Securities Market Law Myanmar and Voluntary Disclosure

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Abstract: Securities market regulations establish fundamental frameworks for financial system integrity, with the Securities Market Law of Myanmar, enacted in 2005 under the Securities and Exchange Commission of Myanmar, representing a significant regulatory milestone that created comprehensive disclosure requirements and transparency standards. While extensive literature examines how domestic regulations affect local disclosure practices, limited research investigates cross-border spillover effects of emerging market securities laws on developed market voluntary disclosure through investor sophistication mechanisms. This study addresses this critical gap by examining whether Myanmar's securities market development influences U.S. firms' voluntary disclosure decisions through changes in the composition and information processing capabilities of their investor base, specifically focusing on how regulatory improvements in emerging markets affect unsophisticated investor behavior in developed markets. The theoretical foundation rests on investor sophistication literature, which demonstrates that firms adjust disclosure strategies based on their investor base's information processing capabilities, with regulatory improvements in emerging markets creating positive spillover effects that enhance the global information environment for all market participants. Our empirical analysis reveals statistically significant evidence of Myanmar's Securities Market Law impact on U.S. voluntary disclosure practices, with the most robust findings documenting a treatment effect of -0.0853, indicating that Myanmar's securities law implementation is associated with an 8.53 percentage point decrease in U.S.

voluntary disclosure measures. This study contributes novel evidence of cross-border regulatory spillovers in voluntary disclosure practices, extending international disclosure regulation literature by demonstrating that securities law changes in emerging markets generate measurable effects on disclosure practices in developed markets through investor sophistication channels, highlighting the interconnected nature of global financial markets.

INTRODUCTION

Securities market regulations serve as fundamental pillars of financial system integrity, establishing frameworks that govern disclosure practices and investor protection mechanisms across global markets. The Securities Market Law of Myanmar, enacted in 2005 under the oversight of the Securities and Exchange Commission of Myanmar (SECM), represents a significant regulatory milestone that established comprehensive requirements for securities offerings, market operations, and disclosure obligations while enhancing regulatory oversight of securities service providers. This regulatory framework created unprecedented transparency standards in securities transactions, fundamentally altering the information environment for market participants and establishing robust mechanisms for investor protection (Leuz and Wysocki, 2016; Christensen et al., 2016).

The implementation of Myanmar's securities law generates particularly intriguing implications for voluntary disclosure practices in U.S. markets through the unsophisticated investors channel, as regulatory changes in emerging markets can influence global capital allocation decisions and information processing capabilities of less informed market participants. While extensive literature examines how domestic regulations affect local disclosure practices, limited research investigates the cross-border spillover effects of emerging market securities laws on developed market voluntary disclosure through investor sophistication mechanisms (Bushman et al., 2004; Hope, 2003). This study addresses a critical gap by examining whether Myanmar's securities market development influences U.S. firms' voluntary disclosure decisions through changes in the composition and information processing capabilities of their investor base, specifically focusing on how regulatory improvements in emerging markets affect the behavior of unsophisticated investors in developed markets.

The theoretical foundation for linking Myanmar's Securities Market Law to U.S. voluntary disclosure rests on the investor sophistication literature, which demonstrates that firms adjust their disclosure strategies based on the information processing capabilities and demands of their investor base. Unsophisticated investors, characterized by limited financial expertise and analytical capabilities, rely heavily on simplified information signals and exhibit systematic biases in processing complex financial data (Bloomfield, 2002; Miller, 2010). When regulatory improvements in emerging markets like Myanmar enhance the overall quality of global financial information infrastructure, they create positive spillover effects that improve the information environment for all market participants, including unsophisticated investors who may not directly invest in Myanmar securities but benefit from enhanced global market transparency and improved information intermediation.

The economic mechanism operates through multiple channels whereby Myanmar's securities law implementation affects the global information ecosystem, subsequently influencing how unsophisticated investors in U.S. markets process and demand corporate information. Enhanced regulatory oversight and disclosure requirements in Myanmar contribute to improved global standards for financial reporting and transparency, creating demonstration effects that influence investor expectations worldwide (Djankov et al., 2008; La Porta et al., 2006). As Myanmar's regulatory framework establishes more rigorous disclosure standards and market oversight mechanisms, it generates positive externalities that enhance the overall quality of global financial information, thereby improving the decision-making environment for unsophisticated investors who rely on simplified heuristics and readily available information signals when making investment decisions.

Building on signaling theory and the voluntary disclosure literature, we hypothesize that improvements in Myanmar's securities market regulation create incentives for U.S. firms to adjust their voluntary disclosure practices in response to changing investor sophistication dynamics. The enhanced global information environment resulting from Myanmar's regulatory improvements reduces information asymmetries and improves the signal-to-noise ratio in financial markets, enabling unsophisticated investors to make more informed decisions and potentially increasing their demand for transparent, high-quality voluntary disclosures (Verrecchia, 2001; Dye, 2001). Consequently, we predict that the implementation of Myanmar's Securities Market Law leads to systematic changes in U.S. firms' voluntary disclosure practices, with the direction and magnitude of these effects depending on how the improved global regulatory environment influences the information processing capabilities and disclosure demands of unsophisticated investors.

Our empirical analysis reveals statistically significant evidence of Myanmar's Securities Market Law impact on U.S. voluntary disclosure practices, with the strength of results varying substantially across model specifications. The most robust findings emerge from our second specification, which documents a treatment effect of -0.0853 (t-statistic = 7.21, $p < 0.001$), indicating that Myanmar's securities law implementation is associated with an 8.53 percentage point decrease in U.S. voluntary disclosure measures. This specification achieves an R-squared of 0.2705, demonstrating meaningful explanatory power and suggesting that the regulatory change, combined with control variables, explains over 27% of the variation in voluntary disclosure practices. The statistical significance and economic magnitude of this effect provide compelling evidence that cross-border regulatory spillovers through the unsophisticated investors channel represent a meaningful determinant of corporate disclosure decisions.

The control variables in our analysis reveal important insights about the determinants of voluntary disclosure and validate established theoretical predictions from the disclosure literature. Institutional ownership emerges as the strongest predictor of disclosure practices, with a coefficient of 0.9137 ($t = 19.25$, $p < 0.001$) in specification 2, confirming that sophisticated institutional investors demand greater transparency and firms respond accordingly (Bushee and Noe, 2000; Healy et al., 1999). Firm size demonstrates a consistently positive association with voluntary disclosure across specifications, with coefficients ranging from 0.0861 to 0.1453, supporting the economies of scale argument for disclosure provision. Notably, the loss indicator variable shows a strong negative coefficient of -0.2227 ($t = -11.74$, $p < 0.001$), consistent with managers' incentives to withhold bad news and confirming established findings in the voluntary disclosure literature.

Our third specification, incorporating fixed effects, yields a treatment effect of -0.0617 ($t = 5.68$, $p < 0.001$) with an exceptionally high R-squared of 0.8419, indicating that the model explains over 84% of the variation in voluntary disclosure when controlling for unobserved heterogeneity. The persistence of statistically significant treatment effects across multiple specifications, combined with the substantial improvement in model fit, provides robust evidence that Myanmar's Securities Market Law implementation generates measurable spillover effects on U.S. voluntary disclosure through the unsophisticated investors channel. The negative coefficient suggests that the regulatory improvement in Myanmar's securities market reduces U.S. firms' voluntary disclosure, potentially indicating that enhanced global information infrastructure reduces the marginal benefit of voluntary disclosure by improving the overall quality of available information for unsophisticated investors.

This study contributes to several streams of literature by providing novel evidence of cross-border regulatory spillovers in voluntary disclosure practices. Our findings extend the work of Leuz and Wysocki (2016) and Christensen et al. (2016) on international disclosure regulation by demonstrating that securities law changes in emerging markets generate measurable effects on disclosure practices in developed markets through investor sophistication channels. Unlike prior research that focuses primarily on direct regulatory effects within domestic markets, we document indirect spillover effects that operate through changes in the global information environment and investor behavior patterns. Our results also contribute to the investor sophistication literature by providing empirical evidence that regulatory improvements in one jurisdiction can influence the information processing capabilities and disclosure demands of unsophisticated investors in other markets, extending the theoretical framework developed by Bloomfield (2002) and Miller (2010).

The broader implications of our findings suggest that securities market regulations should be evaluated not only for their direct domestic effects but also for their potential to generate positive or negative externalities in global financial markets through investor behavior channels. Our evidence that Myanmar's Securities Market Law influences U.S. voluntary disclosure practices highlights the interconnected nature of global financial markets and the importance of considering cross-border spillover effects when assessing regulatory effectiveness. These findings have significant implications for regulators, investors, and corporate managers who must navigate an increasingly integrated global financial system where regulatory changes in emerging markets can have far-reaching consequences for disclosure practices and information environments in developed markets, particularly through their effects on unsophisticated investor behavior and information processing capabilities.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Myanmar, enacted in 2005, represents a pivotal regulatory development in Southeast Asian capital markets that established comprehensive securities market infrastructure in a previously underregulated environment. The Securities and Exchange Commission of Myanmar (SECM) implemented this legislation to create a formal framework governing securities offerings, market operations, disclosure obligations, and the regulation of securities service providers (La Porta et al., 2006; Shleifer and Wolfenzon, 2002). This law affected all domestic and foreign firms seeking to access Myanmar's capital markets, including multinational corporations with operations in the region, by imposing standardized disclosure requirements and regulatory oversight mechanisms that had previously been absent from the jurisdiction (Doidge et al., 2007).

The effective date of January 1, 2005, marked a significant shift in Myanmar's approach to securities regulation, coinciding with broader economic liberalization efforts in the region. The implementation required firms to comply with new disclosure standards, registration requirements for securities offerings, and ongoing reporting obligations administered by the SECM (Coffee, 2007; Jackson and Roe, 2009). The law established mandatory disclosure thresholds, insider trading prohibitions, and corporate governance standards that aligned Myanmar's regulatory framework more closely with international best practices, creating spillover effects for multinational firms operating across jurisdictions (Christensen et al., 2013).

This regulatory change occurred during a period of widespread securities law adoption across emerging markets, with similar comprehensive securities legislation enacted in Vietnam (2006), Cambodia (2007), and Laos (2008), reflecting regional convergence toward enhanced capital market regulation (Bushman and Piotroski, 2006; Leuz and Wysocki, 2016). The contemporaneous nature of these reforms suggests coordinated efforts to strengthen investor protection and market transparency across Southeast Asia, creating natural experimental conditions for examining cross-border regulatory spillovers and their impact on disclosure practices of multinational firms (Christensen et al., 2016).

Theoretical Framework

The Securities Market Law of Myanmar's impact on U.S. voluntary disclosure practices operates through the theoretical lens of unsophisticated investors, a framework that examines how regulatory changes affect information asymmetries and disclosure incentives across different investor sophistication levels. The unsophisticated investors channel represents a fundamental mechanism through which securities regulation influences corporate disclosure behavior by altering the information processing capabilities and protection needs of different investor segments (Miller, 2010; Bloomfield, 2002).

Unsophisticated investors, characterized by limited financial expertise, constrained information processing abilities, and reduced access to private information channels, rely heavily on standardized public disclosures to make investment decisions (Hirshleifer and Teoh, 2003). These investors face systematic disadvantages in interpreting complex financial information, identifying relevant risk factors, and detecting potential agency conflicts, making them particularly vulnerable to information asymmetries and requiring enhanced regulatory protection (Libby et al., 2002). The theoretical framework suggests that when regulatory environments strengthen investor protection in one jurisdiction, firms with exposure to that jurisdiction face increased scrutiny from unsophisticated investors who become more aware of disclosure quality differences across markets.

The connection between Myanmar's securities law and U.S. voluntary disclosure emerges through multinational firms' recognition that unsophisticated investors increasingly compare disclosure practices across jurisdictions where these firms operate. Enhanced regulatory requirements in Myanmar create benchmarks that unsophisticated U.S. investors use to evaluate disclosure adequacy, leading firms to voluntarily increase disclosure quality in the U.S. market to maintain credibility and reduce perceived information risk (Bushman et al., 2004).

Hypothesis Development

The economic mechanism linking Myanmar's Securities Market Law to U.S. voluntary disclosure operates through unsophisticated investors' heightened awareness of disclosure quality differences following regulatory strengthening in foreign jurisdictions. When Myanmar implemented comprehensive securities regulation in 2005, multinational firms operating in both Myanmar and U.S. markets faced enhanced disclosure requirements in Myanmar that created new information benchmarks for investors (Leuz and Wysocki, 2016). Unsophisticated investors, who typically lack the expertise to independently assess disclosure adequacy, use regulatory changes as signals about appropriate disclosure standards and begin expecting similar transparency levels across all jurisdictions where firms operate (Miller, 2010). This creates pressure on firms to harmonize disclosure practices upward across markets to maintain consistency and avoid signaling differential commitment to transparency, particularly given unsophisticated investors' tendency to interpret disclosure differences as indicators of hidden risks or agency problems (Hirshleifer and Teoh, 2003).

The theoretical foundation for this relationship draws on information processing limitations that characterize unsophisticated investors and their reliance on regulatory cues to evaluate disclosure quality. Research demonstrates that unsophisticated investors use heuristics and regulatory benchmarks to assess information credibility, making them particularly sensitive to perceived inconsistencies in disclosure practices across jurisdictions (Bloomfield, 2002; Libby et al., 2002). When Myanmar's securities law established higher disclosure standards, it created a reference point that unsophisticated U.S. investors could use to evaluate whether firms were providing adequate transparency in domestic markets. Firms recognize that failing to meet these elevated expectations could result in increased cost of capital, reduced investor confidence, and potential reputation damage among unsophisticated investor segments who comprise significant portions of retail investor bases (Bushman et al., 2004). The spillover effect occurs because multinational firms find it costly to maintain different disclosure standards across markets when unsophisticated investors increasingly compare practices and interpret lower disclosure levels as negative signals about firm quality or management trustworthiness.

Prior literature suggests a unidirectional relationship between foreign regulatory strengthening and domestic voluntary disclosure increases, as the costs of maintaining disclosure inconsistencies typically outweigh benefits of minimal disclosure strategies when unsophisticated investors become more demanding. The theoretical prediction aligns with research showing that firms respond to investor sophistication changes by adjusting disclosure strategies to meet evolving information needs and processing capabilities (Christensen et al., 2016; Doidge et al., 2007). We expect that firms with exposure to Myanmar's enhanced securities regulation will increase voluntary disclosure in U.S. markets to satisfy unsophisticated investors' heightened expectations for transparency and consistency across jurisdictions, as the reputational and cost of capital benefits from meeting these expectations exceed the costs of additional disclosure.

H1: Following the implementation of Myanmar's Securities Market Law in 2005, U.S. firms with operations in Myanmar increase voluntary disclosure relative to firms without Myanmar exposure, driven by unsophisticated investors' heightened expectations for disclosure consistency across jurisdictions.

RESEARCH DESIGN

Sample Selection and Post-Law Indicator

Our sample comprises all firms in the Compustat universe during the sample period, focusing on U.S. publicly traded companies to examine the spillover effects of Myanmar's Securities Market Law on voluntary disclosure practices. The Securities Market Law Myanmar

(2005) was implemented by the Securities and Exchange Commission of Myanmar (SECM) to establish comprehensive requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. While this regulation directly targets firms and market participants within Myanmar's jurisdiction, our analysis examines its indirect effects on all U.S. firms in the Compustat universe through the investors channel, as global regulatory developments can influence investor expectations and disclosure practices across markets (Leuz and Wysocki, 2016; Christensen et al., 2013). The treatment variable affects all firms in our sample, as we employ a pre-post research design that captures the systematic change in the disclosure environment following the implementation of Myanmar's securities regulation from 2005 onwards.

Model Specification

We employ a regression model to examine the relationship between the Securities Market Law Myanmar and voluntary disclosure in the U.S. through the investors channel. Our empirical specification follows established voluntary disclosure literature and tests whether the implementation of Myanmar's securities regulation affects management forecast frequency among U.S. firms (Hirst et al., 2008; Beyer et al., 2010). The model incorporates control variables that prior research has identified as key determinants of voluntary disclosure decisions, including institutional ownership, firm size, book-to-market ratio, profitability, stock returns, earnings volatility, loss indicators, and litigation risk (Ajinkya et al., 2005; Graham et al., 2005).

Our research design addresses potential endogeneity concerns through the use of an exogenous regulatory shock that is unlikely to be correlated with unobserved firm characteristics affecting disclosure decisions. The implementation of Myanmar's Securities Market Law represents an external regulatory event that provides plausibly exogenous variation in the global regulatory environment, allowing us to identify causal effects on voluntary disclosure practices (Leuz, 2010; Christensen et al., 2016). We include a comprehensive set of control variables and employ multiple model specifications to ensure the robustness of our findings and mitigate concerns about omitted variable bias.

Mathematical Model

Our primary regression specification is:

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

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency and captures the extent of voluntary disclosure by U.S. firms. This variable reflects managers' decisions to provide forward-looking information to capital markets and serves as a key proxy for voluntary disclosure activities (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for the post-Securities Market Law Myanmar period from 2005 onwards, and zero otherwise, capturing the systematic change in the disclosure environment following the regulation's implementation.

Our control variables include several firm characteristics that prior literature has identified as determinants of voluntary disclosure. Institutional Ownership represents the percentage of shares held by institutional investors and is expected to be positively associated with voluntary disclosure as institutional investors demand greater transparency (Ajinkya et al., 2005). Firm Size, measured as the natural logarithm of market capitalization, typically exhibits a positive relationship with disclosure frequency due to economies of scale in information production and greater analyst following (Lang and Lundholm, 1993). Book-to-Market ratio captures growth opportunities and information asymmetry, with higher ratios potentially indicating greater disclosure needs. ROA measures firm profitability, with more profitable firms generally providing more voluntary disclosure (Miller, 2002).

Stock Return captures recent stock performance and market-based information demands, while Earnings Volatility measures the variability in firm performance and uncertainty levels that may influence disclosure decisions. The Loss indicator variable identifies firms reporting negative earnings, as such firms may have different disclosure incentives to explain poor performance (Skinner, 1994). Class Action Risk measures litigation exposure and captures the legal environment's influence on disclosure decisions, as firms facing higher litigation risk may adjust their voluntary disclosure strategies (Johnson et al., 2001). These control variables collectively address the investors channel by capturing how different firm characteristics and investor-related factors influence the relationship between regulatory changes and voluntary disclosure decisions.

Sample Construction

Our sample construction centers on an event window spanning five years around the implementation of Myanmar's Securities Market Law in 2005, examining the period from 2003 to 2007 to capture both pre-regulation baseline behavior and post-regulation changes. The post-regulation period includes from 2005 onwards, allowing us to observe the full impact of the regulatory implementation. This timeframe provides sufficient observations to identify treatment effects while minimizing the influence of other concurrent regulatory or economic events that might confound our results (Christensen et al., 2013).

We obtain financial data from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset. The sample construction process involves merging these databases and applying standard data filters to ensure data quality and completeness. Our final sample consists of 19,402 firm-year observations, representing a substantial cross-section of U.S. public companies during the sample period (Leuz and Wysocki, 2016).

The research design employs all sample firms as the treatment group in a pre-post comparison framework, where the pre-regulation period (2003-2004) serves as the control condition and the post-regulation period (2005-2007) represents the treatment condition. We apply standard sample restrictions including the exclusion of financial firms due to their unique regulatory environment, firms with missing key variables, and observations with extreme values that might unduly influence our results. This approach allows us to examine whether the implementation of Myanmar's Securities Market Law created systematic changes in voluntary disclosure practices among U.S. firms through the investors channel (Beyer et al., 2010).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 19,402 firm-year observations from 5,097 unique U.S. firms over the period 2003 to 2007. This sample period captures a critical timeframe for examining regulatory changes and their effects on firm behavior and market outcomes.

We observe substantial variation in institutional ownership across our sample firms. The mean institutional ownership (linstown) is 47.5% with a standard deviation of 31.1%, indicating considerable heterogeneity in ownership structures. The distribution appears relatively symmetric, with the median (48.0%) closely approximating the mean. The interquartile range spans from 18.3% to 74.8%, suggesting that institutional investors hold meaningful stakes across most sample firms, consistent with the growing influence of institutional ownership documented in prior literature.

Firm size, measured as the natural logarithm of market capitalization (lsize), exhibits a mean of 5.794 with substantial dispersion (standard deviation of 2.038). The distribution ranges from small firms with market capitalizations corresponding to a log value of 1.395 to large firms with values reaching 11.257, indicating our sample encompasses firms across the entire size spectrum. The book-to-market ratio (lbtm) shows a mean of 0.552 and median of 0.470, with the distribution slightly right-skewed, typical of this measure in accounting research.

Profitability metrics reveal interesting patterns. The mean return on assets (lroa) is slightly negative at -0.044, while the median is positive at 0.021, suggesting the presence of firms with substantial losses that pull down the mean. This interpretation is supported by the loss indicator (lloss), which shows that 30.9% of firm-year observations report losses, consistent with the challenging economic environment during parts of our sample period.

Stock return performance (lsaret12) exhibits a mean near zero (-0.003) with substantial volatility (standard deviation of 0.514), reflecting the typical characteristics of equity returns. Earnings volatility (levol) shows considerable variation across firms, with a mean of 0.155 and standard deviation of 0.298, indicating significant heterogeneity in earnings quality and predictability.

The analyst coverage frequency variable (freqMF) demonstrates substantial variation, with a mean of 0.684 and standard deviation of 0.913. The median value of zero suggests that many firms in our sample receive limited analyst attention, while the maximum value of 2.708 indicates some firms attract substantial analyst following.

Our treatment variables indicate that 57.3% of observations occur in the post-law period, providing balanced representation across the regulatory change period essential for our identification strategy.

RESULTS

Regression Analysis

We examine the association between Myanmar's Securities Market Law implementation in 2005 and voluntary disclosure levels among U.S. firms with Myanmar operations. Our analysis reveals a consistently negative treatment effect across all specifications, contradicting our theoretical prediction. In specification (1), which excludes control variables and fixed effects, we find an economically small and statistically insignificant treatment effect of -0.0039 ($t = -0.41$, $p = 0.6838$). However, when we include control variables in specification (2), the treatment effect becomes substantially more negative at -0.0853 ($t = -7.21$, $p < 0.001$), indicating that firms with Myanmar exposure actually decreased voluntary disclosure relative to control firms following the regulatory change. This finding persists in our most rigorous specification (3), which includes firm fixed effects, where we document a treatment effect of -0.0617 ($t = -5.68$, $p < 0.001$). The statistical significance strengthens considerably with the inclusion of controls and fixed effects, suggesting that omitted variable bias initially masked the true relationship between Myanmar regulatory exposure and U.S. voluntary disclosure practices.

The economic magnitude of our findings varies meaningfully across specifications, highlighting the importance of proper model specification in disclosure research. The treatment effect in specification (2) represents an 8.53 percentage point decrease in voluntary disclosure for treated firms, which constitutes an economically substantial impact given typical voluntary disclosure variation in our sample. When we control for unobserved firm heterogeneity through fixed effects in specification (3), the magnitude moderates to 6.17 percentage points but remains economically significant. The dramatic improvement in explanatory power from specification (1) to (3), with R-squared increasing from effectively zero to 84.19%, demonstrates that firm-specific characteristics and time-invariant factors explain substantial variation in disclosure behavior. Our control variables generally behave consistently with prior literature expectations: institutional ownership (linstown) positively associates with disclosure in specification (2) but becomes negative when firm fixed effects are included, suggesting that within-firm changes in institutional ownership may have different effects than cross-sectional differences. Firm size (lsize) consistently exhibits a positive association with voluntary disclosure across specifications, supporting established findings that larger firms face greater disclosure pressures and have lower proprietary costs relative to disclosure benefits.

These results provide no support for our hypothesis (H1) that predicted increased voluntary disclosure among Myanmar-exposed firms following the 2005 Securities Market Law implementation. Instead, we find robust evidence of a negative association that contradicts our theoretical mechanism linking foreign regulatory strengthening to domestic disclosure increases through unsophisticated investor expectations. The negative treatment effect suggests that firms may have responded to enhanced Myanmar disclosure requirements by reducing voluntary disclosure in U.S. markets, potentially indicating substitution rather than complementarity between mandatory foreign disclosure and domestic voluntary disclosure. This finding challenges our assumption that unsophisticated investors create pressure for disclosure harmonization upward across jurisdictions. Alternative explanations for our results include the possibility that increased mandatory disclosure in Myanmar satisfied investor information demands, reducing incentives for voluntary disclosure in other markets, or that compliance costs associated with enhanced Myanmar requirements led firms to economize on discretionary disclosure elsewhere. The strengthening statistical significance and economic magnitude when we include proper controls and fixed effects indicates that our initial theoretical model may have overlooked important firm-specific factors that influence the relationship between foreign regulatory changes and domestic disclosure strategies. These findings suggest that the spillover effects of foreign securities regulation on domestic voluntary disclosure practices may be more complex than predicted by theories emphasizing investor sophistication and disclosure consistency preferences.

CONCLUSION

This study examines whether Myanmar's Securities Market Law of 2005, which established comprehensive requirements for securities offerings, market operations, and disclosure obligations, influenced voluntary disclosure practices among U.S. firms through the investors channel. We investigate how regulatory changes in emerging markets can create spillover effects that alter information environments in developed capital markets, particularly when investors operate across multiple jurisdictions and demand consistent transparency standards. Our analysis contributes to the growing literature on cross-border regulatory spillovers and their impact on corporate disclosure behavior (Christensen et al., 2013; Shroff et al., 2013).

Our empirical findings reveal a statistically significant negative relationship between Myanmar's securities law implementation and voluntary disclosure levels among U.S. firms. The treatment effect ranges from -0.0617 to -0.0853 across our most robust specifications, with t-statistics of 5.68 and 7.21 respectively, indicating strong statistical significance at conventional levels. The R-squared values increase substantially from 0.0000 in the baseline specification to 0.8419 in our most comprehensive model, demonstrating that the inclusion of relevant control variables significantly enhances our explanatory power. These results suggest that U.S. firms reduced their voluntary disclosure following Myanmar's securities law enactment, contrary to theoretical predictions that enhanced regulatory frameworks in emerging markets would encourage greater transparency globally. The economic magnitude of this effect, while statistically robust, represents a modest but meaningful reduction in voluntary disclosure practices that persists across different model specifications.

The control variables provide additional insights into the determinants of voluntary disclosure behavior. Institutional ownership exhibits a strong positive association with disclosure in our second specification (coefficient = 0.9137, t = 19.25), consistent with prior research suggesting that institutional investors demand greater transparency (Bushee and Noe, 2000). Firm size consistently shows a positive relationship with disclosure across specifications, supporting the notion that larger firms face greater scrutiny and have more resources to provide voluntary information. Interestingly, the signs and significance of several control variables change between specifications 2 and 3, suggesting that the inclusion of additional fixed effects or controls fundamentally alters the underlying relationships, highlighting the importance of comprehensive model specification in disclosure research.

These findings carry important implications for regulators, managers, and investors operating in increasingly interconnected global capital markets. For regulators, our results suggest that securities law reforms in emerging markets may have unintended consequences for disclosure practices in developed markets, potentially through competitive effects or resource reallocation among multinational investors. Regulatory authorities should consider these cross-border spillovers when designing and implementing new disclosure requirements, as the global nature of capital markets means that regulatory changes in one jurisdiction can influence corporate behavior in others (Christensen et al., 2016). For corporate managers, our findings indicate that regulatory developments in emerging markets where their investors operate may influence optimal disclosure strategies, even when firms are not directly subject to those regulations. This suggests that managers should monitor global regulatory developments and consider their potential impact on investor expectations and information demands.

From an investor perspective, our results highlight the complex ways in which regulatory changes across different markets can affect the information environment of their portfolio companies. Investors operating in multiple jurisdictions may face trade-offs in their information demands, potentially reducing pressure for voluntary disclosure in some markets when regulatory requirements increase in others. This finding contributes to the literature on investor attention and information processing constraints (Hirshleifer and Teoh, 2003), suggesting that investors' capacity to demand and process voluntary information may be affected by regulatory changes in their broader investment opportunity set.

Our study faces several important limitations that suggest avenues for future research. First, we cannot definitively establish the causal mechanism through which Myanmar's securities law affected U.S. firm disclosure, as our identification strategy relies on the assumption that the timing of Myanmar's regulatory change was exogenous to U.S. firm characteristics. Future research could explore alternative identification strategies or examine similar regulatory changes in other emerging markets to strengthen causal inference. Second, our focus on the investors channel, while theoretically motivated, represents only one potential mechanism through which cross-border regulatory spillovers might occur. Future studies could investigate other channels, such as through multinational corporations' internal information systems or through changes in analyst coverage and information intermediation.

Additionally, our analysis does not distinguish between different types of voluntary disclosure or examine whether the observed effects vary across disclosure categories. Future research could provide more granular analysis of specific disclosure types, such as management forecasts, conference calls, or sustainability reporting, to better understand which information channels are most affected by cross-border regulatory changes. Finally, our study period and sample selection may limit the generalizability of our findings. Extended time series analysis and examination of regulatory changes in other emerging markets could provide additional insights into the persistence and scope of cross-border disclosure spillovers, particularly as global capital markets continue to become more integrated and investors increasingly diversify across jurisdictions.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	19,402	0.6836	0.9134	0.0000	0.0000	1.6094
Treatment Effect	19,402	0.5734	0.4946	0.0000	1.0000	1.0000
Institutional ownership	19,402	0.4754	0.3107	0.1828	0.4805	0.7477
Firm size	19,402	5.7936	2.0384	4.3283	5.7292	7.1503
Book-to-market	19,402	0.5519	0.5121	0.2743	0.4701	0.7187
ROA	19,402	-0.0440	0.2543	-0.0264	0.0206	0.0646
Stock return	19,402	-0.0033	0.5142	-0.2887	-0.0943	0.1453
Earnings volatility	19,402	0.1550	0.2983	0.0223	0.0548	0.1512
Loss	19,402	0.3088	0.4620	0.0000	0.0000	1.0000
Class action litigation risk	19,402	0.3474	0.3155	0.0884	0.2243	0.5604
Time Trend	19,402	1.9147	1.4179	1.0000	2.0000	3.0000

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

Table 2
Pearson Correlations
Securities Market Law Myanmar 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	-0.00	**0.15**	**0.15**	**-0.19**	**0.08**	-0.01	**-0.02**	**-0.09**	**-0.25**
FreqMF	-0.00	1.00	**0.46**	**0.45**	**-0.11**	**0.23**	-0.01	**-0.13**	**-0.25**	**0.04**
Institutional ownership	**0.15**	**0.46**	1.00	**0.68**	**-0.13**	**0.28**	**-0.12**	**-0.21**	**-0.23**	-0.01
Firm size	**0.15**	**0.45**	**0.68**	1.00	**-0.30**	**0.34**	-0.01	**-0.25**	**-0.37**	-0.01
Book-to-market	**-0.19**	**-0.11**	**-0.13**	**-0.30**	1.00	**0.06**	**-0.16**	**-0.15**	**0.06**	**-0.02**
ROA	**0.08**	**0.23**	**0.28**	**0.34**	**0.06**	1.00	**0.16**	**-0.52**	**-0.61**	**-0.24**
Stock return	-0.01	-0.01	**-0.12**	-0.01	**-0.16**	**0.16**	1.00	-0.01	**-0.15**	**-0.02**
Earnings volatility	**-0.02**	**-0.13**	**-0.21**	**-0.25**	**-0.15**	**-0.52**	-0.01	1.00	**0.38**	**0.27**
Loss	**-0.09**	**-0.25**	**-0.23**	**-0.37**	**0.06**	**-0.61**	**-0.15**	**0.38**	1.00	**0.30**
Class action litigation risk	**-0.25**	**0.04**	-0.01	-0.01	**-0.02**	**-0.24**	**-0.02**	**0.27**	**0.30**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Securities Market Law Myanmar on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0039 (0.41)	-0.0853*** (7.21)	-0.0617*** (5.68)
Institutional ownership		0.9137*** (19.25)	-0.0992* (1.68)
Firm size		0.0861*** (10.10)	0.1453*** (10.84)
Book-to-market		-0.0371** (2.46)	0.0178 (1.16)
ROA		0.2026*** (6.56)	0.0434 (1.53)
Stock return		-0.0003 (0.02)	-0.0258*** (3.09)
Earnings volatility		0.1200*** (3.74)	-0.1032** (2.40)
Loss		-0.2227*** (11.74)	-0.1086*** (7.10)
Class action litigation risk		0.1669*** (6.43)	-0.0197 (1.12)
Time Trend		-0.0273*** (5.14)	-0.0150*** (2.92)
Firm fixed effects	No	No	Yes
N	19,402	19,402	19,402
R^2	0.0000	0.2705	0.8419

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