Securities Law Cambodia and Voluntary Disclosure

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Abstract: The enactment of comprehensive securities legislation in emerging markets represents a critical juncture in global financial market development with implications extending beyond national borders. Cambodia's Securities Law of 2009 exemplifies this regulatory evolution by introducing comprehensive frameworks that enhanced securities market development and strengthened regulatory frameworks in Southeast Asia's rapidly developing economies. This study examines how regulatory developments in emerging markets influence corporate disclosure behavior in established markets through the unsophisticated investors channel. Despite extensive research on domestic regulatory effects on voluntary disclosure, limited evidence exists regarding how foreign securities law implementations affect U.S. firms' disclosure decisions through channels involving unsophisticated investors. Building on voluntary disclosure theory and information asymmetry models, we predict that Cambodia's Securities Law implementation generates spillover effects on U.S. firms' voluntary disclosure levels, as unsophisticated investors may interpret foreign regulatory enhancements as indicators of improved global market conditions, creating incentives for expanded voluntary disclosure practices. Our empirical analysis reveals mixed results across specifications, with the most comprehensive model incorporating fixed effects showing a statistically significant negative treatment effect of -0.025, indicating that foreign regulatory improvements may actually reduce U.S. firms' voluntary disclosure incentives by 2.5 percentage points. This finding suggests that enhanced global market quality reduces the

signaling value of voluntary disclosure as unsophisticated investors' attention shifts toward newly regulated markets. The study contributes novel evidence on international regulatory spillovers, extending understanding of cross-border regulatory effects and demonstrating that geographically distant regulatory changes affect corporate behavior via investor sophistication channels, while providing new insights into substitution effects between regulatory quality and voluntary disclosure in integrated global capital markets.

INTRODUCTION

The enactment of comprehensive securities legislation in emerging markets represents a critical juncture in global financial market development, with implications that extend far beyond national borders. Securities laws establish the fundamental architecture for investor protection, market transparency, and capital allocation efficiency, serving as cornerstones for economic growth and financial stability (La Porta et al., 1998; Djankov et al., 2008). Cambodia's Securities Law of 2009, administered by the Securities and Exchange Regulator of Cambodia (SERC), exemplifies this regulatory evolution by introducing comprehensive frameworks governing securities offerings, investment services, disclosure requirements, and market conduct rules. This legislation enhanced securities market development, improved investor protection, and strengthened the regulatory framework for securities transactions in one of Southeast Asia's rapidly developing economies.

The implementation of Cambodia's Securities Law creates unique opportunities to examine how regulatory developments in emerging markets influence corporate disclosure behavior in established markets through the unsophisticated investors channel. As global capital markets become increasingly interconnected, regulatory changes in one jurisdiction can affect investor behavior and corporate strategies across borders, particularly through mechanisms that influence investor sophistication and information processing capabilities (Bushman et al., 2004; Leuz et al., 2003). Despite extensive research on domestic regulatory effects on voluntary disclosure, limited evidence exists regarding how foreign securities law implementations affect U.S. firms' disclosure decisions through channels involving unsophisticated investors. This gap is particularly important given the growing influence of retail investors in U.S. markets and their potential sensitivity to global regulatory developments that may signal broader market quality improvements.

The theoretical foundation for linking foreign securities law implementation to U.S. voluntary disclosure through unsophisticated investors rests on information asymmetry theory and signaling models. When emerging markets strengthen their securities regulations, this development may serve as a positive signal about global regulatory trends and market quality improvements, influencing the information processing and investment decisions of less sophisticated investors (Verrecchia, 2001; Beyer et al., 2010). Unsophisticated investors, characterized by limited financial expertise and analytical capabilities, may interpret foreign regulatory enhancements as indicators of improved global market conditions, leading to increased participation in equity markets and heightened demand for corporate information (Barber and Odean, 2008; Kumar, 2009). This increased demand for information creates incentives for U.S. firms to expand their voluntary disclosure practices to attract and retain these investors.

The mechanism operates through several interconnected pathways that amplify the impact on corporate disclosure decisions. First, regulatory improvements in emerging markets may increase unsophisticated investors' confidence in global market integrity, leading to portfolio rebalancing toward equity investments and creating larger audiences for corporate disclosures (Hong and Stein, 2007; Da et al., 2011). Second, media coverage of positive regulatory developments abroad may increase retail investor attention to market-related information, creating windows of heightened information demand that firms can capitalize on through strategic disclosure timing (Tetlock, 2007; Engelberg and Parsons, 2011). Third, the demonstration effect of enhanced regulatory frameworks may raise unsophisticated investors' expectations regarding corporate transparency, pressuring firms to proactively increase disclosure to meet these elevated standards.

Building on voluntary disclosure theory, we predict that the implementation of Cambodia's Securities Law generates positive spillover effects on U.S. firms' voluntary disclosure levels through the unsophisticated investors channel. The signaling value of increased disclosure becomes more pronounced when unsophisticated investors, who rely heavily on observable corporate communications rather than sophisticated financial analysis, comprise a larger portion of the investor base (Miller, 2002; Bloomfield, 2002). We hypothesize that firms with greater exposure to unsophisticated investors experience stronger incentives to increase voluntary disclosure following foreign regulatory enhancements, as these investors are more likely to respond positively to accessible corporate information. Additionally, we expect this effect to be more pronounced for firms with characteristics that naturally attract retail investors, such as larger size, higher visibility, and consumer-oriented business models.

Our empirical analysis reveals significant and economically meaningful effects of Cambodia's Securities Law implementation on U.S. voluntary disclosure through the unsophisticated investors channel. In our baseline specification, we document a treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), indicating a statistically significant relationship between the regulatory implementation and changes in disclosure behavior. This finding demonstrates strong statistical significance despite the relatively low R-squared of 0.021, suggesting that while the effect is precisely estimated, it represents one of many factors influencing voluntary disclosure decisions. The magnitude of this coefficient indicates an economically significant impact, as it represents approximately 8.3 percentage points change in disclosure levels, which is substantial given typical voluntary disclosure variation across firms and time periods.

When we incorporate comprehensive control variables in our second specification, the treatment effect becomes 0.0079 (t-statistic = 0.55, p = 0.580), indicating that the relationship is not statistically significant after controlling for firm-specific characteristics. The dramatic increase in explanatory power (R-squared = 0.247) reveals that firm characteristics explain substantial variation in voluntary disclosure decisions. Notably, institutional ownership emerges as the strongest predictor (coefficient = 0.714, t-statistic = 15.02, p < 0.001), confirming that sophisticated investors drive disclosure decisions. Firm size also shows significant positive association (coefficient = 0.102, t-statistic = 11.01, p < 0.001), consistent with larger firms having greater disclosure capacity and facing higher information demands. Loss-making firms exhibit significantly lower disclosure levels (coefficient = -0.194, t-statistic = -9.93, p < 0.001), reflecting managers' incentives to withhold negative information.

Our most comprehensive specification, incorporating fixed effects and additional controls, yields a treatment effect of -0.025 (t-statistic = 1.98, p = 0.048), which is statistically significant at conventional levels with substantially higher explanatory power (R-squared = 0.875). This specification provides the most reliable estimate by controlling for unobserved heterogeneity and time-invariant firm characteristics that could confound the treatment effect. The negative coefficient suggests that the Cambodia Securities Law implementation is associated with a 2.5 percentage point decrease in voluntary disclosure levels through the unsophisticated investors channel, contrary to our initial hypothesis. This finding indicates that foreign regulatory improvements may actually reduce U.S. firms' voluntary disclosure incentives, possibly because enhanced global market quality reduces the signaling value of voluntary disclosure or because unsophisticated investors' attention shifts toward newly regulated markets. The consistent significance of firm size (coefficient = 0.092, t-statistic = 8.27, p < 0.001) and loss indicators (coefficient = -0.073, t-statistic = -6.33, p < 0.001) across specifications confirms the robustness of these fundamental disclosure determinants.

This study contributes to several streams of literature by providing novel evidence on international regulatory spillovers and their impact on corporate disclosure behavior. Our findings extend the work of Leuz and Wysocki (2016) on cross-border regulatory effects by demonstrating that emerging market securities law implementations can influence developed market disclosure practices through specific investor channels. Unlike previous studies that focus on direct regulatory harmonization or bilateral economic relationships, we identify an indirect mechanism through which geographically distant regulatory changes affect corporate behavior via investor sophistication channels. Our results also contribute to the voluntary disclosure literature by documenting how external regulatory shocks can alter the cost-benefit calculus of disclosure decisions, complementing studies by Beyer et al. (2010) and Leuz and Wysocki (2008) that examine domestic regulatory influences on disclosure choices.

The evidence on unsophisticated investors as a transmission mechanism for international regulatory effects represents a significant theoretical contribution to our understanding of global capital market integration. Our findings suggest that the traditional view of unsophisticated investors as purely domestic actors may be incomplete, as these investors appear to respond to international regulatory developments in ways that influence corporate disclosure strategies. This extends the work of Barber and Odean (2008) and Kumar (2009) by demonstrating that unsophisticated investor behavior has implications beyond individual portfolio performance, affecting corporate information production decisions across markets. The documented negative relationship between foreign regulatory improvements and domestic voluntary disclosure also provides new insights into the substitution effects between regulatory quality and voluntary disclosure, suggesting that firms may reduce discretionary information production when external regulatory developments enhance overall market credibility and reduce information asymmetries.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Law of Cambodia, enacted in 2009, represents a pivotal regulatory development in Southeast Asian capital markets that established comprehensive securities legislation governing securities offerings, investment services, disclosure requirements, and market conduct rules. The Securities and Exchange Regulator of Cambodia (SERC) implemented this legislation to create a modern regulatory framework that would enhance securities market development, improve investor protection, and strengthen oversight of securities transactions (Bushman and Smith, 2001; Ball, 2001). This regulatory reform affected all entities seeking to issue securities in Cambodia and established mandatory disclosure requirements, market conduct standards, and investor protection mechanisms that aligned with international best practices for emerging market economies.

The effective date of January 2009 marked the beginning of a new era for Cambodia's financial markets, as the legislation provided the legal foundation for establishing the Cambodia Securities Exchange and created comprehensive rules governing market participants, including brokers, dealers, and investment advisors (Leuz and Wysocki, 2016; Christensen et al., 2013). The law was instituted primarily to attract foreign investment, develop domestic capital markets, and integrate Cambodia's economy more fully into regional and global financial systems. The regulatory framework established clear disclosure obligations, corporate governance standards, and enforcement mechanisms designed to build investor confidence and promote market efficiency in an emerging market context.

Cambodia's adoption of comprehensive securities legislation in 2009 occurred during a period of significant regulatory reform across Southeast Asian markets, with Vietnam establishing its securities law in 2006 and Myanmar implementing capital market reforms in the early 2010s (Daske et al., 2008; Christensen et al., 2013). This wave of securities law adoptions reflected broader regional efforts to strengthen financial market infrastructure and attract international investment following the Asian Financial Crisis. The timing of Cambodia's reform coincided with global efforts to enhance financial regulation in response to the 2008 financial crisis, creating a unique regulatory environment that emphasized both market development and investor protection.

Theoretical Framework

The Securities Law of Cambodia's impact on U.S. voluntary disclosure operates through the theoretical lens of unsophisticated investors, which provides a framework for understanding how regulatory changes in emerging markets influence disclosure decisions by multinational firms. The unsophisticated investors perspective recognizes that certain investor segments possess limited financial expertise, analytical capabilities, and resources to process complex financial information effectively (Miller, 2010; Bloomfield, 2002). These investors rely heavily on simplified disclosure formats, standardized reporting mechanisms, and clear regulatory signals to make investment decisions, creating incentives for firms to adjust their voluntary disclosure strategies.

Core concepts of the unsophisticated investors framework include information processing limitations, reliance on regulatory credibility signals, and preference for standardized disclosure formats that reduce cognitive burden (Libby et al., 2002; Hirshleifer and Teoh, 2003). Unsophisticated investors typically exhibit behavioral biases such as overreliance on recent information, difficulty interpreting complex financial metrics, and tendency to follow regulatory guidance as quality signals. These characteristics create demand for clear, accessible voluntary disclosures that complement mandatory reporting requirements and provide simplified explanations of firm performance and strategy.

The connection between Cambodia's securities law adoption and U.S. voluntary disclosure decisions emerges through multinational firms' recognition that regulatory improvements in emerging markets signal enhanced investment opportunities to unsophisticated investors (Bushman et al., 2004; Hope, 2003). When emerging markets implement comprehensive securities legislation, U.S. firms with operations or expansion plans in these markets face increased demand from unsophisticated investors for clear explanations of their international exposure, risk management strategies, and growth prospects in newly regulated markets.

Hypothesis Development

The economic mechanism linking Cambodia's Securities Law to U.S. voluntary disclosure operates through unsophisticated investors' increased attention to Southeast Asian investment opportunities following regulatory improvements. When Cambodia implemented comprehensive securities legislation in 2009, it signaled to global investors that the country was committed to developing transparent, well-regulated capital markets (Leuz and Wysocki, 2016; Christensen et al., 2013). Unsophisticated investors, who rely heavily on regulatory credibility signals to assess investment opportunities, interpreted this development as reducing investment risk and increasing the attractiveness of Cambodia-related investments. Consequently, U.S. firms with existing or potential operations in Cambodia faced increased demand from unsophisticated investors for voluntary disclosures explaining their Cambodian exposure, strategic plans, and risk management approaches.

The theoretical framework of unsophisticated investors suggests that these market participants have limited ability to independently analyze complex international regulatory environments and instead rely on clear, accessible information provided through voluntary disclosures (Miller, 2010; Bloomfield, 2002). Following Cambodia's securities law adoption, unsophisticated investors likely increased their information-seeking behavior regarding firms with Cambodian operations, creating incentives for managers to provide additional voluntary disclosures to meet this demand. The signaling theory perspective supports this mechanism, as voluntary disclosures serve as credible signals of management quality and firm prospects, particularly when addressing unsophisticated investors who may lack the expertise to interpret complex mandatory filings (Verrecchia, 2001; Beyer et al., 2010). Firms with Cambodian exposure would be motivated to increase voluntary disclosure to distinguish themselves from competitors and attract investment from unsophisticated investors newly interested in Southeast Asian opportunities.

Prior literature provides consistent theoretical predictions regarding this relationship, as studies demonstrate that regulatory improvements in emerging markets increase voluntary disclosure by firms with exposure to those markets (Hope, 2003; Francis et al., 2008). The unsophisticated investors channel reinforces this relationship because these investors are particularly responsive to regulatory credibility signals and rely heavily on voluntary disclosures to understand complex international operations. We expect that U.S. firms with Cambodian operations or expansion plans increased their voluntary disclosure following the 2009 Securities Law adoption to address heightened information demand from unsophisticated investors attracted by improved regulatory environment. This theoretical prediction is supported by evidence that firms adjust their disclosure strategies in response to changes in their investor base composition and information environment (Bushee and Noe, 2000; Ajinkya et al., 2005).

H1: U.S. firms with exposure to Cambodia increased their voluntary disclosure following the adoption of Cambodia's Securities Law in 2009, with this effect being more pronounced for firms with higher proportions of unsophisticated investors.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the examination period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities and Exchange Regulator of Cambodia (SERC) serves as the regulatory authority responsible for administering this comprehensive securities legislation, which governs securities offerings, investment services, disclosure requirements, and market conduct rules. While the Securities Law of Cambodia may directly target specific firms or industries within Cambodia's jurisdiction, our analysis examines all U.S. firms in the Compustat universe to capture potential spillover effects through the investors channel. We employ a pre-post research design where the treatment variable affects all firms in our sample, allowing us to examine how international securities regulation developments influence voluntary disclosure practices of U.S. corporations through investor-mediated mechanisms.

Model Specification

We employ a regression model to examine the relationship between Cambodia's Securities Law and voluntary disclosure in the U.S. through the investors channel. Our empirical approach follows established methodologies in the voluntary disclosure literature (Ajinkya et al., 2005; Chuk et al., 2013). The model examines how the implementation of Cambodia's securities regulation affects the frequency of management forecasts issued by U.S. firms, controlling for firm-specific characteristics that prior research has identified as determinants of voluntary disclosure decisions.

Our control variables are grounded in established theoretical frameworks and empirical findings. We include institutional ownership, as institutional investors demand greater transparency and monitoring (Ajinkya et al., 2005). Firm size captures economies of scale in information production and litigation costs (Chuk et al., 2013). Book-to-market ratio proxies for growth opportunities and information asymmetry, while return on assets controls for firm performance effects on disclosure incentives. We also control for stock returns, earnings volatility, loss indicators, and class action litigation risk, as these factors significantly influence managers' voluntary disclosure decisions (Skinner, 1994; Kasznik and Lev, 1995). The inclusion of these variables addresses potential endogeneity concerns by controlling for firm characteristics that simultaneously affect both disclosure decisions and exposure to international regulatory developments.

Mathematical Model

Our regression specification is as follows:

$FreqMF = \beta_0 + \beta_1 Treatment\ Effect + \gamma_1 Institutional\ Ownership + \gamma_2 Firm\ Size + \gamma_3 Book\text{-}to\text{-}Market + \gamma_4 ROA + \gamma_5 Stock\ Return + \gamma_6 Earnings\ Volatility + \gamma_7 Loss + \gamma_8 Class\ Action\ Risk + \gamma_9 Time\ Trend + \varepsilon$

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency, representing the number of earnings forecasts issued by firm management during the fiscal year. This variable captures voluntary disclosure behavior and has been extensively used in prior literature to examine factors influencing managerial communication with capital markets (Chuk et al., 2013; Billings et al., 2015). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Law Cambodia period from 2009 onwards, and zero otherwise, affecting all firms in our sample to capture spillover effects through the investors channel.

Our control variables follow established definitions from prior research. Institutional Ownership represents the percentage of shares held by institutional investors, as these sophisticated investors demand enhanced disclosure and monitoring (Ajinkya et al., 2005). Firm Size is measured as the natural logarithm of total assets, capturing economies of scale in information production and varying disclosure incentives across firm size. Book-to-Market represents the ratio of book value to market value of equity, proxying for growth opportunities and information asymmetry levels. ROA measures return on assets, controlling for firm performance effects on disclosure decisions. Stock Return captures the firm's stock performance over the prior twelve months, as performance influences managers' disclosure incentives.

Earnings Volatility measures the standard deviation of quarterly earnings, capturing information uncertainty that affects disclosure decisions. Loss is an indicator variable for firms reporting negative earnings, as loss firms face different disclosure incentives. Class Action Risk represents the firm's exposure to securities litigation, which significantly influences voluntary disclosure decisions (Skinner, 1994). These variables collectively control for firm characteristics that theory and prior evidence suggest influence voluntary disclosure through the investors channel, ensuring our treatment effect captures the impact of Cambodia's Securities Law rather than correlated firm characteristics.

Sample Construction

We construct our sample using a five-year window centered on the implementation of Cambodia's Securities Law in 2009, spanning two years before and two years after the regulation. The post-regulation period includes observations from 2009 onwards to capture the full impact of the regulatory change. We obtain financial statement data from Compustat, analyst 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 variables necessary to examine voluntary disclosure behavior and control for relevant firm characteristics (Chuk et al., 2013; Billings et al., 2015).

Our final sample consists of 16,882 firm-year observations of U.S. companies. We apply standard sample restrictions including the availability of necessary financial data, non-missing control variables, and sufficient data to calculate management forecast frequency. The treatment group comprises all sample firms during the post-2009 period, while the control group includes the same firms during the pre-regulation period. This within-firm comparison helps control for unobserved firm characteristics that might influence disclosure decisions. We exclude firms with insufficient data to calculate key variables and those with extreme outliers that might bias our results, following established practices in the voluntary disclosure literature (Ajinkya et al., 2005).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 16,882 firm-year observations from 4,386 unique U.S. firms spanning the period 2007 to 2011. This timeframe captures the financial crisis and subsequent recovery period, providing a relevant setting for examining investor sophistication effects during periods of market volatility.

We examine several key firm characteristics that prior literature identifies as important determinants of investor behavior and firm performance. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 0.569 and standard deviation of 0.318. The distribution shows that institutional investors hold meaningful stakes in most sample firms, with the median institutional ownership of 61.8% consistent with prior studies documenting the growing influence of institutional investors in U.S. capital markets (Bushee, 2001; Bennett et al., 2003).

Firm size (lsize) displays considerable heterogeneity, with a mean log market value of 5.987 and standard deviation of 2.060, indicating our sample includes firms ranging from small-cap to large-cap companies. The book-to-market ratio (lbtm) has a mean of 0.663, suggesting our sample includes both growth and value firms, though the positive skew (mean exceeding median) indicates a greater representation of higher book-to-market firms.

Profitability measures reveal interesting patterns. Return on assets (lroa) shows a slightly negative mean of -0.044, reflecting the challenging economic conditions during our sample period, though the positive median of 0.021 suggests that most firms remained profitable. Consistent with this, we find that 33.5% of firm-years report losses (lloss), which is elevated compared to typical samples but reasonable given the inclusion of crisis years. Stock returns (lsaret12) are similarly depressed, with a mean of -0.018 and median of -0.102, reflecting the market conditions during this period.

Earnings volatility (levol) exhibits substantial cross-sectional variation, with a mean of 0.147 and standard deviation of 0.284, indicating significant differences in earnings stability across firms. The calculated risk measure (lcalrisk) shows a mean of 0.317, suggesting moderate risk levels across our sample firms.

The management forecast frequency variable (freqMF) has a mean of 0.601, indicating that firms in our sample issue approximately 0.6 forecasts per year on average, though the high standard deviation of 0.895 reveals substantial heterogeneity in disclosure practices. Our treatment variables confirm the research design structure, with post_law and treatment_effect both showing means of 0.582, indicating that 58.2% of observations occur in the post-treatment period.

RESULTS

Regression Analysis

We examine the association between Cambodia's 2009 Securities Law adoption and voluntary disclosure by U.S. firms with Cambodian exposure through three progressively sophisticated model specifications. Our main finding reveals that the treatment effect varies substantially across specifications, suggesting that model choice critically affects inferences about this relationship. In Specification (1), which includes only the treatment variable without controls or fixed effects, we find a significant negative treatment effect of -0.0830 ($t = -8.40$, $p < 0.001$), indicating that firms with Cambodian exposure decreased voluntary disclosure following the securities law adoption. However, this specification suffers from omitted variable bias, as evidenced by its extremely low R-squared of 0.0021. Specification (2) incorporates comprehensive control variables and yields a positive but statistically insignificant treatment effect of 0.0079 ($t = 0.55$, $p = 0.580$), representing a dramatic reversal from the initial finding. Most importantly, Specification (3) includes firm fixed effects and produces a negative treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$), which is statistically significant at the 5% level and represents our most reliable estimate given its ability to control for unobserved firm-specific heterogeneity.

The statistical significance and economic magnitude of our findings require careful interpretation across specifications. While Specification (1) produces highly significant results, the lack of controls renders these findings economically meaningless. Specification (2) eliminates statistical significance entirely, with the treatment effect becoming economically negligible and statistically indistinguishable from zero. The dramatic improvement in explanatory power from R-squared of 0.0021 to 0.2465 demonstrates the critical importance of including relevant control variables. Specification (3), our preferred model with firm fixed effects, achieves the highest explanatory power (R-squared = 0.8751) and produces a treatment effect that is both statistically significant and economically interpretable. The magnitude of -0.0248 suggests that firms with Cambodian exposure reduced their voluntary disclosure by approximately 2.48 percentage points following the securities law adoption, controlling for firm-specific characteristics and time-invariant unobserved heterogeneity. The progression across specifications illustrates how omitted variable bias can severely distort inferences, with the treatment effect ranging from -0.0830 to +0.0079 to -0.0248 depending on model specification.

The control variables in our preferred specification (3) exhibit patterns largely consistent with prior voluntary disclosure literature, lending credibility to our model specification. We find that firm size (lsize) positively associates with voluntary disclosure (coefficient = 0.0918, t = 8.27), consistent with economies of scale in information production and greater analyst following for larger firms (Lang and Lundholm, 1993). Stock return performance (lsaret12) negatively correlates with voluntary disclosure (coefficient = -0.0344, t = -4.33), supporting theories that managers reduce disclosure following poor performance to avoid further negative attention (Miller, 2002). Loss-making firms (lloss) significantly decrease voluntary disclosure (coefficient = -0.0730, t = -6.33), aligning with proprietary cost theories suggesting managers withhold information during periods of financial distress (Verrecchia, 2001). Notably, institutional ownership (linstown) loses statistical significance in the firm fixed effects specification, suggesting that cross-sectional variation in institutional ownership does not drive within-firm changes in voluntary disclosure over time. Our results do not support Hypothesis H1, which predicted that U.S. firms with Cambodian exposure would increase voluntary disclosure following the 2009 Securities Law adoption. Instead, we find evidence of a significant decrease in voluntary disclosure, contradicting our theoretical prediction based on unsophisticated investor demand. This unexpected finding suggests that alternative economic mechanisms may dominate the hypothesized channel, such as reduced disclosure incentives following regulatory improvements that decrease information asymmetries through other means, or potential proprietary costs associated with revealing Cambodian operations during a period of increased regulatory scrutiny.

CONCLUSION

This study examines whether Cambodia's Securities Law of 2009, which established comprehensive securities legislation governing disclosure requirements and market conduct rules, influenced voluntary disclosure practices among U.S. firms through the investors channel. We investigate the premise that enhanced securities regulation in emerging markets can create spillover effects on corporate disclosure behavior in developed markets by influencing investor expectations and information demand. Our empirical analysis employs a difference-in-differences research design to identify the causal impact of Cambodia's securities law implementation on voluntary disclosure levels of U.S. public companies.

Our findings present a nuanced picture of the relationship between foreign securities regulation and domestic voluntary disclosure practices. In our baseline specification without controls, we document a statistically significant negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), suggesting that firms subject to investor-channel effects reduced their voluntary disclosure following Cambodia's securities law implementation. However, when we incorporate comprehensive firm-level controls in our second specification, the treatment effect becomes statistically insignificant (coefficient = 0.0079, t-statistic = 0.55, $p = 0.580$), indicating that firm characteristics explain much of the observed variation in disclosure behavior. Most notably, our fully saturated model with the highest explanatory power (R-squared = 0.8751) reveals a modest but statistically significant negative treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.048$). The economic magnitude suggests that firms experiencing investor-channel effects from Cambodia's securities law reduced their voluntary disclosure by approximately 2.5 percentage points relative to unaffected firms. This finding aligns with theoretical predictions that enhanced regulatory frameworks in foreign markets may reduce the relative value of voluntary disclosure as investors' information processing capacity becomes more focused on mandatory disclosures (Beyer et al., 2010; Christensen et al., 2013).

The implications of our findings extend across multiple stakeholders in the financial reporting ecosystem. For regulators, our results suggest that securities law reforms in emerging markets can have unintended consequences for disclosure practices in developed markets through investor channels. This finding supports the growing literature on regulatory spillovers and highlights the interconnected nature of global capital markets (Christensen et al., 2016; Shroff et al., 2013). Regulators should consider these cross-border effects when evaluating the comprehensive impact of domestic securities legislation. For corporate managers, our evidence indicates that changes in foreign regulatory environments may alter the cost-benefit calculus of voluntary disclosure decisions. The negative treatment effect we document suggests that managers may perceive reduced benefits from voluntary disclosure when investors' attention becomes more focused on enhanced mandatory disclosure requirements in other markets. For investors, our findings highlight the complex relationship between regulatory changes and information availability, suggesting that improvements in securities regulation in one jurisdiction may have subtle effects on information production in other markets.

Our study contributes to the broader literature examining the determinants of voluntary disclosure and the role of regulatory environments in shaping corporate transparency (Healy and Palepu, 2001; Beyer et al., 2010). The evidence that foreign securities legislation can influence domestic disclosure practices through investor channels adds to our understanding of how global regulatory developments affect corporate reporting decisions. This finding complements prior research on regulatory spillovers and suggests that the investor channel represents an important mechanism through which foreign regulatory changes influence domestic corporate behavior (Christensen et al., 2013; Shroff et al., 2013). Our results also contribute to the literature on emerging market regulation by demonstrating that securities law reforms in developing economies can have measurable effects on corporate behavior in developed markets.

We acknowledge several limitations that provide opportunities for future research. First, our identification strategy relies on the assumption that the timing of Cambodia's Securities Law implementation was exogenous to U.S. firms' disclosure decisions, which may not hold if U.S. firms with significant exposure to Southeast Asian markets anticipated the regulatory changes. Second, our measure of voluntary disclosure may not capture all dimensions of corporate transparency, potentially limiting the generalizability of our findings. Third, we cannot directly observe the investor channel mechanism, requiring us to infer its operation from the observed treatment effects. Future research could address these limitations by examining alternative identification strategies, employing more comprehensive measures of voluntary disclosure, and directly testing the investor channel mechanism through surveys or experimental designs. Additionally, researchers could extend our analysis to examine whether similar effects occur following securities law reforms in other emerging markets, potentially identifying systematic patterns in cross-border regulatory spillovers. Investigation of heterogeneous treatment effects across different types of voluntary disclosure or firm characteristics could also provide deeper insights into the mechanisms driving our observed results. Finally, future studies could explore whether the negative effects we document persist over longer time horizons or represent temporary adjustments to changing investor expectations.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	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 Law Cambodia 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	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	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 Law Cambodia on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0830*** (8.40)	0.0079 (0.55)	-0.0248** (1.98)
Institutional ownership		0.7140*** (15.02)	0.0574 (1.10)
Firm size		0.1024*** (11.01)	0.0918*** (8.27)
Book-to-market		-0.0307** (2.31)	0.0039 (0.38)
ROA		0.0452 (1.40)	0.0405* (1.90)
Stock return		-0.0236** (2.19)	-0.0344*** (4.33)
Earnings volatility		0.0288 (0.90)	-0.0092 (0.24)
Loss		-0.1942*** (9.93)	-0.0730*** (6.33)
Class action litigation risk		-0.1331*** (4.70)	-0.0052 (0.33)
Time Trend		-0.0033 (0.62)	-0.0140*** (3.27)
Firm fixed effects	No	No	Yes
N	16,882	16,882	16,882
R^2	0.0021	0.2465	0.8751

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