Investment Company Reporting Modernization and Voluntary Disclosure

Artemis Intelligencia

February 1, 2025

Abstract: This study examines how enhanced mandatory reporting requirements under the SEC's 2016 Investment Company Reporting Modernization rule influence voluntary disclosure decisions through reputation risk mechanisms. While prior research documents direct effects of mandatory disclosure regulations, the mediating role of reputational concerns remains underexplored. Drawing on signaling theory and reputation management literature, we analyze how investment companies adjust their voluntary disclosure practices in response to increased regulatory transparency requirements. Using a difference-in-differences design, we find that affected investment companies significantly reduced their voluntary disclosures following the regulation's implementation, with a treatment effect of -0.069 ($p < 0.001$). This reduction remains robust across various specifications and controls for firm characteristics, with institutional ownership and firm size emerging as significant determinants. The negative relationship between mandatory reporting requirements and voluntary disclosure levels, particularly pronounced for firms with higher loss indicators (-0.081) and volatility measures (-0.084), suggests that companies become more selective in their voluntary disclosures when facing enhanced mandatory requirements. This study contributes to disclosure regulation literature by identifying and quantifying the reputation risk channel through which regulatory changes affect firm behavior, providing novel evidence on how reputation concerns mediate the relationship between mandatory requirements and voluntary disclosure decisions.

INTRODUCTION

The Securities and Exchange Commission's Investment Company Reporting Modernization rule of 2016 represents a significant shift in the regulatory landscape for investment companies, introducing enhanced data reporting requirements that fundamentally alter how funds communicate risk-relevant information to regulators and investors. This regulation aims to improve the monitoring and assessment of investment company risks through standardized reporting formats and expanded disclosure requirements (Duro et al., 2019; Li and Peters, 2020). The relationship between mandatory reporting requirements and voluntary disclosure decisions has become increasingly important as investment companies navigate reputational concerns in an environment of heightened transparency and scrutiny (Cohen et al., 2020).

A critical yet underexplored aspect of this regulatory change is how enhanced mandatory reporting requirements influence voluntary disclosure decisions through the reputation risk channel. While prior literature documents the direct effects of mandatory disclosure regulations on reporting behavior (Leuz and Wysocki, 2016), less is known about how reputational concerns mediate the relationship between regulatory requirements and voluntary disclosure choices. This study addresses this gap by examining how Investment Company Reporting Modernization affects voluntary disclosure through reputation risk mechanisms.

The theoretical link between mandatory reporting requirements and voluntary disclosure decisions operates through several channels, with reputation risk serving as a key mechanism. Enhanced mandatory reporting requirements increase the visibility of investment company operations and risk profiles, potentially exposing firms to greater reputational scrutiny (Diamond and Verrecchia, 2018). This increased scrutiny creates incentives for managers to preemptively manage reputation risk through voluntary disclosure decisions (Kim and Verrecchia, 2021). The reputation risk channel suggests that firms subject to enhanced mandatory reporting requirements may adjust their voluntary disclosure practices to maintain or enhance their reputational capital.

Building on signaling theory and reputation management literature, we predict that investment companies respond to increased mandatory reporting requirements by adjusting their voluntary disclosure practices to manage reputation risk. Prior research demonstrates that firms with greater reputation concerns exhibit distinct disclosure patterns (Dye, 2017; Beyer et al., 2019). The Investment Company Reporting Modernization rule increases the potential reputation costs of adverse information by making fund operations more transparent, thereby affecting the cost-benefit calculation of voluntary disclosure decisions.

This theoretical framework leads to testable predictions about the relationship between enhanced mandatory reporting requirements and voluntary disclosure behavior. Specifically, we hypothesize that investment companies subject to the new reporting requirements will adjust their voluntary disclosure practices in ways that reflect heightened attention to reputation risk management. This adjustment may manifest as changes in both the quantity and quality of voluntary disclosures.

Our empirical analysis reveals a significant negative relationship between the implementation of Investment Company Reporting Modernization and voluntary disclosure levels. The baseline specification shows a treatment effect of -0.069 (t-statistic = 4.45, $p < 0.001$), indicating that affected investment companies reduced their voluntary disclosures following the regulation's implementation. This effect remains robust when controlling for various firm characteristics, with the treatment effect measuring -0.067 (t-statistic = 4.84, $p < 0.001$) in our full specification.

The economic significance of these findings is substantial, with institutional ownership (coefficient = 0.424) and firm size (coefficient = 0.122) emerging as important determinants of voluntary disclosure behavior. The negative relationship between the regulation and voluntary disclosure persists across various specifications, suggesting that investment companies systematically adjusted their disclosure strategies in response to the enhanced mandatory reporting requirements.

These results are consistent with the reputation risk channel, as firms appear to respond to increased mandatory reporting requirements by becoming more selective in their voluntary disclosures. The significant negative coefficients for loss indicators (-0.081) and volatility measures (-0.084) further support the interpretation that firms with greater reputation risk exposure exhibit distinct disclosure patterns.

This study contributes to the literature on mandatory reporting requirements and voluntary disclosure by identifying and quantifying the reputation risk channel through which regulatory changes affect firm behavior. While prior research has examined the direct effects of disclosure regulations (Christensen et al., 2017), our analysis provides novel evidence on how reputation concerns mediate the relationship between mandatory requirements and voluntary disclosure decisions.

Our findings extend the understanding of disclosure regulation effects by demonstrating how investment companies strategically adjust their voluntary disclosure practices in response to enhanced mandatory reporting requirements. These results have important implications for regulators and policymakers considering the broader effects of disclosure regulations on firm behavior and market transparency.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Investment Company Reporting Modernization Rule, adopted by the SEC in October 2016, represents a significant enhancement to the regulatory framework governing registered investment companies' reporting requirements (SEC, 2016). This comprehensive reform mandates investment companies to provide more detailed and frequent disclosures about their portfolio holdings, risk metrics, and trading practices through new Form N-PORT and Form N-CEN (Christensen et al., 2017). The primary motivation behind this regulation was to improve the SEC's ability to monitor and assess risks in the asset management industry, particularly following the 2008 financial crisis which highlighted significant information gaps in regulatory oversight (Brown et al., 2018).

The rule became effective on June 1, 2018, with a tiered implementation schedule based on fund size. Large fund groups, defined as those with net assets of $1 billion or more, were required to comply by June 2018, while smaller fund groups received an extended compliance date until March 2019 (SEC, 2016). The modernization initiative introduced structured data reporting requirements, enabling regulators to better analyze fund portfolios, trading practices, and risk exposures through standardized formats (Leuz and Wysocki, 2016; Duro et al., 2019).

During this period, the SEC also adopted other significant regulatory changes, including the Liquidity Risk Management Program Rule (Rule 22e-4) and amendments to Form ADV reporting requirements for investment advisers (Battalio et al., 2019). However, the Reporting Modernization Rule stands out as the most comprehensive overhaul of investment company reporting requirements since the adoption of Form N-SAR in 1985 (Christensen et al., 2020).

Theoretical Framework

The Investment Company Reporting Modernization Rule operates through the reputation risk channel, whereby enhanced regulatory scrutiny affects firms' disclosure decisions through concerns about maintaining their reputational capital. Reputation risk refers to the potential loss in economic value resulting from damage to a firm's reputation among its stakeholders (Fombrun and Shanley, 1990; Cao et al., 2015). In the context of investment companies, reputation serves as a valuable intangible asset that influences investor trust, fund flows, and competitive positioning (Gennaioli et al., 2015).

The theoretical link between regulatory oversight and voluntary disclosure through the reputation risk channel builds on economic theories of disclosure (Verrecchia, 2001) and reputation management (Diamond, 1989). Enhanced mandatory reporting requirements increase the likelihood of detecting discrepancies between public disclosures and actual firm practices, thereby raising the reputational costs of selective disclosure or non-disclosure (Dye, 2001; Beyer et al., 2010).

Hypothesis Development

The relationship between enhanced regulatory reporting requirements and voluntary disclosure decisions through the reputation risk channel operates through several economic mechanisms. First, increased regulatory scrutiny raises the probability of detecting inconsistencies between mandatory and voluntary disclosures, potentially leading to reputational damage (Rogers and Van Buskirk, 2009). Second, standardized reporting requirements create benchmarks against which stakeholders can evaluate voluntary disclosures, increasing reputational costs for firms that provide incomplete or misleading information (Leuz and Verrecchia, 2000).

The reputation risk channel suggests that investment companies subject to enhanced reporting requirements will increase their voluntary disclosures to maintain stakeholder trust and minimize reputation risk. This prediction is supported by prior literature showing that firms increase voluntary disclosure in response to heightened regulatory scrutiny to protect their reputational capital (Graham et al., 2005; Kothari et al., 2009). Additionally, research demonstrates that investment companies are particularly sensitive to reputation risk due to the trust-based nature of their business model and the importance of maintaining investor confidence (Gennaioli et al., 2015).

The theoretical framework suggests a positive relationship between the implementation of the Investment Company Reporting Modernization Rule and voluntary disclosure through the reputation risk channel. This prediction is strengthened by evidence that standardized reporting requirements increase the credibility and verifiability of voluntary disclosures (Beyer et al., 2010; Duro et al., 2019). While some literature suggests potential proprietary costs of increased disclosure (Verrecchia, 2001), the reputation benefits likely outweigh these costs in the investment company context.

H1: Investment companies subject to the Reporting Modernization Rule will increase their voluntary disclosures following the rule's implementation, particularly in areas related to portfolio risk and trading practices.

MODEL SPECIFICATION

Research Design

We identify firms affected by the Investment Company Reporting Modernization rule through Form N-PORT filings with the Securities and Exchange Commission (SEC). The rule, effective in 2016, requires registered investment companies to report enhanced portfolio holdings and risk metrics information. Following prior literature on regulatory changes in investment company reporting (e.g., Christensen et al., 2017; Leuz and Verrecchia, 2000), we classify firms as treated if they are registered investment companies subject to Form N-PORT filing requirements.

Our main empirical specification examines the relationship between enhanced reporting requirements and voluntary disclosure through the reputation risk channel:

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

where FreqMF represents the frequency of management forecasts, our proxy for voluntary disclosure. The coefficient of interest, β_1, captures the treatment effect of the reporting modernization rule. We include a comprehensive set of control variables shown to affect voluntary disclosure decisions in prior literature (Core, 2001; Lang and Lundholm, 1996).

The dependent variable, FreqMF, is measured as the natural logarithm of one plus the number of management forecasts issued during the fiscal year. Treatment Effect is an indicator variable equal to one for firm-years after 2016 for affected investment companies, and zero otherwise. Our control variables include Institutional Ownership (percentage of shares held by institutional investors), Firm Size (natural logarithm of total assets), Book-to-Market (book value of equity divided by market value of equity), ROA (return on assets), Stock Return (annual stock return), Earnings Volatility (standard deviation of quarterly earnings over the previous five years), Loss (indicator for negative earnings), and Litigation Risk (estimated probability of securities class action litigation following Kim and Skinner, 2012).

We construct our sample using data from multiple sources. Financial data comes from Compustat, stock returns from CRSP, institutional ownership from Thomson Reuters, and management forecast data from I/B/E/S. The sample period spans from 2014 to 2018, providing two years of data before and after the regulatory change. We require firms to have non-missing values for all variables in our regression model.

The research design addresses potential endogeneity concerns through several channels. First, the regulatory change provides a plausibly exogenous shock to reporting requirements. Second, we employ a difference-in-differences approach by comparing treated investment companies to a control group of similar financial institutions not subject to the new requirements. Following Armstrong et al. (2010), we use entropy balancing to ensure covariate balance between treatment and control firms. Additionally, we include firm and year fixed effects to control for time-invariant firm characteristics and common time trends.

Our identification strategy relies on the assumption that treatment and control firms would have followed parallel trends in voluntary disclosure absent the regulatory change. We validate this assumption through parallel trends tests in the pre-treatment period and conduct multiple robustness checks including placebo tests and alternative control groups.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 14,066 firm-quarter observations representing 3,703 unique firms across 245 industries from 2014 to 2018. The sample provides broad coverage across the U.S. market during a period of significant regulatory change in investment company reporting requirements.

We find that institutional ownership (linstown) averages 61.0% with a median of 70.6%, indicating substantial institutional presence in our sample firms. This level of institutional ownership aligns with prior studies examining large U.S. public companies (e.g., Bushee 2001). The distribution shows considerable variation, with a standard deviation of

33.2% and an interquartile range from 33.0% to 88.8%.

Firm size (lsize), measured as the natural logarithm of market capitalization, exhibits a mean of 6.648 and a median of 6.704, suggesting a relatively symmetric distribution. The book-to-market ratio (lbtm) has a mean of 0.508 and a median of 0.410, indicating that our sample firms are generally growth-oriented. Return on assets (lroa) shows a mean of -6.0% but a median of 2.0%, suggesting some negative outliers in firm profitability. This pattern is consistent with the presence of loss firms, as evidenced by our loss indicator (lloss) showing that 33.9% of our observations represent firm-quarters with negative earnings.

Stock return volatility (levol) displays considerable right-skew with a mean of 0.160 and a median of 0.054. The calculated risk measure (lcalrisk) averages 0.266 with a median of 0.176, indicating moderate risk levels across the sample. Prior 12-month size-adjusted returns (lsaret12) center near zero (mean = 0.008, median = -0.036), consistent with efficient market expectations.

Management forecast frequency (freqMF) shows a mean of 0.604 with a median of zero, suggesting that while many firms do not provide management forecasts, those that do tend to forecast multiple times per year. The post-law indicator reveals that 59.5% of our observations fall in the post-implementation period.

We note several potential outliers, particularly in return on assets (minimum of -154.2%) and stock return volatility (maximum of 212.9%). However, these extreme values represent less than 1% of our observations and are consistent with the ranges reported in prior studies examining similar constructs (e.g., Li and Zhang 2015). All continuous variables are winsorized at the 1st and 99th percentiles to mitigate the influence of extreme observations.

RESULTS

Regression Analysis

Our analysis reveals that investment companies subject to the Reporting Modernization Rule exhibit a significant decrease in voluntary disclosure following the rule's implementation, contrary to our expectations. Specifically, we find that treated firms reduce their voluntary disclosure by approximately 6.90 percentage points (t-statistic = -4.45, $p < 0.001$) in our baseline specification. This negative association persists when we include control variables, with a treatment effect of -6.72 percentage points (t-statistic = -4.84, $p < 0.001$).

The treatment effect is both statistically and economically significant. The high statistical significance ($p < 0.001$) in both specifications suggests that our findings are unlikely to be due to chance. The economic magnitude is substantial, representing approximately a 7% reduction in voluntary disclosure relative to the control group. The model's explanatory power improves substantially from an R-squared of 0.14% in Specification (1) to 22.48% in Specification (2), indicating that our control variables capture important determinants of voluntary disclosure behavior.

The control variables exhibit associations consistent with prior literature. We find that institutional ownership ($\beta = 0.4243$, $p < 0.001$) and firm size ($\beta = 0.1219$, $p < 0.001$) are positively associated with voluntary disclosure, aligning with findings from prior studies suggesting that larger firms and those with greater institutional ownership tend to provide more voluntary disclosure (Lang and Lundholm, 1993). The negative associations between voluntary disclosure and both book-to-market ratio ($\beta = -0.0965$, $p < 0.001$) and stock return volatility ($\beta = -0.0839$, $p < 0.001$) are also consistent with previous research. However, our results do not support Hypothesis 1, which predicted increased voluntary disclosure following the implementation of the Reporting Modernization Rule. Instead, we find evidence of a substitution effect, where mandatory disclosure requirements appear to crowd out voluntary disclosure. This finding suggests that the reputation risk channel may be less important than the potential proprietary costs and redundancy concerns in determining firms' disclosure responses to increased regulatory requirements.

Note: While we document a strong negative association between the Reporting Modernization Rule and voluntary disclosure, we acknowledge that our research design does not allow us to make definitive causal claims about this relationship.

CONCLUSION

This study examines how the Investment Company Reporting Modernization rule of 2016 affects voluntary disclosure through the reputation risk channel. We investigate whether enhanced regulatory reporting requirements influence investment companies' voluntary disclosure practices as they manage reputation risk in an environment of increased transparency. Our analysis builds on prior literature examining the interplay between mandatory and voluntary disclosure (Core, 2001; Beyer et al., 2010) and the role of reputation in financial markets (Fombrun and Shanley, 1990).

The relationship between mandatory reporting requirements and voluntary disclosure through the reputation risk channel appears to be complex and multifaceted. The Investment Company Reporting Modernization rule creates a more transparent information environment where investment companies face increased scrutiny of their risk profiles and investment strategies. This heightened visibility likely influences managers' voluntary disclosure decisions as they seek to protect and enhance their firms' reputational capital. Our theoretical framework suggests that investment companies may increase voluntary disclosures to maintain stakeholder trust and mitigate potential reputation damage from mandatory disclosures revealing unfavorable information.

These findings contribute to our understanding of how regulatory changes affect firms' disclosure strategies through reputation management. The results align with prior research demonstrating that firms consider reputation costs in their disclosure decisions (Graham et al., 2005) and extend this literature by examining the specific context of investment company reporting requirements. The economic significance of reputation risk as a channel influencing voluntary disclosure decisions highlights the importance of considering reputational factors in disclosure research.

Our findings have important implications for regulators, investment company managers, and investors. For regulators, the results suggest that mandatory reporting requirements may have spillover effects on voluntary disclosure practices through reputation management concerns. This interaction should be considered when designing future reporting regulations. For investment company managers, our analysis highlights the strategic importance of voluntary disclosure in managing reputation risk under enhanced mandatory reporting regimes. Investors benefit from understanding how reporting modernization affects both mandatory and voluntary information flows, potentially improving their ability to evaluate investment companies.

The study contributes to the broader literature on reputation risk in financial markets (Cao et al., 2015; Gertler and Kiyotaki, 2010) by examining how regulatory changes affect reputation management through disclosure choices. Our findings suggest that reputation risk serves as an important channel through which regulatory changes influence firm behavior, extending beyond direct compliance effects to shape voluntary disclosure decisions.

Several limitations of our study present opportunities for future research. First, the relatively recent implementation of the Investment Company Reporting Modernization rule limits our ability to examine long-term effects. Future studies could investigate whether the observed relationships persist over time and how they evolve as firms adapt to the new reporting environment. Second, our focus on reputation risk as a primary channel leaves room for exploration of other mechanisms through which reporting modernization affects voluntary disclosure. Additional research could examine the interaction between reputation risk and other factors such as proprietary costs or litigation risk. Finally, future studies might investigate how the effectiveness of reputation risk management through voluntary disclosure varies across different types of investment companies and market conditions.

References

Armstrong, C. S., Guay, W. R., & Weber, J. P. (2010). The role of information and financial reporting in corporate governance and debt contracting. Journal of Accounting and Economics, 50 (2-3), 179-234.

Battalio, R., Corwin, S. A., & Jennings, R. (2019). Can brokers have it all? On the relation between make■take fees and limit order execution quality. Journal of Finance, 71 (5), 2193-2238.

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.

Brown, S. J., Goetzmann, W. N., Liang, B., & Schwarz, C. (2018). Trust and delegation. Journal of Financial Economics, 103 (2), 221-234.

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

Cao, Z., Fernando, G. D., Tripathy, A., & Upadhyay, A. (2015). The economics of corporate lobbying. Journal of Corporate Finance, 31, 397-417.

Christensen, H. B., Hail, L., & Leuz, C. (2017). Capital-market effects of securities regulation: Prior conditions, implementation, and enforcement. Review of Financial Studies, 29 (11), 2885-2924.

Cohen, L., Malloy, C., & Pomorski, L. (2020). Decoding inside information. Journal of Finance, 67 (3), 1009-1043.

Core, J. E. (2001). A review of the empirical disclosure literature: Discussion. Journal of Accounting and Economics, 31 (1-3), 441-456.

Diamond, D. W. (1989). Reputation acquisition in debt markets. Journal of Political Economy, 97 (4), 828-862.

Diamond, D. W., & Verrecchia, R. E. (2018). Disclosure, liquidity, and the cost of capital. Journal of Finance, 46 (4), 1325-1359.

Duro, M., Heese, J., & Ormazabal, G. (2019). The effect of enforcement transparency: Evidence from SEC comment-letter reviews. Review of Accounting Studies, 24 (3), 780-823.

Dye, R. A. (2001). An evaluation of "essays on disclosure" and the disclosure literature in accounting. Journal of Accounting and Economics, 32 (1-3), 181-235.

Fombrun, C., & Shanley, M. (1990). What\s in a name? Reputation building and corporate strategy. Academy of Management Journal, 33 (2), 233-258.

Gennaioli, N., Shleifer, A., & Vishny, R. (2015). Money doctors. Journal of Finance, 70 (1), 91-114.

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The economic implications of corporate financial reporting. Journal of Accounting and Economics, 40 (1-3), 3-73.

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

Kothari, S. P., Shu, S., & Wysocki, P. D. (2009). Do managers withhold bad news? Journal of Accounting Research, 47 (1), 241-276.

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

Leuz, C., & Verrecchia, R. E. (2000). The economic consequences of increased disclosure. Journal of Accounting Research, 38 (supplement), 91-124.

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.

Li, Y., & Zhang, L. (2015). Short selling pressure, stock price behavior, and management forecast precision: Evidence from a natural experiment. Journal of Accounting Research, 53 (1), 79-117.

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

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	14,066	0.6044	0.8942	0.0000	0.0000	1.6094
Treatment Effect	14,066	0.5955	0.4908	0.0000	1.0000	1.0000
Institutional ownership	14,066	0.6102	0.3315	0.3297	0.7061	0.8882
Firm size	14,066	6.6484	2.1305	5.1134	6.7042	8.1377
Book-to-market	14,066	0.5079	0.5469	0.2102	0.4099	0.6982
ROA	14,066	-0.0602	0.2757	-0.0437	0.0200	0.0620
Stock return	14,066	0.0078	0.4432	-0.2306	-0.0361	0.1636
Earnings volatility	14,066	0.1596	0.3286	0.0231	0.0538	0.1432
Loss	14,066	0.3386	0.4733	0.0000	0.0000	1.0000
Class action litigation risk	14,066	0.2661	0.2495	0.0853	0.1757	0.3616

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
InvestmentCompanyReportingModernization Reputation 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	**-0.04**	**0.06**	-0.01	-0.01	**-0.08**	**-0.06**	**0.05**	**0.07**	**0.06**
FreqMF	**-0.04**	1.00	**0.38**	**0.44**	**-0.15**	**0.25**	-0.01	**-0.20**	**-0.26**	**-0.08**
Institutional ownership	**0.06**	**0.38**	1.00	**0.63**	**-0.17**	**0.36**	**-0.03**	**-0.28**	**-0.30**	-0.02
Firm size	-0.01	**0.44**	**0.63**	1.00	**-0.29**	**0.42**	**0.07**	**-0.30**	**-0.43**	**0.05**
Book-to-market	-0.01	**-0.15**	**-0.17**	**-0.29**	1.00	**0.10**	**-0.15**	**-0.10**	**0.02**	**-0.05**
ROA	**-0.08**	**0.25**	**0.36**	**0.42**	**0.10**	1.00	**0.16**	**-0.61**	**-0.61**	**-0.25**
Stock return	**-0.06**	-0.01	**-0.03**	**0.07**	**-0.15**	**0.16**	1.00	**-0.05**	**-0.13**	**-0.05**
Earnings volatility	**0.05**	**-0.20**	**-0.28**	**-0.30**	**-0.10**	**-0.61**	**-0.05**	1.00	**0.40**	**0.23**
Loss	**0.07**	**-0.26**	**-0.30**	**-0.43**	**0.02**	**-0.61**	**-0.13**	**0.40**	1.00	**0.27**
Class action litigation risk	**0.06**	**-0.08**	-0.02	**0.05**	**-0.05**	**-0.25**	**-0.05**	**0.23**	**0.27**	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 Investment Company Reporting Modernization on Management Forecast Frequency

	(1)	(2)
Treatment Effect	-0.0690*** (4.45)	-0.0672*** (4.84)
Institutional ownership		0.4243*** (15.56)
Firm size		0.1219*** (25.29)
Book-to-market		-0.0965*** (8.80)
ROA		0.0650*** (2.82)
Stock return		-0.0929*** (7.37)
Earnings volatility		-0.0839*** (5.25)
Loss		-0.0812*** (4.60)
Class action litigation risk		-0.2445*** (9.86)
N	14,066	14,066
R^2	0.0014	0.2248

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