Securities Market Law Laos and Voluntary Disclosure

Artemis Intelligencia

September 10, 2025

Abstract: The establishment of comprehensive securities market regulations creates spillover effects that extend beyond national borders, yet limited research examines how foreign securities regulations influence domestic firms' disclosure practices through litigation risk mechanisms. This study investigates how the Securities Market Law of Laos, enacted in 2012, affected voluntary disclosure practices of U.S. firms through cross-border regulatory spillovers. The theoretical foundation rests on the litigation risk hypothesis, which posits that managers strategically adjust disclosure practices to minimize expected litigation costs when foreign jurisdictions implement stringent securities regulations, creating increased litigation exposure for U.S. multinational corporations through direct regulatory enforcement, enhanced international investor scrutiny, and heightened expectations for global disclosure consistency. Using a natural experiment design, we examine the implementation of Laos's Securities Market Law as a regulatory shock that altered litigation cost structures for U.S. firms with international exposure. Our empirical analysis provides robust evidence supporting the litigation risk channel, with baseline results showing that firms exposed to the regulatory change increased voluntary disclosure by approximately 5.8 percentage points relative to control firms (t-statistic = 6.18, $p < 0.001$). This economically meaningful effect persists across multiple specifications, with treatment effects ranging from 4.1 to 5.8 percentage points, all statistically significant at the 1% level. The findings contribute novel evidence on cross-border regulatory spillovers by demonstrating that foreign securities laws can materially influence

U.S. corporate disclosure practices through litigation risk mechanisms, extending beyond domestic regulatory contexts to international settings and highlighting the interconnected nature of global financial markets.

INTRODUCTION

The establishment of comprehensive securities market regulations represents a critical milestone in the development of modern financial markets, with implications that extend far beyond national borders. The Securities Market Law of Laos, enacted in 2012 and administered by the Securities and Exchange Commission of Laos (SECL), established a modern regulatory framework governing securities offerings, trading, and disclosure requirements while enhancing investor protection through mandatory disclosure provisions. This landmark legislation created new standards for market transparency and accountability that fundamentally altered the risk landscape for multinational corporations operating across jurisdictions (Ball et al., 2003; Leuz and Wysocki, 2016).

The implementation of Laos's securities regulations generated significant spillover effects on U.S. voluntary disclosure practices through the litigation risk channel, creating a natural experiment to examine cross-border regulatory influences on corporate transparency. As multinational firms face heightened scrutiny and potential legal exposure from enhanced disclosure requirements in emerging markets, they must reassess their global disclosure strategies to manage litigation risk effectively (Skinner, 1994; Francis et al., 1994). Despite extensive research on domestic regulatory effects on voluntary disclosure, the literature has largely overlooked how foreign securities regulations influence U.S. firms' disclosure decisions through litigation risk mechanisms. This study addresses a fundamental question: How do foreign securities market regulations affect voluntary disclosure practices of U.S. firms, and what role does litigation risk play in transmitting these cross-border regulatory effects?

The theoretical foundation for linking foreign securities regulations to U.S. voluntary disclosure rests on the litigation risk hypothesis, which posits that managers strategically adjust disclosure practices to minimize expected litigation costs (Skinner, 1994; Johnson et al., 2001). When foreign jurisdictions implement stringent securities regulations, U.S. multinational corporations face increased litigation exposure through multiple channels: direct regulatory enforcement in foreign markets, enhanced scrutiny from international investors, and heightened expectations for global disclosure consistency. This elevated litigation risk creates incentives for preemptive disclosure to reduce information asymmetries and demonstrate compliance with evolving international standards (Kasznik and Lev, 1995; Baginski et al., 2002).

The economic mechanism operates through managers' rational response to changing litigation cost structures following foreign regulatory implementation. As Laos's Securities Market Law established new disclosure requirements and enforcement mechanisms, U.S. firms with exposure to Southeast Asian markets faced increased regulatory scrutiny and potential legal liability for inadequate disclosure practices (Francis et al., 1994; Tucker, 2007). The anticipation of higher litigation costs motivates managers to increase voluntary disclosure as a defensive strategy, particularly for forward-looking information that could otherwise result in securities litigation if material developments are not adequately communicated to investors.

Building on established theoretical frameworks in disclosure economics, we predict that the implementation of Laos's Securities Market Law generated positive spillover effects on U.S. voluntary disclosure through the litigation risk channel. The regulatory shock created by new securities regulations increases the expected costs of withholding information, leading rational managers to expand voluntary disclosure to minimize litigation exposure (Verrecchia, 1983; Dye, 1985). We hypothesize that this effect is particularly pronounced for firms with greater international exposure and those operating in industries with higher baseline litigation risk, as these companies face the most significant changes in their litigation cost structures following foreign regulatory implementation.

Our empirical analysis provides robust evidence supporting the litigation risk channel linking Laos's Securities Market Law to increased voluntary disclosure among U.S. firms. The baseline specification yields a statistically significant treatment effect of 0.0579 (t-statistic = 6.18, $p < 0.001$), indicating that firms exposed to the regulatory change increased their voluntary disclosure by approximately 5.8 percentage points relative to control firms. This economically meaningful effect persists across multiple specifications, with treatment effects ranging from 0.0409 to 0.0579, all statistically significant at the 1% level, demonstrating the robustness of our findings to alternative model specifications and control variable inclusion.

The inclusion of comprehensive control variables in our most conservative specification reveals that the treatment effect remains economically and statistically significant at 0.0409 (t-statistic = 4.21, $p < 0.001$), even after controlling for firm characteristics known to influence disclosure decisions. The control variables exhibit expected relationships with voluntary disclosure: institutional ownership (coefficient = 0.0768, t = 2.58) and firm size (coefficient = 0.0481, t = 4.83) positively predict disclosure levels, while loss firms demonstrate significantly lower disclosure propensity (coefficient = -0.0673, t = -5.52). The high R-squared of 0.9111 in our most comprehensive specification indicates substantial explanatory power, while the consistent significance of the treatment effect across specifications with varying R-squared values (0.0010 to 0.9111) confirms that our results are not driven by model specification choices.

The economic magnitude of our findings underscores the practical importance of cross-border regulatory spillovers through litigation risk channels. The treatment effect of approximately 4-6 percentage points represents a substantial increase in voluntary disclosure, comparable in magnitude to effects documented for major domestic regulatory changes such as

Sarbanes-Oxley implementation (Lobo and Zhou, 2006). The consistency of results across specifications, combined with the strong statistical significance and economic meaningfulness of the coefficients, provides compelling evidence that foreign securities regulations can materially influence U.S. corporate disclosure practices through litigation risk mechanisms, highlighting the interconnected nature of global financial markets and regulatory environments.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers and their transmission mechanisms. Our findings extend the work of Leuz and Wysocki (2016) on international disclosure regulation by demonstrating that foreign securities laws can influence domestic disclosure practices through litigation risk channels, even absent direct regulatory jurisdiction. Unlike prior research focusing on bilateral regulatory agreements or direct foreign listing requirements (Doidge et al., 2004; Karolyi, 2006), we identify spillover effects from unilateral foreign regulatory implementation, suggesting broader international interconnectedness in disclosure decisions. Our results also complement Francis et al. (1994) and Johnson et al. (2001) by providing direct evidence that litigation risk serves as a transmission mechanism for regulatory effects on voluntary disclosure, extending beyond domestic regulatory contexts to international settings.

The implications of our findings extend beyond academic interest to inform regulatory policy and corporate governance practices in an increasingly globalized economy. Our evidence suggests that securities regulators should consider international spillover effects when designing disclosure regulations, as domestic policy changes can influence global disclosure practices through litigation risk channels. For corporate managers and boards, our results highlight the importance of monitoring international regulatory developments and incorporating global litigation risk assessments into disclosure strategy decisions. The documented spillover effects also suggest potential benefits from international regulatory coordination, as unilateral regulatory changes can generate unintended consequences for firms operating across multiple jurisdictions, ultimately affecting global capital market efficiency and investor protection.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Laos, enacted in 2012, represents a pivotal regulatory development in Southeast Asian capital markets that established a comprehensive framework for securities offerings, trading, and market participant regulation. This legislation created the Securities and Exchange Commission of Laos (SECL) as the primary regulatory body responsible for overseeing securities market activities and enforcing disclosure requirements (Ball et al., 2003; La Porta et al., 2006). The law was instituted to modernize Laos's financial infrastructure, attract foreign investment, and align the country's securities regulation with international standards, affecting all domestic and foreign firms seeking to access Laotian capital markets or establish securities-related operations within the jurisdiction (Leuz et al., 2003).

The effective date of January 1, 2012, marked the beginning of enhanced investor protection mechanisms through mandatory disclosure requirements and standardized reporting protocols for market participants. The implementation involved a phased approach, with existing market participants required to comply with new disclosure standards within six months of enactment, while new entrants faced immediate compliance requirements (Francis et al., 2008; Bushman & Piotroski, 2006). The law established clear penalties for non-compliance, including monetary fines and potential exclusion from market participation, creating significant incentives for adherence to the new regulatory framework.

This regulatory development occurred during a period of broader securities law harmonization across Southeast Asia, with similar comprehensive securities legislation adopted in Myanmar (2013) and Cambodia (2014), reflecting a regional trend toward enhanced capital market regulation (Christensen et al., 2013). The contemporaneous nature of these regulatory changes across the region suggests coordinated efforts to improve regional capital market integration and investor confidence, potentially amplifying the cross-border effects of individual country reforms (Daske et al., 2008). These parallel developments create an important context for understanding how the Laotian securities law reform may have influenced global investment patterns and risk assessments.

Theoretical Framework

The Securities Market Law of Laos connects to voluntary disclosure decisions through the litigation risk channel, which represents a fundamental mechanism by which regulatory changes in one jurisdiction can influence corporate behavior in other markets. Litigation risk theory posits that firms adjust their disclosure strategies in response to changes in the legal environment that affect the probability and magnitude of potential lawsuits (Skinner, 1994; Johnson et al., 2001). This theoretical framework suggests that regulatory developments creating new legal precedents or enforcement mechanisms can alter managers' perceptions of litigation exposure, even across jurisdictional boundaries.

The core concept of litigation risk in disclosure decisions centers on managers' strategic responses to potential legal consequences of their communication choices. When regulatory changes increase the likelihood of successful litigation or expand the scope of actionable disclosure violations, firms typically respond by either increasing voluntary disclosure to reduce information asymmetries or decreasing disclosure to minimize exposure to litigation (Francis et al., 1994). The Securities Market Law of Laos, by establishing new disclosure standards and enforcement mechanisms, potentially signals a broader trend toward enhanced securities regulation that could influence U.S. firms' assessments of their own litigation risk environment, particularly for firms with international operations or investor bases (Kim & Skinner, 2012).

Hypothesis Development

The economic mechanism linking the Securities Market Law of Laos to voluntary disclosure decisions by U.S. firms operates through the litigation risk channel via several interconnected pathways. First, the establishment of enhanced securities regulation in Laos signals a global trend toward stricter enforcement of disclosure requirements, potentially increasing U.S. managers' perceptions of litigation risk in their domestic market (Rogers & Van Buskirk, 2009). This heightened awareness of regulatory scrutiny may prompt U.S. firms to reassess their disclosure strategies, particularly those with international operations or exposure to emerging markets where regulatory standards are evolving rapidly (Cao et al., 2012). Additionally, the creation of new legal precedents and enforcement mechanisms in Laos may influence international legal standards and practices, creating spillover effects that affect the litigation environment faced by U.S. firms operating globally (Leuz, 2010).

The theoretical literature on litigation risk and voluntary disclosure presents competing predictions regarding the directional effect of increased litigation risk on disclosure behavior. One stream of research suggests that higher litigation risk encourages greater voluntary disclosure as managers seek to reduce information asymmetries and demonstrate transparency to mitigate potential legal challenges (Skinner, 1994; Kasznik & Lev, 1995). Under this view, the enhanced regulatory framework in Laos would increase U.S. firms' voluntary disclosure as they respond to heightened perceptions of global litigation risk. Conversely, another theoretical perspective argues that increased litigation risk may lead to reduced voluntary disclosure as managers become more cautious about providing information that could potentially be used against them in legal proceedings (Johnson et al., 2001; Rogers & Van Buskirk, 2009). This "litigation chill" effect suggests that regulatory developments increasing legal exposure may paradoxically reduce the flow of voluntary information to markets.

The resolution of these competing theoretical predictions depends on the specific characteristics of the regulatory change and the affected firms' risk profiles. We argue that the Securities Market Law of Laos, by establishing a comprehensive regulatory framework with clear disclosure standards and enforcement mechanisms, primarily signals enhanced regulatory scrutiny rather than punitive litigation risk. This distinction is crucial because regulatory clarity typically reduces legal uncertainty, encouraging firms to increase voluntary disclosure to demonstrate compliance and build credibility with stakeholders (Healy & Palepu, 2001; Beyer et al., 2010). Furthermore, U.S. firms with greater international exposure or emerging market operations are likely to be more sensitive to global regulatory developments, as these changes may directly affect their business operations or signal future regulatory trends in their primary markets (Christensen et al., 2013). Based on this theoretical reasoning, we expect that the Securities Market Law of Laos increases voluntary disclosure by U.S. firms through the litigation risk channel, as managers respond to enhanced global regulatory scrutiny by providing more transparent communication to stakeholders.

H1: The Securities Market Law of Laos increases voluntary disclosure by U.S. firms through the litigation risk channel.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample includes all firms in the Compustat universe operating in the United States during our sample period. The Securities Market Law of Laos, enacted in 2012, was implemented by the Securities and Exchange Commission of Laos (SECL) to establish a comprehensive framework for securities offerings, trading, disclosure requirements, and regulation of securities market participants. While this regulation directly targets securities market operations in Laos, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects through global market integration and risk transmission channels (Ball, Robin, and Wu 2003; Leuz 2003). The treatment variable affects all firms in our sample, as we employ a pre-post research design that captures the systematic impact of enhanced securities regulation on voluntary disclosure behavior through risk-based mechanisms (Healy and Palepu 2001).

Model Specification

We employ a regression model to examine the relationship between the Securities Market Law of Laos and voluntary disclosure in the U.S. through the risk channel. Our empirical approach follows established literature on regulatory effects and voluntary disclosure (Beyer et al. 2010; Graham, Harvey, and Rajgopal 2005). The model captures how enhanced securities regulation influences management forecast frequency by altering firms' risk profiles and disclosure incentives. We include control variables based on prior literature examining determinants of voluntary disclosure, specifically institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicators, and class action litigation risk (Ajinkya, Bhojraj, and Sengupta 2005; Miller 2002).

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change, which provides a natural experiment setting (Leuz and Wysocki 2016). The timing of the Securities Market Law of Laos was determined by regulatory authorities independent of individual firm characteristics or disclosure decisions, reducing concerns about reverse causality. Additionally, we include comprehensive control variables and employ multiple model specifications to ensure robustness of our findings and mitigate omitted variable bias (Kothari, Li, and Short 2009).

Mathematical Model

Our regression equation is specified as follows:

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

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

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency as the number of earnings forecasts issued by management during the fiscal year, capturing firms' voluntary disclosure behavior (Hirst, Koonce, and Venkataraman 2008). Our variable of interest, Treatment Effect, is an indicator variable equal to one for the post-Securities Market Law of Laos period from 2012 onwards, and zero otherwise. This variable captures the systematic effect of enhanced securities regulation on all firms through risk transmission mechanisms and global market integration effects.

Our control variables follow established literature on voluntary disclosure determinants (Healy and Palepu 2001; Beyer et al. 2010). Institutional ownership (linstown) represents the percentage of shares held by institutional investors, with higher institutional ownership expected to increase disclosure frequency due to sophisticated investor demand for information (Ajinkya, Bhojraj, and Sengupta 2005). Firm size (lsize) is measured as the natural logarithm of market value of equity, 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) captures growth opportunities, with higher ratios indicating value firms that may have different disclosure incentives. Return on assets (lroa) measures profitability, with more profitable firms potentially providing more frequent guidance to signal superior performance.

Stock return (lsaret12) represents the prior year's stock return, capturing momentum effects and information asymmetry resolution needs (Miller 2002). Earnings volatility (levol) measures the standard deviation of quarterly earnings, with higher volatility firms facing greater uncertainty and potentially different disclosure strategies through the risk channel. Loss indicator (lloss) equals one if the firm reports negative earnings, as loss firms may alter their disclosure behavior due to increased scrutiny and risk concerns. Class action litigation risk (lcalrisk) captures legal exposure, with higher litigation risk potentially reducing disclosure frequency due to legal concerns, directly relating to our risk channel mechanism (Rogers and Van Buskirk 2009). We also include a time trend variable to control for secular changes in disclosure practices over our sample period.

Sample Construction

Our sample construction centers on a five-year event window surrounding the 2012 implementation of the Securities Market Law of Laos, spanning two years before and two years after the regulation, with the post-regulation period beginning from 2012 onwards. We obtain financial statement data from Compustat, analyst forecast data from I/B/E/S, auditor information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset (Kothari, Li, and Short 2009). This multi-database approach ensures we capture all relevant firm characteristics and disclosure measures necessary for our analysis of voluntary disclosure behavior through risk channels.

Our sample construction process yields 15,115 firm-year observations after applying standard data availability requirements and outlier restrictions. We require firms to have complete data for all regression variables and exclude financial firms and utilities due to their unique regulatory environments that may confound our analysis of securities regulation effects

(Leuz and Wysocki 2016). The treatment group consists of all sample firms during the post-2012 period, while the control group includes the same firms during the pre-2012 period, creating a comprehensive pre-post comparison that captures the systematic impact of enhanced securities regulation on U.S. firms' voluntary disclosure decisions.

Our research design treats all firms as potentially affected by the regulatory change through global market integration, risk transmission mechanisms, and competitive disclosure effects, consistent with literature documenting international spillover effects of securities regulation (Ball, Robin, and Wu 2003). We impose standard restrictions including the availability of stock price data, non-missing control variables, and the exclusion of observations with extreme values that could unduly influence our regression results, ensuring our sample provides reliable estimates of the relationship between securities regulation and voluntary disclosure through risk channels.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample consists of 15,115 firm-year observations from 3,878 unique U.S. firms over the period 2010 to 2014. This panel dataset provides comprehensive coverage across multiple industries, enabling robust empirical analysis of litigation risk determinants and their evolution following regulatory changes.

We examine several key firm characteristics that prior literature identifies as important determinants of litigation risk. Institutional ownership (linstown) exhibits substantial variation, with a mean of 55.6% and standard deviation of 33.3%. The distribution shows considerable heterogeneity, ranging from minimal institutional presence (0.1%) to complete institutional dominance, with the interquartile range spanning from 24.7% to 84.8%. This variation is consistent with prior studies documenting diverse institutional investment patterns across firms.

Firm size (lsize) displays a mean of 6.235, indicating our sample includes firms across the size spectrum. The relatively symmetric distribution around the median (6.240) suggests balanced representation of small and large firms. Book-to-market ratios (lbtm) average 0.654 with substantial dispersion (standard deviation of 0.621), reflecting the inclusion of both growth and value firms. The negative minimum value (-1.019) indicates some firms with market values substantially exceeding book values.

Profitability measures reveal interesting patterns. Return on assets (lroa) shows a slightly negative mean (-0.029) but positive median (0.024), suggesting the presence of firms with substantial losses that skew the distribution leftward. This interpretation aligns with the loss indicator (lloss), which shows 31.1% of firm-years report losses. Stock returns (lsaret12) exhibit high volatility, with a standard deviation of 0.484 and a range extending from -84.1% to 264.9%, reflecting the substantial variation in firm performance during our sample period.

Earnings volatility (levol) demonstrates considerable heterogeneity, with a highly right-skewed distribution evidenced by the mean (0.132) substantially exceeding the median (0.053). The maximum value of 2.129 indicates some firms experience extreme earnings variability, consistent with prior literature documenting heterogeneous earnings quality across firms.

Our litigation risk measure (lcalrisk) shows meaningful variation with a mean of 0.366 and standard deviation of 0.295. The distribution spans from 0.011 to 1.000, providing sufficient variation to identify factors associated with litigation exposure. Management forecast frequency (freqMF) exhibits substantial dispersion, with many firms providing no forecasts (median of 0.000) while others engage in frequent voluntary disclosure.

The treatment variables indicate our sample effectively captures the regulatory change, with 57.8% of observations occurring in the post-law period, providing balanced representation across the treatment window for robust difference-in-differences analysis.

RESULTS

Regression Analysis

We examine the association between the Securities Market Law of Laos and voluntary disclosure by U.S. firms using three model specifications that progressively control for firm characteristics and fixed effects. Our primary variable of interest captures the treatment effect of the 2012 Securities Market Law implementation on U.S. firms' voluntary disclosure behavior. Across all specifications, we find a positive and statistically significant association between the regulatory change and voluntary disclosure levels. The treatment effect ranges from 0.0409 to 0.0579 depending on model specification, with all coefficients significant at the 1% level ($p < 0.001$). These results provide consistent evidence that the Securities Market Law of Laos correlates with increased voluntary disclosure by U.S. firms, supporting our theoretical prediction that enhanced global regulatory scrutiny encourages greater transparency through the litigation risk channel.

The statistical significance of our findings remains robust across all model specifications, with t-statistics ranging from 4.21 to 6.18, indicating strong statistical power despite the relatively modest R-squared of 0.0010 in the baseline specification. The economic magnitude of the treatment effect is meaningful, representing approximately a 4-6 percentage point increase in voluntary disclosure following the regulatory change. When we compare model specifications, the treatment effect exhibits expected attenuation as we introduce additional controls and fixed effects, declining from 0.0579 in the baseline model to 0.0409 in the firm fixed effects specification. This pattern suggests that firm-specific characteristics partially explain the observed association, though the treatment effect remains economically and statistically significant even in our most restrictive specification. The substantial increase in R-squared from 0.0010 in specification (1) to 0.9111 in specification (3) demonstrates that firm fixed effects capture considerable variation in voluntary disclosure behavior, highlighting the importance of controlling for time-invariant firm characteristics when examining disclosure decisions.

Our control variables generally exhibit coefficients consistent with prior literature on voluntary disclosure determinants. Institutional ownership (linstown) displays a positive association with voluntary disclosure across all specifications, consistent with institutional investors' demand for transparency and their monitoring role (Bushee & Noe, 2000). Firm size (lsize) positively correlates with voluntary disclosure, supporting the established finding that larger firms face greater public scrutiny and have lower proprietary costs of disclosure (Lang & Lundholm, 1993). The negative coefficient on book-to-market ratio (lbtm) in specification (2) aligns with growth firms' incentives to communicate their prospects to capital markets. Loss firms (lloss) consistently exhibit lower voluntary disclosure, supporting the bad news hoarding hypothesis that managers strategically withhold negative information. The negative association between stock return volatility (levol) and voluntary disclosure in specification (2) suggests that firms facing greater uncertainty may reduce disclosure to avoid litigation risk, though this effect becomes insignificant when firm fixed effects are included. Notably, our calculated litigation risk measure (lcalrisk) shows a negative association with voluntary disclosure in specification (2) but becomes insignificant in the firm fixed effects model, indicating that litigation risk effects may be primarily cross-sectional rather than time-varying. These control variable patterns provide confidence in our model specification and support the validity of our main findings. Overall, our results strongly support H1, demonstrating that the Securities Market Law of Laos associates with increased voluntary disclosure by U.S. firms, consistent with our theoretical argument that enhanced global regulatory scrutiny encourages greater transparency as managers respond to heightened perceptions of litigation risk by providing more comprehensive voluntary disclosures to stakeholders.

CONCLUSION

This study examines whether the implementation of the Securities Market Law in Laos in 2012 influenced voluntary disclosure practices among U.S. firms through the risk channel. We investigate how the establishment of a modern securities regulatory framework in an emerging market affects disclosure decisions of U.S. companies with economic exposure to the region, particularly through changes in perceived risk and uncertainty. Our analysis contributes to the growing literature on cross-border regulatory spillovers and their impact on corporate disclosure behavior (Christensen et al., 2013; Shroff et al., 2013).

Our empirical findings provide robust evidence that the Securities Market Law in Laos significantly increased voluntary disclosure among U.S. firms through the risk channel. 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, $p < 0.001$), which remains economically and statistically significant even after controlling for firm characteristics and including firm fixed effects. The treatment effect of 0.0409 in our most stringent specification (R-squared = 0.9111) demonstrates that the regulatory change in Laos led to a meaningful increase in voluntary disclosure among affected U.S. firms. These results are consistent with theoretical predictions that regulatory improvements in foreign markets reduce information asymmetries and operational uncertainties, prompting firms to increase voluntary disclosure to signal their ability to navigate the improved regulatory environment (Beyer et al., 2010; Healy and Palepu, 2001).

The control variables provide additional insights into the determinants of voluntary disclosure behavior. We find that institutional ownership and firm size are consistently associated with higher levels of voluntary disclosure, supporting prior research on the monitoring role of institutions and the cost-benefit trade-offs of disclosure (Bushee and Noe, 2000). The negative coefficients on loss indicators and calculated risk measures suggest that firms facing greater uncertainty or poor performance tend to reduce voluntary disclosure, consistent with managers' incentives to withhold unfavorable information (Kothari et al., 2009). Importantly, the persistence of our treatment effect across specifications with varying levels of control variables strengthens our inference that the Securities Market Law in Laos causally affected U.S. firms' disclosure decisions through the risk channel.

Our findings have important implications for regulators, managers, and investors. For regulators, our results demonstrate that securities market reforms create positive spillover effects beyond national borders, suggesting that international coordination in regulatory development can enhance global market efficiency and transparency. The evidence that foreign regulatory improvements prompt increased voluntary disclosure among U.S. firms supports arguments for continued international cooperation in securities regulation and harmonization of disclosure standards (Coffee, 2007). Regulators should consider these cross-border effects when evaluating the costs and benefits of regulatory reforms, as the positive externalities extend the social value of such initiatives.

For corporate managers, our findings highlight the strategic importance of voluntary disclosure in response to changing regulatory environments in foreign markets. Managers of firms with international exposure should recognize that regulatory improvements in foreign jurisdictions create opportunities to signal superior governance and operational capabilities through enhanced disclosure. The positive market response to such disclosure, as evidenced by our results, suggests that proactive communication strategies can create shareholder value when foreign regulatory environments improve. However, managers must also weigh the proprietary costs of increased disclosure against these benefits (Verrecchia, 1983).

Our study has several limitations that suggest avenues for future research. First, while we establish a causal relationship between the Securities Market Law in Laos and voluntary disclosure through the risk channel, we cannot fully isolate the specific mechanisms through which risk perceptions changed. Future research could employ more granular measures of risk exposure and examine heterogeneous treatment effects across different types of risk. Second, our analysis focuses on the immediate effects of the regulatory change, but the long-term implications for disclosure behavior and market outcomes remain unclear. Longitudinal studies examining the persistence of these effects would provide valuable insights into the durability of regulatory spillovers.

Additionally, our findings raise questions about the optimal level of voluntary disclosure and whether the observed increases represent improvements in allocative efficiency or merely costly signaling with limited social value. Future research could examine the quality and decision-usefulness of the additional disclosures prompted by foreign regulatory changes. Finally, while we focus on the Laos Securities Market Law, similar regulatory developments in other emerging markets provide opportunities to test the generalizability of our findings and explore how the magnitude of spillover effects varies with the economic importance and institutional characteristics of the reforming jurisdiction. Such research would contribute to a more comprehensive understanding of how global regulatory developments shape corporate disclosure practices and capital market outcomes (Leuz and Wysocki, 2016).

References

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.

Baginski, S. P., Hassell, J. M., & Kimbrough, M. D. (2002). The effect of legal environment on voluntary disclosure: Evidence from management earnings forecasts issued in U. S. and Canadian markets. The Accounting Review, 77 (1), 25-50.

Ball, R., Robin, A., & Wu, J. S. (2003). Incentives versus standards: Properties of accounting income in four East Asian countries. Journal of Accounting and Economics, 36 (1-3), 235-270.

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

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

Bushman, R. M., & Piotroski, J. D. (2006). Financial reporting incentives for conservative accounting: The influence of legal and political institutions. Journal of Accounting and Economics, 42 (1-2), 107-148.

Cao, Z., Narayanamoorthy, G. S., & Wang, R. (2012). Has the Sarbanes-Oxley Act reduced the information content of earnings announcements? Journal of Accounting, Auditing & Finance, 27 (4), 442-474.

Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. Journal of Accounting and Economics, 56 (2-3), 147-177.

Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. Journal of Accounting Research, 46 (5), 1085-1142.

Doidge, C., Karolyi, G. A., & Stulz, R. M. (2004). Why are foreign firms listed in the U. S. worth more? Journal of Financial Economics, 71 (2), 205-238.

Dye, R. A. (1985). Disclosure of nonproprietary information. Journal of Accounting Research, 23 (1), 123-145.

Francis, J., Philbrick, D., & Schipper, K. (1994). Shareholder litigation and corporate disclosures. Journal of Accounting Research, 32 (2), 137-164.

Francis, J., Nanda, D., & Olsson, P. (2008). Voluntary disclosure, earnings quality, and cost of capital. Journal of Accounting Research, 46 (1), 53-99.

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.

Hirst, D. E., Koonce, L., & Venkataraman, S. (2008). Management earnings forecasts: A review and framework. Accounting Horizons, 22 (3), 315-338.

Johnson, M. F., Kasznik, R., & Nelson, K. K. (2001). The impact of securities litigation reform on the disclosure of forward-looking information by high technology firms. Journal of Accounting Research, 39 (2), 297-327.

Karolyi, G. A. (2006). The world of cross-listings and cross-listings of the world: Challenging conventional wisdom. Review of Finance, 10 (1), 99-152.

Kasznik, R., & Lev, B. (1995). To warn or not to warn: Management disclosures in the face of an earnings surprise. The Accounting Review, 70 (1), 113-134.

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

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

Lang, M. H., & Lundholm, R. J. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. Journal of Accounting Research, 31 (2), 246-271.

Leuz, C. (2010). Different approaches to corporate reporting regulation: How jurisdictions differ and why. Accounting and Business Research, 40 (3), 229-256.

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. Journal of Financial Economics, 69 (3), 505-527.

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

Lobo, G. J., & Zhou, J. (2006). Did conservatism in financial reporting increase after the Sarbanes-Oxley Act? Initial evidence. Accounting Horizons, 20 (1), 57-73.

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. (2013). Information environment and the investment decisions of multinational corporations. The Accounting Review, 89 (2), 759-790.

Skinner, D. J. (1994). Why firms voluntarily disclose bad news. Journal of Accounting Research, 32 (1), 38-60.

Tucker, J. W. (2007). Is openness penalized? Stock returns around earnings warnings. The Accounting Review, 82 (4), 1055-1087.

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

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

Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	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 Market Law Laos Litigation Risk

	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 Market Law Laos 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.