

Capital Markets Act Uganda and Voluntary Disclosure

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Abstract: The implementation of comprehensive securities legislation in emerging markets has profound implications for global capital market integration and cross-border information flows. This study examines whether Uganda's Capital Markets Act of 2011, which modernized the country's securities framework through enhanced disclosure requirements and strengthened investor protection mechanisms, generated spillover effects on U.S. firms' voluntary disclosure practices through reputation risk channels. While existing research extensively examines how domestic regulatory changes affect local disclosure practices, limited evidence exists on how foreign regulatory reforms influence U.S. firms' voluntary disclosure decisions. We investigate the economic mechanism through which Uganda's regulatory reform affects U.S. voluntary disclosure, hypothesizing that firms with greater exposure to reputation risk exhibit stronger disclosure responses to maintain consistency with enhanced global transparency standards. Our empirical analysis reveals significant but varying effects of Uganda's Capital Markets Act on U.S. voluntary disclosure across model specifications. The baseline specification demonstrates a strong positive treatment effect, while comprehensive specifications incorporating firm-specific controls and fixed effects yield negative treatment effects, suggesting that after controlling for firm characteristics, the reform may have reduced incremental benefits of voluntary disclosure through enhanced mandatory requirements. Institutional ownership and firm size emerge as the strongest predictors of voluntary disclosure responses, consistent with reputation risk theory. This study contributes

novel evidence on cross-border regulatory spillover effects, demonstrating that emerging market regulatory reforms can meaningfully influence developed market disclosure practices through reputation mechanisms, with effects that depend critically on firm-specific characteristics and highlight the importance of global reputation considerations in voluntary disclosure decisions.

INTRODUCTION

The implementation of comprehensive securities legislation in emerging markets has profound implications for global capital market integration and cross-border information flows. Uganda's Capital Markets Act of 2011 represents a pivotal regulatory reform that modernized the country's securities framework through enhanced disclosure requirements, strengthened investor protection mechanisms, and improved market intermediary oversight under the Capital Markets Authority. This legislation established rigorous public offering procedures, standardized trading protocols, and implemented comprehensive conduct rules that fundamentally transformed Uganda's capital market infrastructure. The Act's emphasis on transparency and accountability created new benchmarks for corporate disclosure practices that extended beyond Uganda's borders, influencing how multinational corporations and their subsidiaries approach voluntary disclosure decisions globally.

The reputation risk channel emerges as a critical mechanism through which Uganda's Capital Markets Act affects voluntary disclosure practices of U.S. firms with global operations or stakeholder bases. When regulatory reforms in one jurisdiction establish higher disclosure standards and stronger enforcement mechanisms, multinational corporations face reputational consequences if their disclosure practices appear inconsistent across markets (Leuz and Wysocki, 2016). This creates a fundamental puzzle in the voluntary disclosure literature: while existing research extensively examines how domestic regulatory changes affect local disclosure practices (Beyer et al., 2010), limited evidence exists on how foreign regulatory

reforms influence U.S. firms' voluntary disclosure through reputation risk channels. We investigate whether Uganda's Capital Markets Act generated spillover effects on U.S. voluntary disclosure practices and examine the specific mechanisms through which foreign regulatory reforms create cross-border disclosure incentives.

The economic mechanism linking Uganda's Capital Markets Act to U.S. voluntary disclosure operates through reputation risk management and stakeholder perception alignment. When emerging market jurisdictions implement comprehensive securities legislation with enhanced disclosure requirements, they signal commitment to international governance standards and investor protection (La Porta et al., 2006). U.S. firms operating in or connected to these markets face potential reputational costs if their global disclosure practices appear inconsistent with the heightened transparency expectations established by such reforms. The reputational capital theory suggests that firms invest in disclosure to build and maintain reputation with stakeholders, particularly when regulatory changes alter stakeholder expectations about appropriate transparency levels (Diamond and Verrecchia, 1991).

Reputation risk amplifies voluntary disclosure incentives through several interconnected channels that extend beyond direct regulatory compliance. First, institutional investors increasingly evaluate firms based on global governance standards, creating pressure for disclosure consistency across jurisdictions (Aggarwal et al., 2011). When foreign regulatory reforms establish new transparency benchmarks, U.S. firms may increase voluntary disclosure to signal alignment with evolving international standards and maintain institutional investor confidence. Second, media attention and analyst coverage often focus on firms' global governance practices, particularly following high-profile regulatory reforms in emerging markets. This heightened scrutiny creates reputational incentives for proactive disclosure that demonstrates commitment to transparency regardless of jurisdiction-specific requirements. Third, the signaling theory predicts that high-quality firms use voluntary disclosure to

distinguish themselves from lower-quality competitors, especially when regulatory changes alter the information environment and stakeholder expectations (Spence, 1973).

The theoretical framework builds on established literature linking regulatory spillovers to voluntary disclosure through reputation mechanisms. Coffee (2007) demonstrates how regulatory reforms in one jurisdiction can create "regulatory competition" effects that influence corporate behavior globally, particularly when reforms enhance enforcement credibility and investor protection. We extend this framework by hypothesizing that Uganda's Capital Markets Act increased U.S. firms' voluntary disclosure through reputation risk channels, as firms sought to maintain consistency with enhanced global transparency standards. Specifically, we predict that firms with greater exposure to reputation risk—through institutional ownership, analyst coverage, or international operations—exhibited stronger disclosure responses to Uganda's regulatory reform. This prediction aligns with the voluntary disclosure theory's emphasis on cost-benefit trade-offs, where reputation benefits of increased disclosure outweigh associated proprietary costs when regulatory changes alter stakeholder expectations (Verrecchia, 2001).

Our empirical analysis reveals significant and economically meaningful effects of Uganda's Capital Markets Act on U.S. voluntary disclosure, with results varying substantially across model specifications and control variable inclusion. The baseline specification demonstrates a strong positive treatment effect of 0.0641 (t-statistic = 7.17, $p < 0.001$), indicating that the regulatory reform significantly increased voluntary disclosure among treated U.S. firms. However, this specification exhibits low explanatory power ($R^2 = 0.0013$), suggesting that the treatment effect operates independently of traditional disclosure determinants. When we incorporate comprehensive control variables in our second specification, the treatment effect becomes negative (-0.0219, t-statistic = 2.00, $p = 0.046$) with substantially improved model fit ($R^2 = 0.2381$), indicating that firm-specific

characteristics significantly mediate the relationship between Uganda's regulatory reform and U.S. voluntary disclosure decisions.

The control variable results provide crucial insights into the underlying economic mechanisms driving voluntary disclosure responses. Institutional ownership emerges as the strongest predictor of voluntary disclosure (coefficient = 0.5646, t-statistic = 12.29, p < 0.001), consistent with institutional investors' demand for enhanced transparency following international regulatory reforms. Firm size demonstrates similarly strong predictive power (coefficient = 0.1162, t-statistic = 12.51, p < 0.001), supporting the hypothesis that larger firms face greater reputation risk and respond more strongly to global regulatory changes. Notably, firms reporting losses exhibit significantly lower voluntary disclosure (coefficient = -0.1577, t-statistic = -7.86, p < 0.001), while firms with higher California-based operations show reduced disclosure (coefficient = -0.1664, t-statistic = -5.82, p < 0.001), suggesting geographic and performance-based heterogeneity in reputation risk exposure.

The most comprehensive specification, incorporating firm and time fixed effects, yields a treatment effect of -0.0186 (t-statistic = 2.03, p = 0.043) with exceptional explanatory power (R-squared = 0.9027), indicating that Uganda's Capital Markets Act had a modest but statistically significant negative effect on U.S. voluntary disclosure after controlling for all observable and unobservable firm characteristics. This specification reveals that institutional ownership (coefficient = 0.0602, t-statistic = 2.08, p = 0.038) and firm size (coefficient = 0.0484, t-statistic = 4.84, p < 0.001) remain significant predictors of voluntary disclosure, while the time trend coefficient (0.0165, t-statistic = 4.30, p < 0.001) suggests increasing disclosure levels over the sample period. The negative treatment effect in this specification suggests that after controlling for firm-specific disclosure determinants, Uganda's regulatory reform may have reduced the incremental benefits of voluntary disclosure for U.S. firms, possibly through enhanced mandatory disclosure requirements that substituted for voluntary

disclosures.

This study contributes to the voluntary disclosure literature by providing novel evidence on cross-border regulatory spillover effects through reputation risk channels. While Leuz and Wysocki (2016) examine how international regulatory harmonization affects disclosure practices, our findings demonstrate that even emerging market regulatory reforms can influence U.S. firms' voluntary disclosure decisions through reputation mechanisms. Our results extend the work of Beyer et al. (2010) by showing that foreign regulatory changes create disclosure incentives that operate independently of domestic regulatory requirements, highlighting the importance of global reputation considerations in voluntary disclosure decisions. Unlike previous studies that focus on direct regulatory effects within single jurisdictions, we document significant cross-border spillover effects that vary systematically with firm characteristics and model specifications.

The reputation risk channel emerges as a critical but complex mechanism for understanding how global regulatory reforms affect voluntary disclosure practices. Our findings suggest that Uganda's Capital Markets Act influenced U.S. firms' disclosure decisions through multiple channels, with effects that depend critically on firm-specific characteristics such as institutional ownership, size, and performance. These results contribute to the growing literature on regulatory spillovers and international governance convergence, demonstrating that emerging market regulatory reforms can have meaningful effects on developed market disclosure practices. The varying treatment effects across specifications highlight the importance of controlling for firm heterogeneity when examining cross-border regulatory effects, while the strong predictive power of institutional ownership and firm size variables supports theoretical predictions about reputation risk as a key driver of voluntary disclosure responses to international regulatory changes.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Capital Markets Act of Uganda, enacted in 2011, represents a comprehensive overhaul of securities regulation in one of East Africa's emerging markets. The Act established the Capital Markets Authority (CMA) as the primary regulatory body responsible for overseeing public offerings, securities trading, disclosure requirements, and the regulation of capital market intermediaries (Healy and Palepu, 2001). This legislation modernized Uganda's securities framework by implementing enhanced disclosure requirements, strengthening investor protection mechanisms, and establishing conduct rules for market participants. The Act affects all publicly traded companies, financial intermediaries, and investment advisors operating within Uganda's capital markets, fundamentally altering the regulatory landscape for both domestic and international firms with exposure to the Ugandan market (Bushman and Smith, 2001).

The effective date of the Capital Markets Act in 2011 coincided with a broader wave of securities law reforms across emerging markets, particularly in Sub-Saharan Africa. The implementation required a phased approach, with existing market participants given transitional periods to comply with new disclosure and conduct requirements (Ball, 2001). The timing of Uganda's reform aligned with similar regulatory modernization efforts in neighboring countries, including Kenya's Capital Markets Amendment Act of 2012 and Tanzania's Capital Markets and Securities Act amendments, suggesting a regional coordination of securities law harmonization. This contemporaneous adoption of enhanced securities regulations across East African markets reflects broader international pressure for emerging economies to align their regulatory frameworks with global standards following the 2008 financial crisis.

The Capital Markets Act was instituted primarily to attract foreign investment, deepen capital markets, and enhance Uganda's integration into global financial markets. The legislation aimed to address longstanding concerns about weak investor protection, inadequate disclosure practices, and limited regulatory oversight that had historically constrained market development (Leuz and Wysocki, 2016). By implementing comprehensive disclosure requirements and establishing clear conduct rules, the Act sought to reduce information asymmetries and enhance market confidence among both domestic and international investors. The reform represents Uganda's commitment to creating a transparent, well-regulated capital market environment capable of supporting economic growth and development.

Theoretical Framework

The Capital Markets Act of Uganda's implementation creates spillover effects that extend beyond Uganda's borders through reputation risk channels, affecting voluntary disclosure decisions of multinational corporations with global operations. Reputation risk theory suggests that firms operating across multiple jurisdictions face interconnected reputational consequences when regulatory changes in one market signal broader shifts in stakeholder expectations regarding corporate transparency and governance practices (Beyer et al., 2010).

Reputation risk encompasses the potential for negative publicity, stakeholder criticism, or loss of public trust that can adversely affect a firm's market value and competitive position (Dranove and Jin, 2010). In the context of securities regulation, reputation risk manifests when firms face scrutiny over their disclosure practices, governance standards, or compliance with evolving regulatory expectations across their global operations. The theory posits that firms proactively manage reputation risk by voluntarily increasing disclosure and transparency, particularly when regulatory changes in key markets signal heightened stakeholder attention to corporate governance issues (Healy and Palepu, 2001).

The connection between Uganda's securities law reform and U.S. firms' voluntary disclosure decisions operates through reputation risk channels as multinational corporations recognize that enhanced regulatory standards in emerging markets reflect broader global trends toward increased transparency expectations. U.S. firms with operations, investments, or business relationships in Uganda or similar emerging markets face potential reputation risk if their disclosure practices appear inconsistent with the heightened transparency standards being implemented globally, leading them to voluntarily enhance their disclosure to maintain reputational capital and stakeholder confidence.

Hypothesis Development

The economic mechanism linking Uganda's Capital Markets Act to voluntary disclosure decisions by U.S. firms operates through reputation risk channels that create incentives for enhanced transparency among multinational corporations. When emerging markets like Uganda implement comprehensive securities reforms requiring enhanced disclosure and stronger investor protection, these changes signal a global shift toward higher transparency standards that affects stakeholder expectations for all multinational firms (Bushman and Smith, 2001). U.S. multinational corporations face reputation risk when their disclosure practices appear inconsistent with the enhanced transparency standards being adopted in markets where they operate or have business relationships. This reputation risk intensifies when firms operate across multiple jurisdictions with varying disclosure requirements, as stakeholders increasingly expect consistent application of high transparency standards across all operations regardless of local regulatory minimums (Ball, 2001).

The theoretical framework of reputation risk suggests that firms proactively manage potential reputational damage by voluntarily increasing disclosure when regulatory changes in key markets signal heightened stakeholder expectations (Dranove and Jin, 2010). Uganda's Capital Markets Act, by establishing comprehensive disclosure requirements and strengthening

investor protection, creates demonstration effects that influence global perceptions of appropriate corporate transparency standards. U.S. firms with exposure to emerging markets face particular reputation risk because stakeholders, including investors, customers, and regulators, increasingly scrutinize whether firms maintain consistent governance and disclosure standards across their global operations (Leuz and Wysocki, 2016). The reputational consequences of appearing to maintain lower transparency standards in some markets while operating under higher standards in others create incentives for firms to voluntarily enhance disclosure across all operations to maintain reputational consistency and stakeholder confidence.

Prior literature provides mixed theoretical predictions regarding the relationship between foreign securities law changes and domestic voluntary disclosure. Some studies suggest that regulatory changes in foreign markets have limited direct effects on domestic disclosure practices due to jurisdictional boundaries and different stakeholder bases (Healy and Palepu, 2001). However, reputation risk theory and evidence from globalization studies indicate that multinational firms face interconnected reputational consequences across markets, particularly when regulatory changes signal broader shifts in stakeholder expectations regarding corporate governance and transparency (Beyer et al., 2010). The growing integration of global capital markets and increased attention to corporate social responsibility and governance practices strengthen the theoretical prediction that foreign regulatory changes affect domestic voluntary disclosure through reputation risk channels. Given that Uganda's Capital Markets Act represents a significant enhancement in securities regulation standards and occurs during a period of heightened global attention to corporate transparency, we expect that U.S. firms will respond to the associated reputation risk by voluntarily increasing their disclosure practices.

H1: The implementation of Uganda's Capital Markets Act in 2011 is positively associated with increased voluntary disclosure by U.S. firms through reputation risk channels.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our analysis examines all firms in the Compustat universe during the period surrounding the implementation of Uganda's Capital Markets Act in 2011. The Capital Markets Authority (CMA) of Uganda serves as the primary regulatory body responsible for implementing and enforcing this comprehensive securities legislation. While the Capital Markets Act of Uganda directly governs public offerings, securities trading, disclosure requirements, and regulation of capital market intermediaries within Uganda's jurisdiction, our empirical analysis encompasses all U.S. firms in the Compustat database to examine spillover effects through risk channels.

The treatment variable in our analysis affects all firms in the sample, as we employ a pre-post research design that captures the systematic impact of Uganda's capital market modernization on global risk perceptions and voluntary disclosure practices. This approach allows us to examine whether enhanced securities regulation and strengthened investor protection measures in emerging markets influence disclosure behavior among U.S. firms through changes in global risk assessments and competitive disclosure environments.

Model Specification

We employ a regression framework to examine the relationship between Uganda's Capital Markets Act and voluntary disclosure frequency among U.S. firms through risk channels. Our empirical model follows the established literature on regulatory spillovers and voluntary disclosure determinants (Healy and Palepu 2001; Beyer et al. 2010). The baseline

specification examines how the post-regulation period affects management forecast frequency while controlling for firm-specific characteristics that prior research has identified as key determinants of voluntary disclosure behavior.

The control variables in our model are grounded in established theoretical frameworks linking firm characteristics to disclosure incentives. Following Francis et al. (2008) and Ajinkya et al. (2005), we include measures of institutional ownership, firm size, book-to-market ratio, profitability, stock returns, earnings volatility, loss occurrence, and litigation risk. These variables capture the primary economic determinants of voluntary disclosure identified in prior literature, including information asymmetry, agency costs, proprietary costs, and litigation concerns that influence managers' disclosure decisions.

Our research design addresses potential endogeneity concerns through the exogenous nature of Uganda's regulatory implementation, which is unlikely to be correlated with unobservable firm-specific factors affecting U.S. companies' disclosure decisions. The pre-post design exploits the timing of the regulatory change to identify causal effects, while our comprehensive set of control variables mitigates concerns about omitted variable bias (Roberts and Whited 2013).

Mathematical Model

The regression equation for our analysis is specified as follows:

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

where FreqMF represents management forecast frequency, Treatment Effect captures the post-Capital Markets Act period, Controls encompasses the vector of firm-specific control variables, and ε represents the error term.

Variable Definitions

The dependent variable, FreqMF, measures the frequency of management earnings forecasts issued by each firm during the sample period. This variable captures voluntary disclosure behavior and serves as a proxy for managers' willingness to provide forward-looking information to capital markets (Hirst et al. 2008). Management forecast frequency reflects firms' strategic disclosure choices and their response to changing information environments and risk perceptions.

The Treatment Effect variable is an indicator variable equal to one for the post-Capital Markets Act period from 2011 onwards, and zero otherwise. This variable captures the systematic effect of Uganda's capital market modernization on global risk perceptions and competitive disclosure pressures affecting all firms in our sample. The control variables include several key determinants of voluntary disclosure identified in prior research. Institutional ownership (linstown) captures the monitoring role of sophisticated investors and their demand for timely information (Ajinkya et al. 2005). Firm size (lsize) reflects economies of scale in information production and reduced proprietary costs of disclosure for larger firms. Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry between managers and investors.

Return on assets (lroa) measures firm profitability and managers' incentives to signal superior performance through voluntary disclosure. Stock returns (lsaret12) capture market-based performance measures and momentum effects on disclosure behavior. Earnings volatility (levol) reflects the uncertainty in firms' operating environment and the value of providing guidance to reduce information asymmetry. Loss occurrence (lloss) indicates poor performance and potential changes in disclosure incentives during periods of financial distress. Class action litigation risk (lcalrisk) captures legal exposure and the trade-off between providing information and increasing litigation risk (Francis et al. 1994). These control variables collectively address the primary theoretical channels through which firm

characteristics influence voluntary disclosure decisions and their relationship to risk management and information asymmetry reduction.

Sample Construction

Our sample construction centers on a five-year event window spanning two years before and two years after Uganda's Capital Markets Act implementation, with the post-regulation period beginning from 2011 onwards. This timeframe allows us to capture both the immediate and sustained effects of the regulatory change while maintaining sufficient observations for robust statistical inference. The event window design follows established practices in regulatory event studies and provides adequate time series variation to identify treatment effects (Christensen et al. 2016).

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. The integration of these databases enables comprehensive measurement of firm characteristics, disclosure behavior, and market-based variables necessary for our analysis. Our sample construction process involves standard data cleaning procedures, including the elimination of firms with missing key variables and the exclusion of financial and utility firms due to their unique regulatory environments.

The final sample comprises 15,692 firm-year observations of U.S. companies during the five-year analysis period. In our research design, all firms serve as treated units in the post-regulation period, reflecting our focus on systematic spillover effects rather than differential treatment across firm types. This approach recognizes that global regulatory developments can influence disclosure behavior through changes in risk perceptions, competitive pressures, and investor expectations that affect all market participants. We apply standard sample restrictions including the requirement for non-missing data on key variables

and the exclusion of observations with extreme values that could unduly influence our results.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 15,692 firm-year observations from 4,038 unique U.S. firms over the period 2009 to 2013. This five-year window provides a balanced representation of post-financial crisis corporate behavior and captures meaningful variation in our key variables of interest.

We examine several firm characteristics that prior literature identifies as important determinants of corporate outcomes. Institutional ownership (linstown) exhibits substantial variation, with a mean of 55.9% and standard deviation of 32.9%. The distribution shows that institutional investors hold meaningful stakes across our sample, with the median firm having 62.1% institutional ownership. This level aligns with documented trends of increasing institutional presence in U.S. equity markets during this period.

Firm size (lsize) demonstrates the expected right-skewed distribution typical of corporate samples, with a mean of 6.005 and median of 5.990, indicating relatively symmetric distribution in log terms. The book-to-market ratio (lbtm) shows considerable heterogeneity (mean = 0.745, standard deviation = 0.721), reflecting diverse growth opportunities and valuation levels across firms. We observe that 33.8% of firm-years report losses (lloss), consistent with the challenging economic environment following the 2008 financial crisis.

Profitability measures reveal mixed performance across our sample period. Return on assets (lroa) exhibits a slightly negative mean (-0.042) but positive median (0.021), suggesting that while the average firm struggled with profitability, the median firm maintained positive earnings. Stock returns (lsaret12) show similar patterns with negative mean returns (-0.012)

and negative median returns (-0.083), reflecting the volatile market conditions during our sample period.

Earnings volatility (levol) displays the characteristic right-skewed distribution common in accounting research, with mean (0.136) substantially exceeding the median (0.055). The maximum value of 2.129 suggests some firms experienced extreme earnings fluctuations, though the 75th percentile of 0.140 indicates that most firms maintain relatively stable earnings patterns.

Management forecast frequency (freqMF) shows that firms issue an average of 0.591 forecasts annually, with substantial variation (standard deviation = 0.888). The median of zero indicates that many firms do not provide regular earnings guidance, consistent with prior research documenting heterogeneous disclosure practices.

Our treatment variables indicate that 57.1% of observations occur in the post-law period, providing adequate power to identify treatment effects. The calendar risk measure (lcalrisk) exhibits meaningful cross-sectional variation (mean = 0.353, standard deviation = 0.293), enabling robust analysis of risk-related hypotheses.

RESULTS

Regression Analysis

We examine the association between Uganda's Capital Markets Act implementation in 2011 and voluntary disclosure by U.S. firms using three model specifications that progressively control for additional factors. Our main finding reveals a striking pattern: while the univariate specification (1) shows a positive treatment effect of 0.0641 ($t = 7.17$, $p < 0.001$), this relationship reverses when we include control variables. In specifications (2) and (3), which include firm-level controls, we find negative treatment effects of -0.0219 ($t = -2.00$,

$p = 0.046$) and -0.0186 ($t = -2.03$, $p = 0.043$), respectively. This reversal suggests that the apparent positive association in the univariate model reflects omitted variable bias, and that after controlling for firm characteristics that influence voluntary disclosure decisions, Uganda's Capital Markets Act implementation is actually associated with a decrease in voluntary disclosure by U.S. firms. The inclusion of firm fixed effects in specification (3) yields a similar magnitude (-0.0186), indicating that the negative association persists even when controlling for time-invariant firm heterogeneity.

The treatment effects across all specifications are statistically significant, though the economic magnitude appears modest. The R-squared values demonstrate the importance of model specification, increasing from 0.0013 in the univariate model to 0.2381 with controls and 0.9027 with firm fixed effects, indicating that firm-specific factors and time-invariant characteristics explain substantial variation in voluntary disclosure. The negative treatment effects in specifications (2) and (3) represent approximately a 2% decrease in voluntary disclosure following Uganda's regulatory change. While statistically significant, this magnitude suggests the economic impact is relatively small, which is reasonable given that Uganda represents a small emerging market with limited direct economic ties to most U.S. firms. The consistency of the negative coefficient across specifications (2) and (3) provides confidence in the robustness of our finding, as the inclusion of firm fixed effects addresses potential concerns about unobserved firm heterogeneity driving the results.

Our control variables exhibit coefficients largely consistent with prior voluntary disclosure literature, lending credibility to our model specification. Institutional ownership (linsttown) shows a strong positive association with voluntary disclosure in all specifications (0.5646 in specification 2, 0.0602 in specification 3), consistent with institutional investors demanding greater transparency. Firm size (lsize) positively predicts voluntary disclosure (0.1162 and 0.0484 in specifications 2 and 3, respectively), aligning with established findings

that larger firms face greater disclosure incentives due to higher analyst following and stakeholder scrutiny. The book-to-market ratio (lbtm) shows a negative coefficient in specification (2), consistent with growth firms providing more voluntary disclosure. Loss firms (lloss) consistently exhibit lower voluntary disclosure across specifications, reflecting managers' incentives to reduce transparency during poor performance periods. Notably, several control variables lose statistical significance in the firm fixed effects specification, suggesting that much of their explanatory power operates through cross-sectional differences rather than within-firm variation over time. These results contradict our hypothesis H1, which predicted a positive association between Uganda's Capital Markets Act and U.S. firm voluntary disclosure through reputation risk channels. Instead, we find evidence of a negative association, suggesting that the reputation risk mechanism may not operate as theorized, or that other factors dominate the relationship between foreign regulatory changes and domestic voluntary disclosure decisions.

CONCLUSION

We examine whether Uganda's Capital Markets Act of 2011, which modernized securities regulation and strengthened investor protection through enhanced disclosure requirements, influenced voluntary disclosure practices among U.S. firms through the risk channel. Our research question centers on understanding how international regulatory developments that alter the global risk landscape affect domestic firms' voluntary disclosure decisions. The risk channel represents a particularly important mechanism through which foreign regulatory changes can spillover to domestic markets, as firms operating in interconnected global markets may adjust their disclosure strategies in response to shifts in perceived regulatory and operational risks worldwide.

Our empirical analysis yields several key findings that illuminate the complex relationship between international regulatory developments and voluntary disclosure behavior.

In our baseline specification without controls, we document a positive and statistically significant treatment effect of 0.0641 (t-statistic = 7.17), suggesting an initial increase in voluntary disclosure following the implementation of Uganda's Capital Markets Act. However, this relationship fundamentally changes when we incorporate relevant control variables. In our second specification, which includes firm-specific controls, we find a negative and statistically significant treatment effect of -0.0219 (t-statistic = 2.00, p-value = 0.046). This negative relationship persists in our most comprehensive specification, which includes firm and time fixed effects, yielding a treatment effect of -0.0186 (t-statistic = 2.03, p-value = 0.043). The dramatic improvement in explanatory power from an R-squared of 0.0013 in the baseline model to 0.9027 in the full specification underscores the critical importance of controlling for firm characteristics and temporal factors when examining voluntary disclosure decisions.

The negative treatment effects in our controlled specifications suggest that U.S. firms reduced their voluntary disclosure following Uganda's regulatory modernization. We interpret this finding through the lens of risk substitution theory, whereby firms may view enhanced regulatory frameworks in emerging markets as reducing information asymmetries and uncertainty in those markets, potentially leading to a strategic reallocation of disclosure resources. The statistical significance of our results, combined with the economic magnitude of the effects, indicates that international regulatory developments can have meaningful impacts on domestic disclosure practices even when the direct regulatory connection appears tenuous. Our control variables largely behave as expected, with institutional ownership and firm size positively associated with disclosure, while losses and calculated risk measures negatively relate to voluntary disclosure, consistent with prior literature (Healy and Palepu, 2001; Beyer et al., 2010).

These findings carry important implications for multiple stakeholders in capital markets. For regulators, our results suggest that domestic disclosure policies cannot be

evaluated in isolation from international regulatory developments. The SEC and other regulatory bodies should consider the global regulatory environment when assessing the effectiveness of domestic disclosure requirements and may need to account for international spillover effects in their policy analyses. The negative relationship we document indicates that firms may strategically adjust their disclosure portfolios in response to perceived changes in global risk environments, potentially undermining domestic regulatory objectives if not properly anticipated. For corporate managers, our findings highlight the importance of considering international regulatory developments in disclosure strategy formulation. Managers should recognize that voluntary disclosure decisions exist within a global context where regulatory changes in seemingly unrelated markets may influence investor expectations and information demands. The risk channel we examine suggests that managers should monitor international regulatory developments as part of their broader risk management and investor relations strategies.

For investors, our results emphasize the interconnected nature of global capital markets and the potential for international regulatory changes to influence domestic information environments. Investors should be aware that voluntary disclosure patterns may shift in response to global regulatory developments, requiring more sophisticated approaches to information processing and investment decision-making. Our findings contribute to the broader literature on voluntary disclosure determinants and international regulatory spillovers, extending work by Shroff et al. (2013) and Christensen et al. (2016) by demonstrating how foreign regulatory changes can influence domestic disclosure practices through risk-based mechanisms.

Our study faces several important limitations that future research should address. First, our identification strategy relies on the assumption that Uganda's Capital Markets Act represents an exogenous shock to U.S. firms' disclosure decisions, which may not hold if U.S.

firms anticipated or influenced the regulatory change. Second, we focus specifically on the risk channel but cannot rule out alternative mechanisms through which the regulatory change might affect disclosure behavior. Third, our analysis examines aggregate effects and may mask heterogeneity across different types of firms or industries that have varying exposures to international regulatory developments.

Future research should explore several promising avenues to extend our findings. First, researchers could examine whether similar patterns emerge following regulatory changes in other emerging markets or whether our results are specific to the Uganda context. Second, investigating the mechanisms more deeply through hand-collected data on firms' actual risk exposures and international operations could provide more granular insights into the risk channel we propose. Third, examining the persistence of these effects over longer time horizons would illuminate whether the disclosure changes represent temporary adjustments or permanent shifts in corporate behavior. Finally, future studies could explore whether the relationship varies across different dimensions of voluntary disclosure, such as forward-looking versus historical information, or across different disclosure channels such as earnings calls versus press releases.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	15,692	0.5913	0.8884	0.0000	0.0000	1.6094
Treatment Effect	15,692	0.5712	0.4949	0.0000	1.0000	1.0000
Institutional ownership	15,692	0.5595	0.3285	0.2614	0.6210	0.8450
Firm size	15,692	6.0051	2.1100	4.4199	5.9902	7.4812
Book-to-market	15,692	0.7451	0.7210	0.3217	0.5901	0.9762
ROA	15,692	-0.0420	0.2522	-0.0329	0.0211	0.0659
Stock return	15,692	-0.0118	0.4912	-0.2998	-0.0832	0.1606
Earnings volatility	15,692	0.1362	0.2658	0.0235	0.0553	0.1398
Loss	15,692	0.3376	0.4729	0.0000	0.0000	1.0000
Class action litigation risk	15,692	0.3533	0.2930	0.1131	0.2561	0.5437
Time Trend	15,692	1.9108	1.4169	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
Capital Markets Act Uganda 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	-0.04	0.12	-0.11	0.10	0.03	-0.04	-0.14	0.07
FreqMF	0.04	1.00	0.41	0.44	-0.17	0.22	-0.01	-0.16	-0.27	-0.01
Institutional ownership	-0.04	0.41	1.00	0.61	-0.20	0.29	-0.06	-0.22	-0.26	0.06
Firm size	0.12	0.44	0.61	1.00	-0.38	0.36	0.04	-0.25	-0.41	0.15
Book-to-market	-0.11	-0.17	-0.20	-0.38	1.00	0.04	-0.20	-0.12	0.13	-0.10
ROA	0.10	0.22	0.29	0.36	0.04	1.00	0.12	-0.52	-0.59	-0.07
Stock return	0.03	-0.01	-0.06	0.04	-0.20	0.12	1.00	0.01	-0.14	0.01
Earnings volatility	-0.04	-0.16	-0.22	-0.25	-0.12	-0.52	0.01	1.00	0.32	0.11
Loss	-0.14	-0.27	-0.26	-0.41	0.13	-0.59	-0.14	0.32	1.00	0.12
Class action litigation risk	0.07	-0.01	0.06	0.15	-0.10	-0.07	0.01	0.11	0.12	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 Capital Markets Act Uganda on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0641*** (7.17)	-0.0219** (2.00)	-0.0186** (2.03)
Institutional ownership		0.5646*** (12.29)	0.0602** (2.08)
Firm size		0.1162*** (12.51)	0.0484*** (4.84)
Book-to-market		-0.0306** (2.46)	-0.0014 (0.14)
ROA		0.0250 (0.76)	0.0462** (2.12)
Stock return		-0.0399*** (3.65)	-0.0101 (1.34)
Earnings volatility		-0.0293 (0.88)	-0.0104 (0.23)
Loss		-0.1577*** (7.86)	-0.0527*** (4.51)
Class action litigation risk		-0.1664*** (5.82)	-0.0134 (1.08)
Time Trend		0.0088* (1.91)	0.0165*** (4.30)
Firm fixed effects	No	No	Yes
N	15,692	15,692	15,692
R ²	0.0013	0.2381	0.9027

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