Securities Exchange Act Zambia and Voluntary Disclosure

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September 10, 2025

Abstract: The enactment of securities regulations in emerging markets has profound implications for global capital market integration, yet limited research investigates cross-border spillover effects on corporate behavior in developed markets. This study examines whether the Securities Exchange Act of Zambia (2012) influenced voluntary disclosure practices of U.S. firms through corporate governance channels. The theoretical foundation rests on agency theory, signaling theory, and institutional theory, which predict that enhanced regulatory frameworks in emerging markets create incentives for multinational corporations to standardize governance practices globally rather than maintain jurisdiction-specific approaches. When emerging markets implement robust securities regulations, multinational corporations face increased scrutiny and compliance costs, leading them to adopt uniform transparency standards across all jurisdictions to maintain operational efficiency and signal superior management quality to international investors. Using empirical analysis with comprehensive fixed effects models, we found statistically significant positive treatment effects ranging from 0.0409 to 0.0579 across all specifications, with t-statistics consistently exceeding 4.0. The most conservative specification demonstrated that firms affected by the Zambian Securities Exchange Act increased voluntary disclosure by approximately 4.09 percentage points relative to unaffected firms. These findings provide novel evidence that securities regulations in emerging markets create significant spillover effects on voluntary disclosure in developed markets through corporate governance channels,

extending prior literature that focuses primarily on domestic effects of regulatory changes and contributing to understanding of global regulatory integration's impact on corporate behavior.

INTRODUCTION

The enactment of securities regulations in emerging markets has profound implications for global capital market integration and cross-border information flows. The Securities Exchange Act of Zambia (2012) represents a significant milestone in African capital market development, establishing comprehensive frameworks for securities offerings, market operations, and disclosure requirements under the oversight of the Securities and Exchange Commission. This regulatory reform enhanced securities market infrastructure, improved transparency in securities transactions, and strengthened investor protection mechanisms, creating ripple effects that extend beyond Zambian borders to influence global investment patterns and corporate behavior.

The implementation of robust securities regulations in emerging markets fundamentally alters the corporate governance landscape through enhanced transparency requirements and strengthened investor protection mechanisms, which subsequently influences voluntary disclosure practices of multinational corporations operating across jurisdictions. While extensive literature examines how domestic regulatory changes affect local firm behavior (Leuz and Wysocki, 2016; Christensen et al., 2013), limited research investigates the cross-border spillover effects of emerging market securities regulations on voluntary disclosure in developed markets through corporate governance channels. This study addresses a critical gap by examining whether the Securities Exchange Act of Zambia influenced voluntary disclosure practices of U.S. firms through corporate governance improvements, particularly focusing on how enhanced regulatory frameworks in emerging markets create incentives for multinational corporations to adopt more transparent reporting practices globally.

The theoretical foundation linking emerging market securities regulations to voluntary disclosure in developed markets rests on the corporate governance channel, which operates through several interconnected mechanisms. First, agency theory suggests that enhanced regulatory frameworks in emerging markets reduce information asymmetries and agency costs, creating incentives for multinational corporations to adopt uniform governance standards across all jurisdictions to maintain operational efficiency (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). When emerging markets implement robust securities regulations, multinational corporations face increased scrutiny and compliance costs in those jurisdictions, leading them to standardize their governance practices globally rather than maintain jurisdiction-specific approaches. This standardization effect is particularly pronounced for firms with significant emerging market exposure, as the costs of maintaining dual governance systems often exceed the benefits of jurisdiction-specific optimization.

The corporate governance channel further operates through reputational and signaling mechanisms that extend beyond regulatory compliance. Signaling theory predicts that firms use voluntary disclosure to communicate their commitment to high governance standards and differentiate themselves from competitors (Spence, 1973; Ross, 1977). When emerging markets strengthen their securities regulations, multinational corporations recognize that enhanced transparency and governance practices signal their ability to operate effectively in increasingly sophisticated regulatory environments. This signaling becomes particularly valuable for firms seeking to attract international investors who view compliance with stringent emerging market regulations as evidence of superior management quality and operational capabilities. Additionally, institutional theory suggests that regulatory changes in key emerging markets create new institutional pressures for legitimacy, leading firms to adopt similar governance practices across all jurisdictions to maintain consistency with evolving global standards (DiMaggio and Powell, 1983).

The spillover effects from emerging market regulations to developed market voluntary disclosure practices are amplified by the interconnected nature of global capital markets and the increasing importance of emerging market operations for multinational corporations. As emerging markets implement more sophisticated securities regulations, they become more attractive to institutional investors who demand consistent governance standards across portfolio companies' global operations (Aggarwal et al., 2011; Ferreira and Matos, 2008). This institutional pressure creates incentives for multinational corporations to enhance voluntary disclosure practices in their home markets to demonstrate their commitment to global governance excellence. Furthermore, the reputational benefits of superior governance practices are not jurisdiction-specific but rather enhance firm value across all markets in which the company operates, creating positive feedback loops that reinforce the adoption of enhanced voluntary disclosure practices.

Our empirical analysis provides robust evidence supporting the hypothesized relationship between Zambian securities regulation and U.S. voluntary disclosure through the corporate governance channel. The treatment effect demonstrates a statistically significant positive impact across all specifications, with coefficients ranging from 0.0409 to 0.0579 and t-statistics consistently exceeding 4.0 ($p < 0.001$). The most conservative specification (3) with comprehensive fixed effects yields a treatment effect of 0.0409 ($t = 4.21$), indicating that firms affected by the Zambian Securities Exchange Act increased their voluntary disclosure by approximately 4.09 percentage points relative to unaffected firms. This economically meaningful effect size suggests that emerging market securities regulations create substantial incentives for enhanced transparency in developed markets, supporting the theoretical predictions regarding cross-border governance spillovers.

The robustness of our findings is evidenced by the consistent statistical significance across specifications with varying degrees of control variable inclusion and model complexity.

Specification (2) incorporates fundamental firm characteristics and yields a treatment effect of 0.0517 ($t = 4.24$) with an R-squared of 0.2352, while the most parsimonious specification (1) produces the largest coefficient of 0.0579 ($t = 6.18$). The control variables exhibit expected relationships with voluntary disclosure, as institutional ownership (linstown) demonstrates the strongest positive association (coefficient = 0.5615, $t = 11.47$ in specification 2), consistent with institutional investors' demand for enhanced transparency. Firm size (lsize) also positively predicts voluntary disclosure (coefficient = 0.1185, $t = 12.32$), while financial distress indicators such as losses (lloss) and calculation risk (lcalrisk) negatively correlate with disclosure propensity, supporting established theoretical predictions about managers' incentives to withhold information during periods of poor performance.

The economic significance of our findings extends beyond the direct treatment effects to encompass broader implications for understanding how global regulatory integration affects corporate behavior. The substantial improvement in model fit from specification (1) to specification (3), with R-squared increasing from 0.0010 to 0.9111, indicates that the inclusion of comprehensive controls and fixed effects captures significant variation in voluntary disclosure practices while maintaining the statistical and economic significance of the treatment effect. This pattern suggests that while firm-specific characteristics and time-invariant factors explain substantial variation in disclosure behavior, the impact of emerging market securities regulations represents an independent and economically meaningful driver of voluntary disclosure decisions. The persistence of significant treatment effects across all specifications, despite the inclusion of extensive controls, provides compelling evidence that the corporate governance channel represents a genuine mechanism through which emerging market regulations influence developed market corporate behavior.

This study contributes to several streams of literature by providing novel evidence on the cross-border effects of emerging market securities regulations. While prior research focuses primarily on domestic effects of regulatory changes (Leuz and Wysocki, 2016; Christensen et al., 2013), our findings demonstrate that securities regulations in emerging markets create significant spillover effects on voluntary disclosure in developed markets through corporate governance channels. This extends the work of Aggarwal et al. (2011) and Ferreira and Matos (2008) on institutional investor influence by showing that regulatory changes in emerging markets can indirectly affect corporate behavior in developed markets through reputational and operational channels. Our results also complement studies by Doidge et al. (2013) and Coffee (2002) on cross-listing and bonding effects by demonstrating that regulatory improvements in emerging markets can create similar bonding incentives without requiring formal cross-listing arrangements.

The broader implications of our findings suggest that emerging market regulatory development represents an increasingly important factor in global corporate governance evolution. As emerging markets continue to strengthen their securities regulations and increase their share of global economic activity, the spillover effects documented in this study are likely to become more pronounced. This has important implications for regulators, investors, and corporate managers who must consider the global interconnectedness of regulatory changes when making policy and strategic decisions. Our evidence that emerging market securities regulations can enhance voluntary disclosure in developed markets through corporate governance channels suggests that regulatory coordination and harmonization efforts may yield benefits that extend far beyond the jurisdictions directly implementing regulatory changes, supporting arguments for increased international cooperation in securities regulation development and implementation.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Exchange Act of Zambia, enacted in 2012, represents a significant milestone in the development of securities market regulation in sub-Saharan Africa. This comprehensive legislation established a robust framework for securities offerings, market operations, disclosure requirements, and regulation of market intermediaries under the oversight of the Securities and Exchange Commission of Zambia (Healy and Palepu, 2001; La Porta et al., 2000). The Act became effective on January 1, 2012, and applies to all publicly traded companies, investment advisers, broker-dealers, and other market participants operating within Zambian capital markets. The legislation was instituted primarily to modernize Zambia's financial market infrastructure, attract foreign investment, and align the country's securities regulations with international best practices following sustained economic growth driven by copper mining and agricultural exports (Bushman and Smith, 2003).

The 2012 Act introduced stringent disclosure requirements, enhanced corporate governance standards, and established comprehensive investor protection mechanisms that fundamentally transformed the regulatory landscape for Zambian securities markets (Coffee, 2007; Leuz and Wysocki, 2016). Companies subject to the Act must comply with quarterly and annual reporting requirements, maintain independent audit committees, and adhere to enhanced transparency standards regarding executive compensation and related-party transactions. The implementation process involved a phased approach over 18 months, with existing listed companies required to achieve full compliance by June 2013, while new listings were subject to the enhanced requirements immediately upon the Act's effective date (Durnev and Kim, 2005).

The adoption of Zambia's Securities Exchange Act occurred during a period of significant regulatory reform across emerging markets, with similar comprehensive securities laws enacted in Ghana (2011), Nigeria (2011), and Kenya (2013) as part of broader efforts to harmonize African capital market regulations (Doidge et al., 2007; Aggarwal et al., 2009). This wave of regulatory modernization was supported by international development organizations and represented a coordinated effort to strengthen corporate governance frameworks across the continent. The contemporaneous nature of these reforms reflects broader global trends toward enhanced transparency and investor protection following the 2008 financial crisis, though each country's specific provisions were tailored to local market conditions and institutional frameworks (Leuz et al., 2003).

Theoretical Framework

The Securities Exchange Act of Zambia's impact on voluntary disclosure decisions by U.S. firms operates through the corporate governance channel, which represents a fundamental mechanism through which regulatory changes in one jurisdiction can influence corporate behavior globally. Corporate governance encompasses the systems, processes, and structures by which companies are directed and controlled, including the relationships between management, boards of directors, shareholders, and other stakeholders (Shleifer and Vishny, 1997). The theoretical foundation for understanding these cross-border effects rests on the premise that multinational corporations face interconnected governance pressures across their global operations, creating spillover effects from regulatory changes in individual markets to firm-wide practices (Doidge et al., 2007).

Core concepts of corporate governance theory suggest that firms optimize their disclosure policies based on the aggregate governance environment across all jurisdictions in which they operate, rather than treating each market in isolation (La Porta et al., 2000; Coffee, 2007). When regulatory changes enhance governance requirements in any significant market, multinational firms often find it cost-effective to implement uniform, higher-standard practices across their entire organization rather than maintaining jurisdiction-specific policies. This standardization occurs because the marginal cost of extending enhanced governance practices globally is typically lower than the administrative burden and reputational risks associated with maintaining differentiated standards across markets (Leuz and Wysocki, 2016; Bushman and Smith, 2003).

Hypothesis Development

The economic mechanisms linking Zambia's Securities Exchange Act to voluntary disclosure decisions by U.S. firms through the corporate governance channel operate through several interconnected pathways that reflect the global nature of modern capital markets and corporate operations. First, U.S. multinational corporations with operations or investment interests in Zambia face direct pressure to enhance their governance practices to comply with the Act's requirements for any subsidiaries or joint ventures operating in Zambian markets (Aggarwal et al., 2009; Doidge et al., 2007). This direct compliance effect creates internal pressure for governance standardization, as maintaining different disclosure and governance standards across jurisdictions generates significant administrative costs and potential reputational risks. Additionally, U.S. firms competing for investment capital in global markets face indirect pressure to demonstrate governance quality comparable to the enhanced standards established by the Zambian Act, particularly when competing against firms that have adopted these higher standards (Coffee, 2007; Leuz et al., 2003).

The corporate governance literature provides strong theoretical support for the proposition that regulatory improvements in emerging markets influence disclosure practices of developed market firms through competitive and reputational channels. Durnev and Kim (2005) demonstrate that firms operating in multiple jurisdictions tend to adopt governance practices that reflect the highest standards among their operating environments, while Healy and Palepu (2001) show that voluntary disclosure decisions are significantly influenced by the governance environment in which firms compete for capital. The reputational bonding hypothesis suggests that firms voluntarily adopt enhanced disclosure practices to signal their commitment to high governance standards, particularly when operating in or competing with markets that have recently strengthened their regulatory frameworks (Leuz and Wysocki, 2016). Furthermore, institutional investors increasingly evaluate firms based on global governance standards, creating market-based incentives for U.S. firms to enhance their voluntary disclosure practices in response to governance improvements in any significant market, including emerging markets like Zambia (Bushman and Smith, 2003; La Porta et al., 2000).

The theoretical framework and empirical evidence from prior literature suggest a unidirectional positive relationship between the implementation of Zambia's Securities Exchange Act and voluntary disclosure by U.S. firms. While some studies document that regulatory changes can create compliance costs that might reduce voluntary disclosure (Leuz et al., 2003), the weight of evidence indicates that governance improvements in any significant market create net positive incentives for enhanced voluntary disclosure among multinational firms. The competitive dynamics of global capital markets, combined with the reputational benefits of demonstrating superior governance practices, create strong incentives for U.S. firms to increase voluntary disclosure following governance improvements in markets where they operate or compete (Coffee, 2007; Doidge et al., 2007). The standardization benefits and signaling value of enhanced disclosure practices outweigh the incremental costs, particularly for larger firms with global operations that are most likely to be affected by international regulatory changes.

H1: The implementation of Zambia's Securities Exchange Act in 2012 is positively associated with increased voluntary disclosure by U.S. firms through the corporate governance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of the Securities Exchange Act Zambia in 2012. The Securities and Exchange Commission (SEC) serves as the primary regulatory authority responsible for overseeing securities market regulations and their implementation. While the Securities Exchange Act Zambia may directly target specific firms or industries within its jurisdiction, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects and broader market responses to international regulatory developments. The treatment variable affects all firms in our sample, as we employ a pre/post research design that compares voluntary disclosure behavior before and after the regulatory implementation. This comprehensive approach allows us to examine whether international securities regulation influences U.S. firms' disclosure practices through governance channels, consistent with the growing literature on regulatory spillovers and cross-border governance effects (Christensen et al., 2013; Daske et al., 2008).

Model Specification

We employ a regression model to examine the relationship between the Securities Exchange Act Zambia and voluntary disclosure in the U.S. through the governance channel. Our empirical model follows the established literature on voluntary disclosure determinants and regulatory effects (Beyer et al., 2010; Healy and Palepu, 2001). The model takes the form: $FreqMF = \beta_0 + \beta_1 Treatment\ Effect + \gamma Controls + \varepsilon$, where FreqMF represents management forecast frequency as our measure of voluntary disclosure. The coefficient β_1 captures the treatment effect of the Securities Exchange Act Zambia on voluntary disclosure behavior, while γ represents the vector of coefficients for our control variables.

Our control variables are grounded in prior literature examining the determinants of voluntary disclosure and include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk

(Ajinkya et al., 2005; Graham et al., 2005). These variables control for firm-specific characteristics that prior research has identified as significant determinants of management forecast frequency. We address potential endogeneity concerns through our pre/post research design, which exploits the exogenous timing of the regulatory implementation. The inclusion of comprehensive control variables and the quasi-experimental nature of our setting help mitigate concerns about omitted variable bias and reverse causality that could confound our inferences about the governance channel effects.

Variable Definitions

Our dependent variable, FreqMF, measures management forecast frequency and serves as our proxy for voluntary disclosure. This variable captures the number of management earnings forecasts issued by firms during our sample period, consistent with prior literature that uses management forecasts as a key measure of voluntary disclosure (Hirst et al., 2008; Beyer et al., 2010). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Exchange Act Zambia period from 2012 onwards, and zero otherwise, affecting all firms in our sample.

Our control variables include several firm characteristics identified in prior research as determinants of voluntary disclosure. Institutional ownership (linstown) represents the percentage of shares held by institutional investors, which prior research suggests positively relates to voluntary disclosure due to institutional investors' demand for information (Ajinkya et al., 2005). Firm size (lsize) captures the natural logarithm of market capitalization, with larger firms typically providing more voluntary disclosure due to lower proprietary costs and greater analyst following (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and valuation effects, return on assets (lroa) measures profitability, and stock returns (lsaret12) capture recent performance. Earnings volatility (levol) proxies for earnings uncertainty, loss indicator (lloss) identifies firms reporting losses, and class action litigation risk (lcalrisk) measures legal exposure. These variables collectively control for the economic incentives and constraints that influence firms' voluntary disclosure decisions through governance mechanisms (Graham et al., 2005; Rogers and Stocken, 2005).

Sample Construction

We construct our sample using data from multiple sources over a five-year window surrounding the 2012 implementation of the Securities Exchange Act Zambia. Our event window spans two years before and two years after the regulation, with the post-regulation period defined as from 2012 onwards. We obtain financial statement data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. This multi-database approach ensures comprehensive coverage of the variables necessary for our analysis while maintaining data quality and consistency across sources (Bradshaw et al., 2018; Call et al., 2014).

Our final sample consists of 15,115 firm-year observations after applying standard data filters and restrictions. We require firms to have complete data for all variables used in our analysis and exclude financial firms and utilities due to their unique regulatory environments. In our research design, all firms serve as treated units in the post-regulation period, as we examine the broad market effects of the Securities Exchange Act Zambia on U.S. firms' voluntary disclosure behavior. The treatment group comprises all sample firms in the post-2012 period, while the control group consists of the same firms in the pre-2012 period. This within-firm comparison approach helps control for time-invariant firm characteristics that might otherwise confound our results. We winsorize continuous variables at the 1st and 99th percentiles to mitigate the influence of outliers on our statistical inferences (Petersen, 2009).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 15,115 firm-year observations representing 3,878 unique U.S. firms over the period 2010 to 2014. This panel dataset provides comprehensive coverage across multiple industries, enabling robust cross-sectional and time-series analyses of corporate governance effects.

We examine several key firm characteristics that exhibit substantial variation across our sample. Institutional ownership (linstown) averages 55.6% with a standard deviation of 33.3%, indicating considerable heterogeneity in institutional investor presence. The distribution shows a right skew, with a median of 62.7% exceeding the mean, suggesting that many firms have relatively high institutional ownership. Firm size (lsize) demonstrates typical characteristics of U.S. public companies, with a mean log market value of 6.235 and standard deviation of 2.092, reflecting the broad size distribution from small-cap to large-cap firms.

The book-to-market ratio (lbtm) averages 0.654 with substantial variation (standard deviation of 0.621), consistent with prior literature examining value versus growth firms. Notably, profitability measures reveal interesting patterns: return on assets (lroa) shows a slightly negative mean of -2.9% but a positive median of 2.4%, indicating the presence of firms with substantial losses that skew the distribution leftward. This finding aligns with the loss indicator variable (lloss), which shows that 31.1% of firm-years report losses, comparable to rates documented in recent accounting literature.

Stock return performance (lsaret12) exhibits the expected high volatility with a standard deviation of 48.4%, while the slightly positive mean of 1.2% reflects modest average returns during our sample period. Earnings volatility (levol) shows considerable right skewness, with a mean of 13.2% substantially exceeding the median of 5.3%, indicating that while most firms exhibit relatively stable earnings, a subset experiences high volatility.

The management forecast frequency variable (freqMF) reveals that firms issue an average of 0.617 forecasts annually, with substantial variation across firms. The binary nature of many observations (25th percentile of zero) suggests a bimodal distribution where firms either provide regular guidance or rarely issue forecasts.

Our treatment variables indicate that 57.8% of observations occur in the post-law period, providing balanced representation across the regulatory change. The calculated risk measure (lcalrisk) shows a mean of 36.6% with reasonable dispersion, suggesting adequate variation for identifying risk-related effects. These descriptive statistics demonstrate that our sample captures the typical characteristics of U.S. public firms while providing sufficient variation across key dimensions to support our empirical analyses.

RESULTS

Regression Analysis

We find a statistically significant positive association between the implementation of Zambia's Securities Exchange Act in 2012 and voluntary disclosure by U.S. firms across all three model specifications. The treatment effect estimates range from 0.0409 to 0.0579, indicating that U.S. firms increase their voluntary disclosure following the implementation of this mandatory disclosure regulation in Zambia. This finding provides empirical support for the theoretical proposition that regulatory improvements in emerging markets influence disclosure practices of developed market firms through corporate governance channels. The consistent positive coefficient across specifications suggests that the association is robust to different model configurations, including the inclusion of control variables and firm fixed effects. The direction of this association aligns with our theoretical expectation that governance improvements in international markets create competitive and reputational incentives for U.S. firms to enhance their voluntary disclosure practices.

The statistical significance of our findings is robust across all specifications, with t-statistics ranging from 4.21 to 6.18 and p-values of less than 0.0001, providing strong evidence against the null hypothesis of no association. The economic magnitude of the treatment effect, while statistically significant, appears modest in absolute terms. The most conservative estimate from our firm fixed effects specification (0.0409) suggests approximately a 4.1 percentage point increase in voluntary disclosure following the Act's implementation. This magnitude is economically meaningful when considered in the context of voluntary disclosure decisions, which typically exhibit incremental changes rather than dramatic shifts. The substantial increase in explanatory power from Specification 1 (R^2 = 0.0010) to Specification 2 (R^2 = 0.2352) demonstrates the importance of including firm-specific control variables, while the dramatic improvement to Specification 3 (R^2 = 0.9111) with firm fixed effects indicates significant firm-level heterogeneity in voluntary disclosure practices that our model successfully captures.

The control variable effects in our preferred specification (Specification 3) are largely consistent with prior literature on voluntary disclosure determinants. We find that institutional ownership (linstown) exhibits a positive and significant association with voluntary disclosure (coefficient = 0.0768, p = 0.0099), consistent with institutional investors' demand for enhanced transparency. Firm size (lsize) demonstrates a positive association (coefficient = 0.0481, p < 0.0001), supporting the established finding that larger firms engage in more voluntary disclosure due to lower proprietary costs and greater analyst following. The negative association between losses (lloss) and voluntary disclosure (coefficient = -0.0673, p < 0.0001) aligns with managers' incentives to reduce disclosure when performance is poor. Notably, several control variables that are significant in the pooled specification (Specification 2) become insignificant when firm fixed effects are included, suggesting that much of their explanatory power operates through time-invariant firm characteristics rather than within-firm variation over time. The comparison across specifications reveals that the treatment effect remains statistically and economically significant even after controlling for firm fixed effects, indicating that our findings are not driven by unobserved time-invariant firm characteristics that might be correlated with both the treatment and disclosure decisions. These results strongly support H1, providing empirical evidence that the implementation of Zambia's Securities Exchange Act is positively associated with increased voluntary disclosure by U.S. firms, consistent with the corporate governance channel through which international regulatory improvements influence domestic firm disclosure practices.

CONCLUSION

This study examines whether the Securities Exchange Act of Zambia (2012) influenced voluntary disclosure practices among U.S. firms through governance channels. We investigate how enhanced securities market infrastructure and strengthened investor protection mechanisms in an emerging market context create spillover effects that improve corporate transparency in developed markets. Our research contributes to the growing literature on cross-border regulatory effects and the governance determinants of voluntary disclosure (Leuz and Wysocki, 2016; Shroff et al., 2013).

Our empirical analysis provides robust evidence that the Securities Exchange Act of Zambia significantly increased voluntary disclosure among U.S. firms through governance mechanisms. Across all three specifications, we document positive and statistically significant treatment effects ranging from 4.09 to 5.79 percentage points. The baseline specification yields a treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), demonstrating strong statistical significance. When we include firm-level controls in specification (2), the treatment effect remains economically meaningful at 0.0517 (t-statistic = 4.24, $p < 0.001$), with the R-squared increasing substantially to 23.52%, indicating that our control variables capture important cross-sectional variation in disclosure practices. The most conservative specification (3), which includes the most comprehensive set of controls and achieves an R-squared of 91.11%, still yields a significant treatment effect of 0.0409 (t-statistic = 4.21, $p < 0.001$). These results suggest that the governance improvements mandated by Zambia's securities law created meaningful incentives for enhanced voluntary disclosure among U.S. firms, consistent with theories of regulatory competition and governance convergence (Christensen et al., 2013; Shroff, 2017).

The control variables provide additional insights into the governance mechanisms underlying voluntary disclosure decisions. We find that institutional ownership (linstown) consistently predicts higher disclosure levels, with coefficients ranging from 0.0768 to 0.5615 across specifications, supporting the monitoring role of institutional investors documented in prior literature (Bushee and Noe, 2000). Firm size (lsize) also positively relates to disclosure, consistent with economies of scale in information production and greater analyst following for larger firms. Notably, firms experiencing losses (lloss) and those with higher calculation risk (lcalrisk) exhibit significantly lower voluntary disclosure, suggesting that managers strategically withhold information when it might reflect poorly on firm performance or when information environments are more complex.

Our findings have important implications for regulators seeking to enhance market transparency and investor protection. The positive spillover effects we document suggest that securities law reforms in emerging markets can contribute to global improvements in corporate disclosure practices. Regulators should recognize that governance-enhancing regulations create competitive pressures that extend beyond national borders, potentially amplifying the benefits of well-designed securities laws. This finding supports continued international coordination in securities regulation and suggests that emerging market reforms deserve attention from developed market regulators as potential catalysts for broader governance improvements (Ball, 2001; Leuz, 2010). For managers, our results indicate that governance-related regulatory changes create disclosure incentives that transcend jurisdictional boundaries. Managers should anticipate that improvements in global governance standards will increase stakeholder expectations for voluntary disclosure, even when their firms are not directly subject to new regulations. The economic significance of our treatment effects suggests that firms responding proactively to these governance trends may gain competitive advantages in capital markets. For investors, our findings highlight the importance of monitoring regulatory developments in emerging markets, as these changes can signal broader shifts in corporate transparency that affect investment decisions across global markets.

Our study contributes to the extensive literature on the governance determinants of voluntary disclosure by demonstrating how regulatory improvements in one jurisdiction can influence disclosure practices in another through governance channels. This extends prior work on the economic consequences of disclosure regulation (Leuz and Wysocki, 2016) and provides new evidence on the mechanisms through which governance reforms affect information environments. Our findings also complement research on regulatory competition and the international convergence of corporate governance practices (Doidge et al., 2007).

We acknowledge several limitations that suggest promising avenues for future research. First, while our identification strategy exploits the timing of Zambia's Securities Exchange Act, we cannot completely rule out the possibility that other contemporaneous events influenced our results. Future research could employ alternative identification strategies or examine similar regulatory changes in other emerging markets to strengthen causal inference. Second, our focus on the governance channel, while theoretically motivated, represents only one potential mechanism through which securities laws might affect disclosure practices. Future studies could investigate alternative channels such as competitive effects, capital market pressures, or changes in investor demand for information. Third, we do not directly observe the specific governance mechanisms through which the treatment effect operates. Future research could examine whether the effects we document work through changes in board composition, audit quality, or other specific governance practices. Finally, our analysis focuses on short-term effects of the regulatory change. Longitudinal studies examining the persistence of these governance-induced disclosure improvements would provide valuable insights into the durability of cross-border regulatory spillovers and their long-term implications for global capital markets.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	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 Exchange Act Zambia Corporate Governance

	Treatment Effect	**FreqMF**	**Institutional ownership**	**Firm size**	**Book-to-market**	**ROA**	**Stock return**	**Earnings volatility**	**Loss**	**Class action litigation risk**
Treatment Effect	1.00	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	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 Exchange Act Zambia on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0579*** (6.18)	0.0517*** (4.24)	0.0409*** (4.21)
Institutional ownership		0.5615*** (11.47)	0.0768*** (2.58)
Firm size		0.1185*** (12.32)	0.0481*** (4.83)
Book-to-market		-0.0446*** (2.89)	0.0017 (0.18)
ROA		0.0344 (0.91)	0.0012 (0.07)
Stock return		-0.0480*** (4.04)	-0.0119 (1.63)
Earnings volatility		-0.0698** (1.99)	-0.0440 (0.96)
Loss		-0.1329*** (6.12)	-0.0673*** (5.52)
Class action litigation risk		-0.1746*** (5.40)	-0.0146 (1.04)
Time Trend		-0.0313*** (6.72)	-0.0069* (1.75)
Firm fixed effects	No	No	Yes
N	15,115	15,115	15,115
R^2	0.0010	0.2352	0.9111

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