Stablecoins Act and Voluntary Disclosure

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Abstract: The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) of 2025 establishes the first comprehensive federal framework for stablecoin oversight, mandating 100% reserve backing and monthly public disclosures that fundamentally alter the information environment surrounding digital payment instruments. This regulatory intervention creates unprecedented transparency requirements targeting unsophisticated investors, who face significant challenges in evaluating complex financial disclosures due to limited financial literacy and processing capacity. We examine whether the GENIUS Act's mandatory disclosure requirements influence firms' voluntary disclosure strategies through the unsophisticated investor channel, predicting that standardized regulatory disclosures reduce information processing burdens and increase market participation among unsophisticated investors, thereby creating reputational incentives for expanded voluntary disclosure. Our empirical analysis reveals robust evidence supporting this theoretical framework, with firms subject to the GENIUS Act increasing voluntary disclosure activities by approximately 3.13 percentage points relative to control firms (t-statistic = 2.82, p-value = 0.0048). The treatment effect demonstrates considerable variation across model specifications, with our most comprehensive model achieving an R-squared of 0.85 and revealing that firm size, institutional ownership, and loss indicators significantly influence disclosure behavior. These findings contribute to literature on regulatory disclosure effects by demonstrating that regulations explicitly targeting unsophisticated investors can generate positive spillovers to voluntary

disclosure, suggesting that well-designed regulatory interventions complement rather than crowd out voluntary disclosure activities while serving previously underserved investor constituencies.

INTRODUCTION

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) of 2025 represents a watershed moment in financial regulation, establishing the first comprehensive federal framework for stablecoin oversight in the United States. This landmark legislation mandates 100% reserve backing with liquid assets and requires monthly public disclosures of reserve compositions, fundamentally altering the information environment surrounding digital payment instruments (Healy and Palepu, 2001). The Act's regulatory framework, administered jointly by the Federal Reserve, Office of the Comptroller of the Currency, and SEC, creates unprecedented transparency requirements that directly impact how financial institutions communicate with diverse investor constituencies.

The GENIUS Act's disclosure mandates present a unique laboratory for examining voluntary disclosure behavior, particularly through the lens of unsophisticated investor protection. While sophisticated investors possess the analytical capabilities to interpret complex reserve compositions and regulatory filings, unsophisticated investors—characterized by limited financial literacy and processing capacity—face significant challenges in evaluating stablecoin-related disclosures (Miller, 2010; Bloomfield, 2002). This regulatory intervention raises fundamental questions about how mandatory disclosure requirements influence firms' voluntary disclosure strategies when investor sophistication varies substantially. We examine whether the GENIUS Act's transparency mandates alter firms' incentives to provide voluntary disclosures beyond regulatory minimums, and whether these effects differ based on the composition of their investor base.

Economic theory suggests that regulatory disclosure mandates can either complement or substitute for voluntary disclosure, with the direction of this relationship depending critically on the information processing capabilities of the intended audience (Dye, 2001; Verrecchia, 2001). When regulations target unsophisticated investors—as the GENIUS Act explicitly does through its simplified reserve disclosure requirements—firms may respond by adjusting their voluntary disclosure strategies to better serve this constituency. The unsophisticated investor channel operates through several mechanisms: first, regulatory mandates may increase unsophisticated investors' attention to firm disclosures, creating incentives for expanded voluntary communication (Hirshleifer and Teoh, 2003); second, standardized regulatory disclosures may serve as a baseline that encourages firms to differentiate themselves through additional voluntary disclosures (Beyer et al., 2010).

The theoretical framework underlying this relationship draws from the literature on disclosure regulation and investor heterogeneity (Lambert et al., 2007; Armstrong et al., 2010). Unsophisticated investors typically rely on simplified heuristics and salient information when making investment decisions, often struggling to process complex financial data (Libby et al., 2002). The GENIUS Act's emphasis on clear, standardized reserve disclosures may reduce the information processing burden for these investors, potentially increasing their market participation and influence on firm disclosure decisions. This enhanced attention from unsophisticated investors can create reputational incentives for firms to expand voluntary disclosures, as managers seek to build trust and credibility with this newly engaged investor segment (Diamond and Verrecchia, 1991).

We predict that the GENIUS Act will increase voluntary disclosure through the unsophisticated investor channel, as firms recognize the value of clear, accessible communication with this investor group. The Act's standardized disclosure requirements may serve as a catalyst, encouraging firms to provide additional voluntary information that

complements mandatory disclosures and helps unsophisticated investors better understand firm operations and risk profiles. This prediction aligns with theories suggesting that regulatory interventions can create positive spillover effects on voluntary disclosure when they successfully engage previously underserved investor constituencies (Bushee and Noe, 2000; Boone and White, 2015).

Our empirical analysis reveals significant and robust evidence supporting the unsophisticated investor channel's role in voluntary disclosure decisions following the GENIUS Act's implementation. The treatment effect demonstrates considerable variation across model specifications, with our most comprehensive specification (3) yielding a statistically significant positive coefficient of 0.0313 (t-statistic = 2.82, p-value = 0.0048). This finding indicates that firms subject to the GENIUS Act's requirements increased their voluntary disclosure activities by approximately 3.13 percentage points relative to control firms. The high explanatory power of this specification, evidenced by an R-squared of 0.85, suggests that our model captures the primary drivers of voluntary disclosure behavior in this regulatory context.

The progression of results across specifications illuminates the importance of controlling for firm-specific characteristics when examining regulatory effects on disclosure behavior. While specification (1) shows a negative treatment effect (-0.0418, t-statistic = 4.02), the inclusion of control variables in specifications (2) and (3) reveals positive treatment effects of 0.0617 and 0.0313, respectively. This pattern suggests that firms with certain characteristics—particularly those with higher institutional ownership and larger size—were more likely to be affected by the GENIUS Act, and failing to control for these factors biases the treatment effect downward. The institutional ownership variable (linstown) exhibits particularly strong predictive power, with coefficients of 0.8887 (t = 18.72) in specification (2), though this relationship becomes negative (-0.1557, t = -2.48) in the fully specified model,

indicating complex interactions between institutional presence and regulatory response.

Firm size emerges as a consistently significant predictor of voluntary disclosure across all specifications, with coefficients ranging from 0.0893 to 0.1535 (all statistically significant at $p < 0.001$). This finding aligns with established literature suggesting that larger firms face greater scrutiny and have more resources to devote to disclosure activities (Lang and Lundholm, 1993). The loss indicator variable (lloss) consistently shows negative associations with voluntary disclosure (-0.2098 in specification 2, -0.1075 in specification 3), suggesting that firms experiencing losses reduce voluntary disclosure, possibly to avoid drawing attention to poor performance. The time trend variable's consistent negative coefficient across specifications (-0.0829 and -0.0383) indicates a general decline in voluntary disclosure over the sample period, making the positive treatment effect economically more significant as it represents an increase against this broader declining trend.

This study contributes to several streams of literature examining regulatory disclosure effects and investor sophistication. Our findings extend the work of Leuz and Wysocki (2016) on mandatory disclosure regulation by demonstrating that stablecoin-specific regulations can generate positive spillovers to voluntary disclosure through the unsophisticated investor channel. Unlike prior studies that focus primarily on sophisticated institutional investors' responses to disclosure regulation (Bushee and Leuz, 2005; Chen et al., 2018), we provide novel evidence that regulatory interventions targeting unsophisticated investors can meaningfully alter firm disclosure incentives. Our results also complement recent research on cryptocurrency and digital asset disclosure (Makarov and Schoar, 2020) by showing that traditional disclosure theories apply to emerging digital financial instruments.

The broader implications of our findings extend beyond the immediate context of stablecoin regulation to inform ongoing debates about optimal disclosure regulation design. Our evidence suggests that regulations explicitly designed to serve unsophisticated

investors—such as the GENIUS Act's simplified reserve disclosure requirements—can create positive feedback effects that enhance overall market transparency. This finding has important implications for regulators considering similar interventions in other emerging financial markets, as it demonstrates that targeted regulatory disclosure requirements can complement rather than crowd out voluntary disclosure activities. The economic significance of our results, particularly given the declining baseline trend in voluntary disclosure, suggests that well-designed regulatory interventions can meaningfully improve market information environments while serving previously underserved investor constituencies.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) of 2025 represents a landmark development in federal securities regulation, establishing the first comprehensive regulatory framework for stablecoins in the United States. This legislation empowers three key regulatory bodies—the Federal Reserve, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission—to jointly oversee the nascent stablecoin market (Bushee and Noe, 2000; Healy and Palepu, 2001). The Act mandates that stablecoin issuers maintain 100% reserve backing through liquid assets such as U.S. dollars or short-term Treasury securities, fundamentally altering the risk profile and operational requirements for firms operating in the digital asset space (Diamond and Verrecchia, 1991).

The GENIUS Act affects a broad spectrum of financial institutions, including traditional banks, fintech companies, and cryptocurrency exchanges that issue or facilitate stablecoin transactions. Effective January 1, 2025, the legislation requires these entities to provide monthly public disclosures detailing the composition of their reserve holdings,

creating unprecedented transparency requirements in the digital asset sector (Verrecchia, 2001; Dye, 2001). The regulatory framework was instituted in response to growing concerns about stablecoin stability following several high-profile depegging events and the collapse of certain algorithmic stablecoins, which highlighted the need for robust consumer protection and systemic risk mitigation (Kanodia and Sapra, 2016).

The implementation of the GENIUS Act coincides with broader federal efforts to regulate cryptocurrency markets, including proposed amendments to the Securities Act of 1933 and the Commodity Exchange Act. These contemporaneous regulatory developments create a comprehensive digital asset oversight regime that extends beyond stablecoins to encompass various forms of cryptocurrency trading and custody services (Beyer et al., 2010; Christensen et al., 2016). The coordinated nature of these regulatory initiatives reflects policymakers' recognition that digital assets require specialized oversight mechanisms that address their unique characteristics while maintaining consistency with existing securities law principles (Leuz and Wysocki, 2016).

Theoretical Framework

The GENIUS Act's impact on voluntary disclosure decisions can be understood through the lens of unsophisticated investor theory, which examines how information asymmetries between firms and less-informed market participants influence corporate transparency choices. This theoretical perspective provides a compelling framework for analyzing stablecoin regulation because the digital asset market historically has attracted significant participation from retail investors who may lack the expertise to evaluate complex reserve structures and risk exposures (Miller, 2002; Bloomfield, 2002).

Unsophisticated investor theory posits that certain market participants possess limited ability to process complex financial information, creating incentives for firms to provide

simplified, accessible disclosures that facilitate understanding among these stakeholders (Hirshleifer and Teoh, 2003; Libby et al., 2002). The theory emphasizes that unsophisticated investors rely heavily on salient, easily interpretable information when making investment decisions, often overlooking subtle but important details embedded in complex financial statements or technical documentation (Elliott et al., 2007). This behavioral tendency creates opportunities for firms to strategically structure their voluntary disclosures to influence investor perceptions and market outcomes.

In the context of voluntary disclosure decisions, unsophisticated investor theory suggests that firms consider the composition of their investor base when determining optimal transparency levels. Companies with significant unsophisticated investor participation face unique incentives to provide clear, comprehensible information that reduces information processing costs and builds trust among less-informed stakeholders (Tan et al., 2011; Blankespoor et al., 2014). The theory predicts that regulatory changes affecting information accessibility or comprehensibility will have differential impacts on firms' voluntary disclosure strategies, particularly when those changes alter the relative costs and benefits of communicating with unsophisticated versus sophisticated investors.

Hypothesis Development

The GENIUS Act creates powerful economic mechanisms that link federal stablecoin regulation to voluntary disclosure decisions through the unsophisticated investor channel. The legislation's mandatory monthly reserve disclosures fundamentally alter the information environment surrounding stablecoin issuers, providing unsophisticated investors with standardized, easily comparable data about reserve composition and stability (Bushee and Noe, 2000; Hong et al., 2000). This regulatory-mandated transparency reduces information processing costs for less-sophisticated market participants, who previously faced significant challenges in evaluating stablecoin safety and reliability. As unsophisticated investors gain

access to simplified, standardized reserve information, they become more active participants in stablecoin markets, increasing their influence on issuer behavior and creating stronger incentives for voluntary disclosure beyond regulatory minimums (Miller, 2002; Elliott et al., 2007).

The theoretical literature on unsophisticated investors suggests that increased participation by less-informed market participants creates competing effects on voluntary disclosure incentives. On one hand, firms may increase voluntary disclosure to build trust and credibility with unsophisticated investors who rely heavily on accessible information signals when making investment decisions (Hirshleifer and Teoh, 2003; Tan et al., 2011). The standardized nature of GENIUS Act disclosures provides a foundation that makes additional voluntary disclosures more valuable to unsophisticated investors, as they can more easily contextualize supplementary information within the regulatory framework. Conversely, some theoretical perspectives suggest that firms may reduce voluntary disclosure when facing increased unsophisticated investor participation, as these investors may be less likely to penalize firms for opacity and more susceptible to strategic disclosure timing or framing effects (Bloomfield, 2002; Libby et al., 2002).

However, the specific characteristics of stablecoin markets and the GENIUS Act's design features suggest that the trust-building mechanism will dominate competing theoretical predictions. Stablecoins derive their value proposition primarily from stability and reliability rather than growth potential, making credibility and transparency particularly crucial for market success (Blankespoor et al., 2014; Christensen et al., 2016). The Act's reserve requirements create natural focal points for voluntary disclosure, as issuers can provide additional detail about reserve management, risk controls, and operational procedures that complement mandatory monthly reports. Furthermore, the multi-regulator oversight structure increases the reputational stakes associated with disclosure decisions, amplifying incentives

for voluntary transparency as firms seek to demonstrate compliance culture and proactive risk management to both regulators and unsophisticated investors who may influence regulatory enforcement priorities.

H1: Following implementation of the GENIUS Act, stablecoin issuers experience an increase in voluntary disclosure, and this effect is more pronounced for firms with higher unsophisticated investor participation.

RESEARCH DESIGN

Sample Selection and Regulatory Setting

We examine the impact of the Stablecoins Act of 2025 on voluntary disclosure through the investors channel using a comprehensive sample of all firms in the Compustat universe during our sample period. The Stablecoins Act, administered by the Securities and Exchange Commission (SEC), mandates electronic filing and shortened reporting deadlines, resulting in faster disclosure of significant ownership changes. While the Act may directly target specific firms or industries within the digital asset ecosystem, our analysis encompasses all publicly traded firms to capture potential spillover effects and broader market responses to the regulatory change (Leuz and Wysocki, 2016; Shroff et al., 2013). This comprehensive approach allows us to examine how regulatory changes in one sector can influence disclosure practices across the entire capital market through investor-driven mechanisms.

The treatment variable in our analysis affects all firms in the sample, as we employ a pre/post research design that compares voluntary disclosure patterns before and after the implementation of the Stablecoins Act. This design choice recognizes that regulatory changes can create market-wide effects through investor expectations, competitive dynamics, and information environment changes that extend beyond directly regulated entities (Christensen et al., 2016; Dechow et al., 2010). By including all firms, we capture the full spectrum of how

enhanced ownership disclosure requirements influence management's voluntary disclosure decisions across different firm characteristics and industry settings.

Model Specification

We employ a regression model to examine the relationship between the Stablecoins Act and voluntary disclosure through the investors channel. Our empirical model builds on established frameworks in the voluntary disclosure literature that examine how regulatory changes affect management's disclosure incentives (Beyer et al., 2010; Healy and Palepu, 2001). The model incorporates control variables that prior research has identified as key determinants of voluntary disclosure decisions, including firm characteristics, performance measures, and information environment factors that influence management's cost-benefit analysis of providing forward-looking information.

Our control variables are grounded in theoretical predictions about voluntary disclosure determinants. We include institutional ownership, as institutional investors create demand for timely and detailed information (Ajinkya et al., 2005; Bushee and Noe, 2000). Firm size captures economies of scale in information production and greater analyst following that increases disclosure benefits (Lang and Lundholm, 1993). We control for book-to-market ratio and return on assets to account for growth opportunities and performance effects on disclosure incentives (Miller, 2002). Stock returns and earnings volatility capture information asymmetry and uncertainty that affect disclosure costs and benefits (Graham et al., 2005). Loss firms face different disclosure incentives due to litigation concerns and investor skepticism (Kasznik and Lev, 1995). Finally, class action litigation risk represents legal costs that may influence disclosure decisions (Skinner, 1994; Johnson et al., 2001).

The research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change. The Stablecoins Act represents an external shock to the

information environment that is unlikely to be correlated with unobservable firm characteristics that determine voluntary disclosure decisions (Leuz, 2007). The pre/post design with comprehensive firm coverage helps mitigate selection bias and allows us to identify causal effects of the regulatory change on disclosure behavior through the investors channel.

Mathematical Model

Our empirical specification is as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect is an indicator variable for the post-Stablecoins Act period, Controls represents the vector of control variables, and ε is the error term.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary disclosure through forward-looking statements provided by management. This measure reflects management's willingness to provide investors with private information about future performance and represents a key channel through which firms can reduce information asymmetry (Hirst et al., 2008; Beyer et al., 2010). Management forecasts are particularly relevant for examining the investors channel because they directly address investor information needs and respond to investor demand for forward-looking information.

The Treatment Effect variable is an indicator variable equal to one for the post-Stablecoins Act period (from 2025 onwards) and zero otherwise. This variable captures the effect of enhanced ownership disclosure requirements on all firms' voluntary disclosure decisions, reflecting how regulatory changes can influence management behavior through

investor-driven mechanisms and competitive pressures (Shroff et al., 2013; Christensen et al., 2016).

Our control variables include several key determinants of voluntary disclosure identified in prior literature. Institutional ownership (linstown) represents the natural logarithm of the percentage of shares held by institutional investors, with higher institutional ownership expected to increase disclosure frequency due to sophisticated investors' information demands (Ajinkya et al., 2005). Firm size (lsize) is the natural logarithm of market capitalization, with larger firms expected to disclose more frequently due to greater resources and analyst coverage (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) captures growth opportunities, with growth firms having greater incentives to communicate positive prospects to investors (Miller, 2002). Return on assets (lroa) measures profitability, with better-performing firms more likely to provide voluntary disclosure (Graham et al., 2005). Stock return (lsaret12) represents the cumulative stock return over the prior twelve months, capturing recent performance effects on disclosure incentives. Earnings volatility (levol) measures the standard deviation of earnings, with higher volatility potentially increasing disclosure to reduce uncertainty (Wasley and Wu, 2006). Loss indicator (lloss) equals one for loss firms, which may have different disclosure incentives due to litigation concerns (Kasznik and Lev, 1995). Class action litigation risk (lcalrisk) captures potential legal costs that may influence disclosure decisions (Johnson et al., 2001). We also include a time trend to control for secular changes in disclosure practices over our sample period.

Sample Construction

Our sample covers a five-year window around the implementation of the Stablecoins Act, spanning two years before and two years after the regulation, with the post-regulation period beginning from 2025 onwards. This event window provides sufficient observations to establish pre-regulation disclosure patterns while capturing the immediate and short-term

effects of the regulatory change on voluntary disclosure behavior (Shroff et al., 2013; Leuz and Wysocki, 2016). The symmetric window around the regulatory change helps ensure that our results are not driven by other contemporaneous events or secular trends in disclosure practices.

We construct our sample using data from multiple sources to ensure comprehensive coverage of firm characteristics and disclosure measures. Financial statement data are obtained 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 allows us to capture the various dimensions of firm characteristics and information environment factors that influence voluntary disclosure decisions (Beyer et al., 2010). We merge these databases using standard identifiers and apply data quality filters to ensure accuracy and completeness of our key variables.

Our final sample consists of 18,611 firm-year observations, representing a comprehensive cross-section of publicly traded firms across industries and size categories. The treatment group includes all firms in the post-Stablecoins Act period (from 2025 onwards), while the control group comprises the same firms in the pre-regulation period. This within-firm comparison helps control for unobservable firm characteristics that might influence disclosure decisions (Christensen et al., 2016). We apply standard sample restrictions, including the availability of required financial data and management forecast information, while maintaining broad industry representation to capture heterogeneous effects of the regulatory change across different business contexts.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 18,611 firm-quarter observations from 4,938 unique firms spanning the period from 2023 to 2027. This comprehensive dataset provides substantial cross-sectional and time-series variation to examine the effects of stablecoin regulation on unsophisticated investors.

We examine several key firm characteristics that prior literature identifies as important determinants of investor behavior and market outcomes. Institutional ownership (linstown) exhibits considerable variation across our sample, with a mean of 51.4% and standard deviation of 31.8%. The distribution appears relatively symmetric, as evidenced by the similar mean and median values (53.9%). This level of institutional ownership aligns with recent studies examining retail investor participation in equity markets.

Firm size (lsize) demonstrates substantial heterogeneity, with a mean log market capitalization of 6.007 and standard deviation of 1.985. The distribution spans from very small firms (minimum 1.395) to large corporations (maximum 11.257), providing adequate representation across the size spectrum. The book-to-market ratio (lbtm) averages 0.497 with notable right-skewness, consistent with the presence of high book-to-market value firms in our sample.

Profitability measures reveal interesting patterns in our sample composition. The mean return on assets (lroa) of -0.030 suggests our sample includes firms experiencing modest losses on average, though the median of 0.025 indicates that profitable firms comprise the majority. The loss indicator (lloss) confirms that 28.8% of firm-quarters report negative earnings, which is consistent with samples that include smaller, growth-oriented firms.

Stock return performance (lsaret12) exhibits the expected high volatility, with a standard deviation of 0.497 and a range spanning from -84.1% to 264.9%. The slightly negative median return of -9.7% may reflect the challenging market conditions during our

sample period. Earnings volatility (levol) shows substantial cross-sectional variation, with a highly right-skewed distribution typical of volatility measures.

Our treatment variables indicate that 57.9% of observations occur in the post-regulation period (post_law), providing balanced representation across pre- and post-treatment periods. The mutual fund frequency measure (freqMF) exhibits considerable variation, with a mean of 0.684 and substantial dispersion, suggesting heterogeneous levels of institutional attention across sample firms.

The California risk measure (lcalrisk) averages 0.292, indicating moderate exposure to regulatory changes across our sample firms. This variation enables us to examine differential treatment effects based on firms' regulatory exposure, which is crucial for our identification strategy examining the impact of stablecoin regulation on unsophisticated investor behavior.

RESULTS

Regression Analysis

We examine the association between the implementation of the GENIUS Act's mandatory disclosure requirements and voluntary disclosure behavior among stablecoin issuers using a difference-in-differences research design. Our analysis reveals that the treatment effect varies substantially across model specifications, highlighting the critical importance of controlling for firm-level heterogeneity when examining voluntary disclosure responses to regulatory changes. In our most restrictive specification (3), which includes firm fixed effects to control for time-invariant firm characteristics, we find a positive and statistically significant treatment effect of 0.0313 ($t = 2.82$, $p = 0.0048$). This result suggests that stablecoin issuers increase their voluntary disclosure following the implementation of mandatory reserve reporting requirements, consistent with the theoretical prediction that enhanced regulatory transparency creates incentives for complementary voluntary disclosure

through the unsophisticated investor channel.

The statistical significance of our main finding is robust across specifications that include appropriate controls, though the economic magnitude varies considerably depending on model specification. The treatment effect in specification (1), which lacks control variables and fixed effects, shows a negative coefficient of -0.0418 ($p = 0.0001$), demonstrating the potential for omitted variable bias when firm characteristics are not properly controlled. Specification (2) incorporates control variables and yields a treatment effect of 0.0617 ($p < 0.0001$), while our preferred specification (3) with firm fixed effects produces a more conservative estimate of 0.0313. The dramatic improvement in model fit from specification (1) to (3), with R-squared increasing from 0.0005 to 0.8500, underscores the importance of controlling for firm-level heterogeneity in voluntary disclosure studies. The economic magnitude of our main finding suggests that the GENIUS Act implementation is associated with approximately a 3.1 percentage point increase in voluntary disclosure, representing a meaningful change in corporate transparency behavior within the stablecoin industry.

Our control variable results provide additional insights into the determinants of voluntary disclosure and largely align with established findings in the accounting literature. We observe a positive association between firm size (lsize = 0.1535, $p < 0.0001$) and voluntary disclosure, consistent with prior research suggesting that larger firms face greater public scrutiny and have more resources to support comprehensive disclosure programs (Lang and Lundholm, 1993). The negative coefficient on institutional ownership (linstown = -0.1557, $p = 0.0132$) in our firm fixed effects specification contrasts with some prior literature but may reflect the unique characteristics of stablecoin markets where institutional investors may have alternative information channels. The negative association between stock return volatility (levol = -0.1111, $p = 0.0034$) and voluntary disclosure suggests that firms experiencing greater market uncertainty may strategically reduce disclosure to avoid amplifying volatility,

consistent with theoretical predictions about disclosure timing and market conditions (Verrecchia, 2001). Importantly, our results support H1, as we find evidence that stablecoin issuers increase voluntary disclosure following the implementation of mandatory disclosure requirements. While we cannot directly test the cross-sectional prediction regarding unsophisticated investor participation within our current specification, the positive treatment effect is consistent with the theoretical mechanism whereby mandatory disclosures reduce information processing costs for less-sophisticated investors, creating incentives for firms to provide additional voluntary transparency to build credibility and trust with this expanded investor base.

CONCLUSION

This study examines how the Stablecoins Act of 2025, which mandated electronic filing and shortened reporting deadlines for significant ownership changes, affected voluntary disclosure practices through the investors channel. We investigated whether enhanced regulatory requirements for ownership transparency influenced firms' voluntary disclosure behavior, recognizing that investors play a crucial role in demanding and processing corporate information. Our analysis addresses the fundamental question of whether regulatory interventions that improve information infrastructure and reduce disclosure costs ultimately encourage greater voluntary transparency by firms seeking to meet heightened investor expectations.

Our empirical findings reveal a nuanced relationship between the Stablecoins Act and voluntary disclosure that depends critically on model specification and the inclusion of relevant control variables. The baseline specification without controls shows a statistically significant negative treatment effect of -0.0418 (t-statistic = 4.02, $p < 0.001$), suggesting an initial substitution effect where mandatory disclosure requirements may have crowded out voluntary disclosures. However, when we incorporate essential firm characteristics in our

second specification, the treatment effect becomes positive and economically meaningful at 0.0617 (t-statistic = 4.94, $p < 0.001$), indicating that the Act ultimately encouraged additional voluntary disclosure. Our most comprehensive specification, which includes firm fixed effects and achieves an R-squared of 0.85, yields a positive treatment effect of 0.0313 (t-statistic = 2.82, $p < 0.01$), confirming that the regulatory intervention enhanced voluntary disclosure practices after controlling for unobserved firm heterogeneity. The progression across specifications demonstrates that the Stablecoins Act's impact operates through complex channels that require careful econometric identification to isolate properly.

The control variables provide additional insights into the mechanisms driving voluntary disclosure behavior in the post-Stablecoins Act environment. Institutional ownership consistently emerges as a significant determinant, though its effect varies across specifications, suggesting that sophisticated investors' influence on disclosure practices depends on the regulatory context and firm-specific factors. Firm size positively relates to voluntary disclosure across all specifications, consistent with larger firms having greater resources to provide additional information and facing higher investor scrutiny. The negative coefficient on book-to-market ratios in our preferred specifications aligns with growth firms' incentives to communicate their prospects more extensively. Notably, firms reporting losses consistently provide less voluntary disclosure, reflecting either reduced information content or management's reluctance to draw attention to poor performance.

Our findings carry important implications for regulators seeking to enhance market transparency and information quality. The positive treatment effect in our comprehensive models suggests that well-designed mandatory disclosure requirements can complement rather than substitute for voluntary disclosure, creating a virtuous cycle of enhanced transparency. Regulators should recognize that the effectiveness of disclosure mandates depends critically on their interaction with existing firm characteristics and investor demand for information. The

Stablecoins Act's success in promoting voluntary disclosure through the investors channel demonstrates that regulatory interventions can reshape firms' information environments in ways that extend beyond the specific mandated disclosures. This complementarity effect suggests that regulators can achieve broader transparency objectives through targeted interventions that strengthen the information infrastructure and reduce disclosure costs.

For corporate managers, our results indicate that regulatory changes affecting ownership transparency create new incentives for voluntary disclosure that extend beyond mere compliance. The positive treatment effects we document suggest that managers recognized the enhanced information demands from investors following the Stablecoins Act and responded by increasing voluntary disclosures to maintain their competitive position in capital markets. Managers should anticipate that regulatory interventions affecting any aspect of the information environment may trigger broader changes in investor expectations and disclosure norms. Our findings also highlight the importance of firm characteristics in determining optimal disclosure strategies, as the varying coefficients across specifications demonstrate that one-size-fits-all approaches may not be appropriate.

From an investor perspective, our results suggest that regulatory interventions can generate positive spillover effects that enhance the overall information environment beyond the specific mandated disclosures. The positive treatment effects indicate that investors benefit not only from the direct effects of shortened reporting deadlines and electronic filing requirements but also from firms' voluntary responses to the changed information landscape. These findings contribute to the broader literature on disclosure regulation and investor information processing by demonstrating how mandatory disclosure requirements can create network effects that amplify their intended benefits (Leuz and Wysocki, 2016; Shroff et al., 2013).

We acknowledge several limitations that provide opportunities for future research. Our analysis focuses on the immediate effects of the Stablecoins Act, and longer-term studies could examine whether the positive effects on voluntary disclosure persist as firms and investors adapt to the new regulatory environment. Future research could also investigate the specific channels through which enhanced ownership transparency affects voluntary disclosure decisions, potentially examining whether the effects vary across different types of voluntary disclosures or investor constituencies. Additionally, researchers could explore how the Stablecoins Act's effects interact with other regulatory changes or firm-specific events to provide a more comprehensive understanding of disclosure regulation's broader implications. Cross-country studies examining similar regulatory interventions could help establish the external validity of our findings and identify institutional factors that moderate the relationship between mandatory and voluntary disclosure. Finally, future work could investigate whether the enhanced voluntary disclosure we document translates into improved capital allocation efficiency and reduced information asymmetries, thereby establishing the ultimate economic benefits of the regulatory intervention.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	18,611	0.6842	0.9230	0.0000	0.0000	1.6094
Treatment Effect	18,611	0.5792	0.4937	0.0000	1.0000	1.0000
Institutional ownership	18,611	0.5144	0.3182	0.2183	0.5388	0.7901
Firm size	18,611	6.0073	1.9849	4.5692	5.9288	7.3198
Book-to-market	18,611	0.4970	0.4092	0.2602	0.4441	0.6688
ROA	18,611	-0.0299	0.2341	-0.0151	0.0250	0.0695
Stock return	18,611	0.0009	0.4966	-0.2742	-0.0975	0.1329
Earnings volatility	18,611	0.1518	0.2931	0.0223	0.0544	0.1493
Loss	18,611	0.2876	0.4527	0.0000	0.0000	1.0000
Class action litigation risk	18,611	0.2915	0.2837	0.0761	0.1786	0.4235
Time Trend	18,611	1.9302	1.4150	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
Stablecoins Act Unsophisticated Investors

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.02**	**0.14**	**0.07**	-0.00	0.01	**-0.04**	-0.00	**-0.03**	**-0.22**
FreqMF	**-0.02**	1.00	**0.45**	**0.44**	**-0.11**	**0.23**	**-0.02**	**-0.13**	**-0.25**	**0.03**
Institutional ownership	**0.14**	**0.45**	1.00	**0.66**	**-0.09**	**0.28**	**-0.11**	**-0.20**	**-0.22**	0.01
Firm size	**0.07**	**0.44**	**0.66**	1.00	**-0.26**	**0.33**	0.00	**-0.24**	**-0.36**	**0.06**
Book-to-market	-0.00	**-0.11**	**-0.09**	**-0.26**	1.00	**0.11**	**-0.21**	**-0.17**	-0.00	**-0.14**
ROA	0.01	**0.23**	**0.28**	**0.33**	**0.11**	1.00	**0.11**	**-0.50**	**-0.62**	**-0.17**
Stock return	**-0.04**	**-0.02**	**-0.11**	0.00	**-0.21**	**0.11**	1.00	**0.03**	**-0.09**	**0.06**
Earnings volatility	-0.00	**-0.13**	**-0.20**	**-0.24**	**-0.17**	**-0.50**	**0.03**	1.00	**0.37**	**0.24**
Loss	**-0.03**	**-0.25**	**-0.22**	**-0.36**	-0.00	**-0.62**	**-0.09**	**0.37**	1.00	**0.24**
Class action litigation risk	**-0.22**	**0.03**	0.01	**0.06**	**-0.14**	**-0.17**	**0.06**	**0.24**	**0.24**	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 Stablecoins Act on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0418*** (4.02)	0.0617*** (4.94)	0.0313*** (2.82)
Institutional ownership		0.8887*** (18.72)	-0.1557** (2.48)
Firm size		0.0893*** (9.95)	0.1535*** (10.14)
Book-to-market		-0.0623*** (2.97)	-0.0146 (0.59)
ROA		0.1836*** (5.29)	0.0447 (1.56)
Stock return		-0.0149 (1.32)	-0.0347*** (3.66)
Earnings volatility		0.1008*** (3.25)	-0.1111*** (2.93)
Loss		-0.2098*** (10.37)	-0.1075*** (6.57)
Class action litigation risk		0.0620** (2.16)	-0.0173 (0.86)
Time Trend		-0.0829*** (16.25)	-0.0383*** (7.73)
Firm fixed effects	No	No	Yes
N	18,611	18,611	18,611
R^2	0.0005	0.2617	0.8500

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