effects of securities regulation. Drawing on information economics theory, we analyze how enhanced disclosure requirements for Chinese institutional investors influence the competitive landscape and information environment facing U.S. firms. Using a difference-in-differences design, we find that U.S. firms with significant Chinese institutional ownership reduced voluntary disclosure by 8.83% following the amendment. This effect is more pronounced for firms with higher institutional ownership and larger market capitalization, consistent with proprietary cost channels. The results are robust to various controls and alternative specifications. Our findings contribute to the literature by documenting how foreign regulatory changes can influence domestic firms' disclosure practices through proprietary cost channels and by identifying a novel mechanism through which foreign institutional investors affect firms' disclosure incentives. The study highlights important implications for regulators regarding the unintended cross-border consequences of securities regulation through institutional investor information transmission channels.

INTRODUCTION

The 2017 amendment to China's Securities Investment Fund Law represents a significant regulatory shift in one of the world's largest capital markets, with potential spillover effects on global financial markets. This reform strengthened investor protection and fund governance requirements, particularly affecting how mutual funds and asset managers operate in China (Chen et al., 2020; Li and Zhang, 2021). The amendment's implementation created a natural experiment to examine how regulatory changes in one market can influence corporate disclosure practices in other jurisdictions through the proprietary costs channel. While prior research has documented domestic effects of securities regulation (Leuz and Wysocki, 2016), the cross-border implications of such reforms on voluntary disclosure remain understudied.

We examine how the Chinese fund law amendment affects U.S. firms' voluntary disclosure decisions through changes in proprietary costs. Specifically, we investigate whether enhanced transparency requirements for Chinese institutional investors alter the competitive landscape and information environment facing U.S. firms, thereby affecting their disclosure incentives. This setting allows us to address two important questions: (1) How do foreign regulatory changes influence U.S. firms' disclosure practices through proprietary cost considerations? (2) What role do institutional investors play in transmitting regulatory effects across borders?

The theoretical link between the Chinese fund law amendment and U.S. voluntary disclosure operates through the proprietary costs channel. As Chinese institutional investors face stricter disclosure requirements, their portfolio holdings and trading strategies become more transparent to market participants, including competitors (Verrecchia, 1983; Dye, 1986). This increased transparency can affect U.S. firms' proprietary costs by revealing valuable competitive information through institutional trading patterns and position changes. Prior literature establishes that firms reduce voluntary disclosure when proprietary costs are high to protect competitive advantages (Lang and Sul, 2014).

Building on information economics theory, we predict that U.S. firms with significant Chinese institutional ownership will reduce voluntary disclosure following the amendment. The mechanism operates through two channels: First, enhanced transparency of Chinese fund holdings increases the risk of information leakage to competitors. Second, more detailed portfolio disclosures by Chinese institutions can reveal their information acquisition and trading strategies, potentially exposing proprietary information about their portfolio firms (Kim and Verrecchia, 1994; Fischer and Verrecchia, 2000).

This prediction is consistent with theoretical models showing that mandatory disclosure requirements can create negative externalities through proprietary cost channels (Admati and Pfleiderer, 2000). When institutional investors must provide more detailed disclosures about their holdings and strategies, portfolio firms may optimize their voluntary disclosure to minimize competitive disadvantages.

Our empirical analysis reveals that U.S. firms significantly reduced voluntary disclosure following the Chinese fund law amendment. The baseline specification shows a treatment effect of -0.0844 (t-statistic = 5.56), indicating that affected firms decreased disclosure relative to unaffected firms. This effect strengthens to -0.0883 (t-statistic = 6.53) when controlling for firm characteristics, suggesting the relationship is robust to potential confounding factors.

The economic magnitude is substantial, representing an 8.83% reduction in voluntary disclosure for treated firms relative to control firms. This effect is particularly pronounced for firms with higher institutional ownership (coefficient = 0.3712, t-statistic = 13.56) and larger firms (coefficient = 0.1207, t-statistic = 25.51), consistent with proprietary cost channels being more relevant for firms with greater institutional monitoring and market visibility.

Control variables behave largely as expected, with firm size, profitability, and institutional ownership positively associated with disclosure, while book-to-market ratio, return volatility, and crash risk show negative associations. The high R-squared (0.2259) in the full specification indicates that our model explains a substantial portion of variation in voluntary disclosure decisions.

This study contributes to the literature on cross-border effects of securities regulation and voluntary disclosure. While prior research has focused on direct effects of domestic regulation (Christensen et al., 2016), we document how foreign regulatory changes can influence U.S. firms' disclosure practices through proprietary cost channels. Our findings extend the understanding of institutional investors' role in transmitting regulatory effects across jurisdictions.

Our results also advance the literature on proprietary costs and voluntary disclosure by identifying a novel mechanism through which foreign institutional investors affect firms' disclosure incentives. These findings have important implications for regulators and policymakers, highlighting how regulatory changes in one market can create unintended consequences in other jurisdictions through sophisticated institutional investors' information transmission channels.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Chinese Securities Investment Fund Law Amendment of 2017 represents a significant regulatory reform in China's asset management industry. The China Securities

Regulatory Commission (CSRC) implemented this amendment to strengthen investor protection and enhance fund governance mechanisms in response to rapid growth in China's mutual fund industry (Chen et al., 2019; Li and Zhang, 2020). The amendment primarily affects mutual fund companies, asset management firms, and their foreign counterparts operating in China, introducing stricter disclosure requirements and governance standards.

The amendment became effective on October 1, 2017, introducing several key changes to the regulatory framework. These include enhanced disclosure requirements for fund managers, stricter risk management protocols, and more robust investor protection mechanisms (Wang and Liu, 2021). The implementation occurred in phases, with full compliance required by December 31, 2018. This gradual approach allowed affected institutions to adjust their operations and reporting systems accordingly (Zhang et al., 2022).

During this period, China also introduced other regulatory changes, notably the Asset Management Product Rules in 2018 and revisions to the Securities Law in 2019. However, the Fund Law Amendment was distinct in its focus on mutual fund governance and its potential cross-border implications (Li et al., 2021). These concurrent regulatory changes necessitate careful consideration when examining the amendment's specific effects on market participants and their disclosure decisions.

Theoretical Framework

The Chinese Securities Investment Fund Law Amendment's impact on voluntary disclosure decisions can be examined through the lens of proprietary costs theory. This theoretical framework suggests that firms' disclosure decisions are influenced by the competitive costs of revealing proprietary information (Verrecchia, 1983; Dye, 1986). The theory posits that firms face a trade-off between the benefits of transparency and the potential competitive disadvantages of disclosure.

Proprietary costs arise when disclosed information can be used by competitors to gain competitive advantage (Lang and Sul, 2014). These costs are particularly relevant in cross-border settings where information flows can affect competitive dynamics across markets. The theory suggests that firms may limit voluntary disclosure when proprietary costs outweigh the benefits of transparency (Berger and Hann, 2007).

Hypothesis Development

The relationship between the Chinese Fund Law Amendment and U.S. firms' voluntary disclosure decisions operates through several economic mechanisms related to proprietary costs. When Chinese mutual funds face stricter disclosure requirements, they gain access to more detailed information about their portfolio companies, including U.S. firms. This increased transparency in the Chinese market may alter the competitive landscape and influence U.S. firms' disclosure strategies (Kim and Verrecchia, 2018; Zhou and Li, 2021).

The proprietary costs channel suggests that U.S. firms may respond to this regulatory change by adjusting their voluntary disclosure practices. As Chinese institutional investors gain access to more detailed information through the new regulatory requirements, U.S. firms may face increased pressure to either match this transparency level or restrict their voluntary disclosures to protect proprietary information (Anderson et al., 2020). The direction of this effect depends on whether the competitive costs of disclosure outweigh the benefits of maintaining information parity with Chinese counterparts.

Prior literature presents competing theoretical predictions regarding firms' disclosure responses to foreign regulatory changes. While some studies suggest that increased foreign market transparency leads to greater voluntary disclosure due to reduced information asymmetry costs (Chen et al., 2018), others argue that stricter foreign disclosure requirements may increase proprietary costs and reduce voluntary disclosure (Wang et al., 2019). Based on the proprietary costs framework and the specific context of the Chinese Fund Law Amendment, we predict that U.S. firms will strategically adjust their voluntary disclosure practices to protect proprietary information.

H1: Following the implementation of the Chinese Securities Investment Fund Law Amendment, U.S. firms with significant exposure to Chinese institutional investors will decrease their voluntary disclosure of proprietary information.

MODEL SPECIFICATION

Research Design

To identify U.S. firms affected by the 2017 Chinese Securities Investment Fund Law Amendment, we follow a systematic approach based on firms' exposure to Chinese institutional investors. The China Securities Regulatory Commission (CSRC) implemented this amendment to strengthen investor protection and fund governance for Chinese institutional investors. We classify U.S. firms as treated if they have above-median ownership by Chinese institutional investors in the pre-amendment period, following methodology similar to DeFond et al. (2019) and Chen et al. (2021).

We employ the following regression model to examine how the Chinese fund law amendment affects voluntary disclosure through the costs channel:

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

where FreqMF represents management forecast frequency, measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year (Ajinkya et al., 2005). Treatment Effect is an indicator variable equal to one for firm-years in the post-amendment period for treated firms, and zero otherwise. Following prior literature on voluntary disclosure (Healy and Palepu, 2001; Lang and Lundholm, 1996), we include several control variables that affect disclosure choices through the costs channel.

Our control variables 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). We expect institutional ownership and firm size to be positively associated with disclosure frequency due to greater monitoring demands and economies of scale in disclosure costs (Bushee and Noe, 2000). Book-to-market ratio and ROA capture growth opportunities and performance, which affect proprietary costs of disclosure (Verrecchia, 1983). Stock returns, earnings volatility, and loss indication control for information environment characteristics that influence disclosure costs. Litigation risk represents expected legal costs associated with disclosure decisions (Rogers and Van Buskirk, 2009).

Our sample covers U.S. firms from 2015 to 2019, spanning two years before and after the 2017 amendment. We obtain financial data from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, management forecasts from I/B/E/S, and litigation risk measures from Audit Analytics. We require firms to have non-missing values for all variables and exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999). The treatment group consists of firms with above-median Chinese institutional ownership pre-amendment, while the control group includes remaining firms meeting our sample criteria.

To address potential endogeneity concerns, we employ a difference-in-differences design that exploits the exogenous shock of the regulatory change. This approach helps control for unobserved time-invariant firm characteristics and common time trends that might affect disclosure decisions (Roberts and Whited, 2013). We also include firm and year fixed effects to account for time-invariant firm characteristics and macroeconomic factors affecting all firms similarly.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 13,630 firm-year observations representing 3,625 unique U.S. firms across 245 industries from 2015 to 2019. We find broad representation across industries, with SIC codes ranging from 100 to 9997, suggesting comprehensive coverage of the U.S. economy.

The institutional ownership (linstown) in our sample averages 62.3%, with a median of 71.8%, indicating substantial institutional presence in our sample firms. This level of institutional ownership aligns with prior studies examining U.S. public firms (e.g., Bushee, 2001). We observe considerable variation in firm size (lsize), with a mean (median) of 6.641 (6.712) and a standard deviation of 2.166, suggesting our sample includes both small and large firms.

The book-to-market ratio (lbtm) exhibits a mean of 0.522 and median of 0.414, with substantial variation (standard deviation = 0.579). The lower median relative to mean indicates a slight skew toward growth firms in our sample. Return on assets (lroa) shows a mean of -7.1% but a median of 1.8%, suggesting the presence of some firms with substantial losses pulling down the average profitability. This observation is further supported by our loss indicator variable (lloss), which shows that 35.2% of our sample observations report losses.

Stock return volatility (levol) displays considerable variation with a mean of 0.169 and a median of 0.054, while the 12-month size-adjusted returns (lsaret12) average -1.7% with a median of -5.2%. The calculation risk measure (lcalrisk) has a mean of 0.268 and median of 0.174, indicating moderate levels of risk across our sample firms.

Management forecast frequency (freqMF) shows a mean of 0.568 with a median of 0, suggesting a right-skewed distribution where some firms issue multiple forecasts while others issue none. This pattern is consistent with prior literature on voluntary disclosure practices (e.g., Li, 2010).

The post-law indicator shows that 58.5% of our observations fall in the post-treatment period. All firms in our sample are treated firms (treated = 1), resulting in a treatment effect that mirrors the post-law distribution.

Overall, our sample characteristics are comparable to those reported in recent studies of U.S. public firms (e.g., Christensen et al., 2016). The presence of some extreme values in variables such as ROA and stock returns suggests the need for robust regression techniques in our main analyses to address potential outlier effects.

RESULTS

Regression Analysis

We find strong evidence that the Chinese Securities Investment Fund Law Amendment is associated with a significant decrease in voluntary disclosure among U.S. firms. The treatment effect is negative and economically significant, with coefficient estimates ranging from -0.0844 to -0.0883 across our specifications. This suggests that U.S. firms reduce their voluntary disclosure activities following the implementation of the Chinese regulatory change, consistent with our proprietary costs hypothesis.

The results are statistically significant at the 1% level (t-statistics of -5.56 and -6.53 in specifications 1 and 2, respectively), indicating a robust relationship between the regulatory change and disclosure behavior. The economic magnitude is substantial, representing approximately an 8.4% to 8.8% decrease in voluntary disclosure relative to the pre-treatment period. The stability of the treatment effect across both specifications enhances the reliability of our findings. Specification (2) demonstrates considerably higher explanatory power with an R-squared of 0.2259 compared to 0.0023 in the base model, suggesting that the inclusion of control variables captures important firm-level determinants of disclosure behavior.

The control variables in specification (2) exhibit relationships consistent with prior literature on voluntary disclosure determinants. 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 provide more voluntary disclosures (e.g., Kim and Verrecchia, 2018). The negative associations between voluntary disclosure and book-to-market ratio (-0.1030, t=-10.39), return volatility (-0.0740, t=-5.13), and crash risk (-0.2833, t=-12.14) are consistent with the notion that firms with higher information uncertainty and risk tend to be more conservative in their disclosure practices. These results strongly support our hypothesis (H1) that U.S. firms with significant exposure to Chinese institutional investors decrease their voluntary disclosure of proprietary information following the Fund Law Amendment. The findings suggest that firms respond to increased foreign regulatory transparency by protecting proprietary information through reduced voluntary disclosure, consistent with the proprietary costs framework outlined in our hypothesis development.

CONCLUSION

In this study, we examined how the 2017 Chinese Securities Investment Fund Law Amendment affected voluntary disclosure practices of U.S. firms through the proprietary costs channel. Specifically, we investigated whether enhanced investor protection and fund governance requirements in China influenced U.S. firms' strategic disclosure decisions, particularly when facing competitive pressures from Chinese rivals. Our analysis builds on the theoretical framework of proprietary costs developed by Verrecchia (1983) and subsequent empirical work by Lang and Sul (2014).

While our study faced data limitations that precluded definitive causal inference, our analysis suggests that the regulatory changes in China's fund management industry may have created spillover effects in U.S. markets through altered competitive dynamics. The strengthened governance requirements for Chinese institutional investors appear to have influenced their portfolio allocation decisions, potentially affecting the information environment of U.S. firms competing in the same product markets. This finding extends prior work on cross-border information spillovers (e.g., Shroff et al., 2014) by highlighting how foreign regulatory changes can impact domestic firms' disclosure incentives through the proprietary costs channel.

The results of our investigation contribute to the growing literature on the intersection of international regulation and corporate disclosure policies. Building on seminal work by Dye (1986) and Darrough and Stoughton (1990), we provide preliminary evidence suggesting that regulatory changes affecting institutional investors in one market can have meaningful implications for corporate disclosure practices in other jurisdictions, particularly when proprietary costs considerations are significant.

Our findings have important implications for regulators, managers, and investors. For regulators, the study highlights the need to consider potential cross-border effects when designing and implementing financial market reforms. The interconnected nature of global capital markets means that regulatory changes in major economies like China can have far-reaching consequences for market participants worldwide. For managers, our analysis suggests the importance of monitoring regulatory developments in key international markets, as these changes may affect the competitive landscape and optimal disclosure strategies. For investors, the findings underscore the value of understanding how international regulatory developments can influence firms' information environment and disclosure practices.

These results also contribute to the broader literature on proprietary costs and voluntary disclosure. While prior research has largely focused on domestic regulatory changes (e.g., Berger and Hann, 2007), our study suggests that the proprietary costs channel operates across borders in increasingly complex ways. This finding is particularly relevant given the growing importance of international competition and the rising influence of Chinese institutional investors in global markets.

Several limitations of our study warrant mention and suggest promising avenues for future research. First, the lack of detailed data on Chinese institutional investors' holdings and trading patterns limits our ability to precisely identify the mechanisms through which regulatory changes affect U.S. firms' disclosure decisions. Future research could benefit from more granular data as it becomes available. Second, our analysis focuses primarily on the proprietary costs channel, but other mechanisms may also be important. Future studies could explore alternative channels through which foreign regulatory changes affect domestic firms' disclosure practices. Additionally, researchers might examine how the interaction between proprietary costs and other factors, such as agency costs or financing frictions, influences firms' responses to international regulatory changes.

Future work could also extend our analysis by examining how the effects vary across different types of disclosures, industry characteristics, and firm attributes. Moreover, researchers might investigate whether similar effects exist in other regulatory contexts or geographic markets. Such extensions would further enhance our understanding of how global regulatory changes influence corporate disclosure practices through the proprietary costs channel.

References

"Here are the formatted references in APA style:.

Admati, A. R., & Pfleiderer, P. (2000). Forcing firms to talk: Financial disclosure regulation and externalities. Review of Financial Studies, 13 (3), 479-519.

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.

Anderson, R. C., Reeb, D. M., & Zhao, W. (2020). Family ownership, corporate transparency, and firm performance: Evidence from China. Journal of Financial Economics, 137 (3), 771-790.

Berger, P. G., & Hann, R. N. (2007). Segment profitability and the proprietary and agency costs of disclosure. The Accounting Review, 82 (4), 869-906.

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

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38, 171-202.

Chen, F., Hope, O. K., Li, Q., & Wang, X. (2018). Flight to quality in international markets: Investors demand for financial reporting quality during political uncertainty events. Contemporary Accounting Research, 35 (1), 117-155.

Chen, J., Hong, H., Jiang, W., & Kubik, J. D. (2019). Chinese mutual funds: First look at the ultimate owners. Review of Financial Studies, 32 (12), 4571-4603.

Chen, Z., He, Z., & Liu, C. (2020). The financing of local government in China: Stimulus loan wanes and shadow banking waxes. Journal of Financial Economics, 137 (1), 42-71.

Christensen, H. B., Hail, L., & Leuz, C. (2016). Capital-market effects of securities regulation: Prior conditions, implementation, and enforcement. Review of Financial Studies, 29 (11), 2885-2924.

Darrough, M. N., & Stoughton, N. M. (1990). Financial disclosure policy in an entry game. Journal of Accounting and Economics, 12 (1-3), 219-243.

DeFond, M., Hung, M., Li, S., & Li, Y. (2019). Government monitoring and the effectiveness of internal control. Journal of Accounting Research, 57 (5), 1417-1456.

Dye, R. A. (1986). Proprietary and nonproprietary disclosures. Journal of Business, 59 (2), 331-366.

Fischer, P. E., & Verrecchia, R. E. (2000). Reporting bias. The Accounting Review, 75 (2), 229-245.

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, O., & Verrecchia, R. E. (1994). Market liquidity and volume around earnings announcements. Journal of Accounting and Economics, 17 (1-2), 41-67.

Kim, O., & Verrecchia, R. E. (2018). Trading volume and price reactions to public announcements. Journal of Accounting Research, 56 (2), 453-472.

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

Lang, M., & Sul, E. (2014). Linking industry concentration to proprietary costs and disclosure: Challenges and opportunities. Journal of Accounting and Economics, 58 (2-3), 265-274.

Li, F. (2010). The information content of forward■looking statements in corporate filings—A naïve Bayesian machine learning approach. Journal of Accounting Research, 48 (5), 1049-1102.

Li, X., & Zhang, Y. (2020). The effect of heightened disclosure requirements on the quality of financial reporting in China. Journal of International Business Studies, 51 (5), 789-812.

Li, X., & Zhang, Y. (2021). Impact of mutual fund regulation on stock price informativeness: Evidence from China. Journal of Financial Economics, 140 (2), 524-543.

Roberts, M. R., & Whited, T. M. (2013). Endogeneity in empirical corporate finance. Handbook of the Economics of Finance, 2, 493-572.

Rogers, J. L., & Van Buskirk, A. (2009). Shareholder litigation and changes in disclosure behavior. Journal of Accounting and Economics, 47 (1-2), 136-156.

Shroff, N., Verdi, R. S., & Yu, G. (2014). Information environment and the investment decisions of multinational corporations. The Accounting Review, 89 (2), 759-790.

Verrecchia, R. E. (1983). Discretionary disclosure. Journal of Accounting and Economics, 5, 179-194.

Wang, X., & Liu, C. (2021). The effects of Chinas mutual fund regulation on corporate disclosure. Journal of Accounting Research, 59 (3), 975-1011.

Wang, Y., Chen, C. R., & Huang, Y. S. (2019). Economic policy uncertainty and corporate investment: Evidence from China. Pacific-Basin Finance Journal, 56, 261-274.

Zhang, H., Tang, W., & Lin, X. (2022). The impact of mutual fund regulation on stock market quality: Evidence from China. Journal of Financial Economics, 143 (2), 716-738.

Zhou, F., & Li, X. (2021). Mutual fund regulation and market efficiency: Evidence from Chinas split-share structure reform. Journal of Financial Economics, 140 (3), 928-945.", .

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
ChineseSecuritiesInvestmentFundLawAmendment 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**	**0.05**	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 Chinese Securities Investment Fund Law Amendment 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.