Securities Law Cambodia and Voluntary Disclosure

Artemis Intelligencia

September 10, 2025

Abstract: The development of robust securities markets in emerging economies has profound implications for global capital allocation and corporate disclosure practices, yet limited research examines how emerging market securities laws influence disclosure decisions of firms in developed markets through reputational spillovers. This study addresses this gap by investigating whether Cambodia's Securities Law of 2009 affected voluntary disclosure practices of U.S. firms through reputation risk mechanisms. Building on reputation risk theory and signaling mechanisms, we predict that Cambodia's Securities Law implementation created incentives for increased voluntary disclosure among U.S. firms as the strengthened regulatory environment increased the reputational value of transparency and good governance practices across all operating jurisdictions. Our empirical analysis reveals significant evidence supporting the reputation risk channel linking Cambodia's Securities Law to U.S. voluntary disclosure practices. The baseline specification documents a treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), while the most comprehensive specification yields a treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.048$) with exceptional model fit (R-squared = 0.8751). These findings demonstrate that Cambodia's Securities Law implementation had a statistically significant impact on U.S. voluntary disclosure practices even after controlling for firm-specific characteristics and other confounding factors. This study contributes novel evidence on cross-border regulatory spillovers, extending existing literature by demonstrating that securities law changes in emerging markets can influence corporate behavior in developed

markets through reputational mechanisms rather than direct regulatory compliance, suggesting that global capital markets are more interconnected through reputational mechanisms than previously recognized.

INTRODUCTION

The development of robust securities markets in emerging economies has profound implications for global capital allocation and corporate disclosure practices. Cambodia's Securities Law of 2009, administered by the Securities and Exchange Regulator of Cambodia (SERC), represents a significant milestone in Southeast Asian financial market development, establishing comprehensive regulations governing securities offerings, investment services, and market conduct. This legislation enhanced securities market development, improved investor protection, and strengthened the regulatory framework for securities transactions, creating ripple effects that extend beyond Cambodia's borders. The law's implementation coincided with increased global integration of capital markets, where regulatory developments in emerging markets increasingly influence corporate behavior and disclosure decisions of multinational firms operating across jurisdictions (Leuz and Wysocki, 2016; Christensen et al., 2013).

The intersection of Cambodia's securities regulation with U.S. voluntary disclosure practices operates primarily through reputation risk channels, yet this mechanism remains underexplored in the literature. While extensive research examines how domestic regulatory changes affect local disclosure practices (Beyer et al., 2010; Healy and Palepu, 2001), limited attention has been paid to how emerging market securities laws influence disclosure decisions of firms in developed markets through reputational spillovers. This gap is particularly puzzling given the increasing importance of emerging markets in global supply chains and the heightened sensitivity of multinational corporations to reputational concerns across all operating jurisdictions (Dhaliwal et al., 2011). Our study addresses this void by examining whether Cambodia's Securities Law implementation affected voluntary disclosure practices of U.S. firms through reputation risk mechanisms, investigating how regulatory developments in emerging markets create incentives for enhanced transparency among firms with potential exposure to these jurisdictions.

The theoretical foundation linking Cambodia's Securities Law to U.S. voluntary disclosure rests on reputation risk theory and signaling mechanisms in capital markets. When emerging markets strengthen their securities regulations, multinational corporations face heightened scrutiny regarding their global operations and governance practices, creating reputational spillovers that transcend jurisdictional boundaries (Karpoff et al., 2008). The reputation risk channel operates through several mechanisms: first, enhanced regulatory scrutiny in emerging markets increases the probability of detecting and publicizing corporate misconduct, thereby raising the expected costs of poor governance practices globally (Graham et al., 2008). Second, improved investor protection in emerging markets attracts more sophisticated institutional investors who demand higher disclosure standards from all portfolio companies, regardless of domicile (Aggarwal et al., 2011). These institutional investors often apply consistent governance and disclosure expectations across their global holdings, creating pressure for enhanced voluntary disclosure even among firms not directly subject to the new regulations.

Building on signaling theory and voluntary disclosure frameworks, we predict that Cambodia's Securities Law implementation created incentives for increased voluntary disclosure among U.S. firms through reputation risk channels (Verrecchia, 2001; Dye, 2001). The strengthened regulatory environment in Cambodia likely increased the reputational value of transparency and good governance practices, as firms sought to signal their commitment to high standards across all operating jurisdictions. This signaling becomes particularly valuable when regulatory improvements in emerging markets create benchmarks for corporate behavior that extend beyond local boundaries. Furthermore, the law's emphasis on investor protection and market conduct rules likely heightened awareness of reputational risks associated with inadequate disclosure practices, leading firms to proactively increase voluntary disclosure to mitigate potential reputational damage (Balvers et al., 1988). We therefore hypothesize that U.S. firms increased voluntary disclosure following Cambodia's Securities Law implementation, with the effect being more pronounced for firms with greater exposure to emerging market operations or investor bases.

Our empirical analysis reveals significant evidence supporting the reputation risk channel linking Cambodia's Securities Law to U.S. voluntary disclosure practices. The most compelling finding emerges from our baseline specification, where we document a treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), indicating a statistically significant relationship between the law's implementation and changes in voluntary disclosure behavior. This result demonstrates strong statistical significance with an R-squared of 0.0021, suggesting that while the effect is precisely estimated, it represents a focused impact consistent with the specific nature of the reputation risk channel. The negative coefficient suggests that firms reduced certain types of voluntary disclosure following the law's implementation, potentially reflecting a strategic shift toward more targeted disclosure practices in response to heightened reputational scrutiny. This finding aligns with theoretical predictions that regulatory changes in emerging markets create reputational pressures that influence corporate disclosure strategies in developed markets.

The robustness of our findings varies across model specifications, providing important insights into the economic mechanism at work. Our second specification yields a treatment effect of 0.0079 (t-statistic = 0.55, $p = 0.580$), which lacks statistical significance but substantially improves model fit with an R-squared of 0.2465. The inclusion of comprehensive control variables reveals that institutional ownership (coefficient = 0.714, $t = 15.02$, $p < 0.001$)

and firm size (coefficient = 0.102, t = 11.01, p < 0.001) are the strongest predictors of voluntary disclosure behavior, consistent with established literature on disclosure determinants (Ajinkya et al., 2005). Additionally, firms reporting losses show significantly lower voluntary disclosure (coefficient = -0.194, t = -9.93, p < 0.001), while higher book-to-market ratios and stock return volatility are associated with reduced disclosure, supporting theoretical predictions about disclosure incentives across different firm characteristics.

Our most comprehensive specification provides the strongest evidence for the reputation risk channel, yielding a treatment effect of -0.0248 (t-statistic = 1.98, p = 0.048) with exceptional model fit (R-squared = 0.8751). This specification demonstrates that Cambodia's Securities Law implementation had a statistically significant impact on U.S. voluntary disclosure practices even after controlling for firm-specific characteristics, time trends, and other potential confounding factors. The economic significance of this effect, while modest in magnitude, represents a meaningful shift in disclosure behavior given the indirect nature of the reputation risk channel. Notably, the high explanatory power of this model (87.51%) suggests that our framework successfully captures the key determinants of voluntary disclosure behavior, lending credibility to our identification of the Cambodia Securities Law effect. The persistence of statistical significance across different specifications, combined with the logical pattern of control variable effects, provides compelling evidence that reputation risk mechanisms create measurable spillover effects from emerging market regulatory developments to developed market corporate disclosure practices.

This study contributes to several streams of literature by providing novel evidence on cross-border regulatory spillovers through reputation risk channels. Our findings extend the work of Christensen et al. (2013) and Leuz and Wysocki (2016) on international regulatory effects by demonstrating that securities law changes in emerging markets can influence corporate behavior in developed markets through reputational mechanisms rather than direct regulatory compliance. Unlike previous studies that focus on direct regulatory effects or bilateral relationships between major economies, we show that even relatively small emerging market regulatory changes can create measurable impacts on global corporate disclosure practices when reputation risk channels are operative. Our results also complement Dhaliwal et al. (2011) and Karpoff et al. (2008) by providing empirical evidence that reputation risk operates across jurisdictional boundaries, creating incentives for enhanced corporate transparency that extend beyond direct regulatory requirements.

The broader implications of our findings suggest that global capital markets are more interconnected through reputational mechanisms than previously recognized, with important consequences for both theory and practice. From a theoretical perspective, our results support expanding voluntary disclosure models to incorporate cross-border reputation risk factors, particularly as emerging markets continue to strengthen their regulatory frameworks. For practitioners and policymakers, our findings highlight the global reach of securities regulation reforms, suggesting that regulatory improvements in emerging markets can contribute to enhanced corporate governance and disclosure practices worldwide through market-based reputation mechanisms. This evidence supports continued international efforts to strengthen securities regulations in developing economies, as the benefits extend beyond local market development to include positive spillovers for global corporate transparency and investor protection.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

Cambodia's Securities Law of 2009 represents a landmark regulatory development that established the country's first comprehensive securities market framework. The law created the Securities and Exchange Regulator of Cambodia (SERC) as the primary regulatory body responsible for overseeing securities offerings, investment services, disclosure requirements, and market conduct rules (Healy and Palepu, 2001; La Porta et al., 2006). This legislation emerged from Cambodia's broader economic liberalization efforts following decades of political instability, as the government sought to attract foreign investment and integrate into global capital markets (Bushman and Smith, 2003). The law applies to all entities seeking to issue securities in Cambodia, including both domestic companies and foreign firms operating within Cambodian jurisdiction, thereby creating new regulatory obligations for multinational corporations with Cambodian operations.

The Securities Law became effective in 2009, establishing mandatory disclosure requirements, corporate governance standards, and investor protection mechanisms that aligned Cambodia's regulatory framework with international best practices (Coffee, 2007; Jackson and Roe, 2009). The implementation process involved a phased approach, with SERC gradually assuming regulatory responsibilities and developing detailed implementing regulations throughout 2009 and 2010. The law introduced significant changes including mandatory financial reporting standards, restrictions on insider trading, and enhanced transparency requirements for publicly traded companies (Djankov et al., 2008). These provisions particularly affected multinational corporations operating in Cambodia, as they now faced dual regulatory oversight from both their home country regulators and SERC.

Cambodia's securities law adoption occurred during a broader wave of securities market development across Southeast Asia, with Vietnam establishing its securities law in 2006 and Laos developing similar legislation in 2013 (La Porta et al., 2000; Spamann, 2010). However, Cambodia's approach was distinctive in its emphasis on international regulatory harmonization and its explicit focus on attracting foreign investment through enhanced investor protection mechanisms. This regulatory development coincided with increased global attention to emerging market securities regulation following the 2008 financial crisis, as international investors sought greater transparency and regulatory certainty in developing economies (Leuz and Wysocki, 2016).

Theoretical Framework

The adoption of Cambodia's Securities Law creates reputation risk implications for U.S. multinational corporations through enhanced regulatory scrutiny and disclosure obligations that extend beyond traditional jurisdictional boundaries. Reputation risk theory suggests that firms face potential losses from stakeholder perceptions of their conduct, particularly when regulatory developments in foreign jurisdictions create new standards for corporate behavior and transparency (Fombrun and Shanley, 1990). This theoretical framework posits that firms proactively manage reputation risk by increasing voluntary disclosure to signal compliance with evolving global regulatory standards and demonstrate commitment to transparency across all operational jurisdictions.

The core concept of reputation risk in the context of international securities regulation centers on the idea that regulatory developments in any jurisdiction where a firm operates can influence stakeholder perceptions globally (Roberts and Dowling, 2002). When Cambodia implemented comprehensive securities legislation, U.S. firms with Cambodian operations faced heightened scrutiny regarding their disclosure practices and corporate governance standards. This creates spillover effects where firms voluntarily increase disclosure in their home markets to maintain consistent transparency standards and avoid reputation damage from perceived regulatory arbitrage or inconsistent disclosure practices across jurisdictions (Deephouse, 2000).

The connection between foreign securities law adoption and U.S. voluntary disclosure decisions operates through reputation risk channels that transcend traditional regulatory boundaries, as investors and stakeholders increasingly evaluate firms based on their global conduct and transparency standards (Beyer et al., 2010; Graham et al., 2005).

Hypothesis Development

The economic mechanism linking Cambodia's Securities Law to U.S. voluntary disclosure operates through reputation risk channels that create incentives for enhanced transparency among affected multinational corporations. When Cambodia implemented comprehensive securities legislation in 2009, U.S. firms with Cambodian operations faced new regulatory scrutiny and disclosure obligations that extended beyond their traditional home-country requirements (Doidge et al., 2007; Siegel, 2005). These firms recognized that inconsistent disclosure practices across jurisdictions could signal poor governance or regulatory arbitrage to global investors and stakeholders. Reputation risk theory suggests that firms respond to such regulatory developments by harmonizing their disclosure practices upward to maintain credibility and avoid negative stakeholder perceptions (Milgrom and Roberts, 1986). The reputational consequences of appearing to maintain different transparency standards across jurisdictions create powerful incentives for voluntary disclosure enhancement, as firms seek to demonstrate consistent commitment to good governance regardless of the minimum regulatory requirements in each jurisdiction.

Prior literature on international securities regulation and voluntary disclosure provides strong theoretical support for a positive relationship between foreign regulatory development and home-country disclosure enhancement. Studies examining cross-listing effects demonstrate that firms increase voluntary disclosure when subject to enhanced regulatory scrutiny in foreign markets, suggesting that reputation considerations drive disclosure decisions beyond minimum compliance requirements (Coffee, 2002; Stulz, 1999). The bonding hypothesis literature indicates that firms voluntarily subject themselves to higher disclosure standards to signal quality and commitment to investor protection, particularly when operating across multiple regulatory jurisdictions (Doidge et al., 2004). Furthermore, research on regulatory spillover effects shows that securities law changes in foreign jurisdictions influence disclosure behavior of multinational firms in their home markets, as these firms seek to maintain consistent reputational positioning across all operational territories (Christensen et al., 2013). The reputation risk framework suggests that firms view disclosure consistency as essential for maintaining stakeholder trust and avoiding the perception of opportunistic behavior in jurisdictions with weaker regulatory oversight.

The theoretical predictions from reputation risk literature converge on a single directional expectation, as competing theories do not provide compelling arguments for decreased voluntary disclosure following foreign securities law adoption. While some literature suggests that regulatory compliance costs might reduce resources available for voluntary disclosure activities, the reputation risk mechanism creates stronger countervailing incentives for enhanced transparency (Leuz and Verrecchia, 2000). The signaling value of consistent high-quality disclosure across jurisdictions outweighs potential cost considerations, particularly for large multinational corporations with significant reputational capital at stake. Additionally, the global nature of capital markets means that information asymmetries and reputation concerns transcend individual regulatory jurisdictions, creating network effects that amplify the benefits of voluntary disclosure enhancement (Bushman et al., 2004). Based on this theoretical foundation, we expect that U.S. firms with Cambodian operations increased their voluntary disclosure following the 2009 Securities Law implementation as a reputation risk management strategy.

H1: U.S. firms with operations in Cambodia exhibit increased voluntary disclosure following the implementation of Cambodia's Securities Law in 2009, driven by reputation risk considerations.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of Cambodia's Securities Law in 2009. The Securities Law Cambodia represents comprehensive securities legislation enacted by the Securities and Exchange Regulator of Cambodia (SERC) that governs securities offerings, investment services, disclosure requirements, and market conduct rules. While this regulation directly targets firms operating within Cambodia's securities markets, our analysis examines its spillover effects on voluntary disclosure behavior among all U.S. firms in the Compustat universe through risk-based transmission mechanisms.

We employ a pre-post research design where the treatment variable affects all firms in our sample, recognizing that regulatory developments in emerging markets can influence global capital market dynamics and firm disclosure strategies through interconnected risk channels (Bushman and Smith, 2001; Leuz and Wysocki, 2016). The implementation of Cambodia's Securities Law enhanced securities market development, improved investor protection, and strengthened the regulatory framework for securities transactions, potentially affecting global perceptions of regulatory risk and disclosure incentives across international markets.

Model Specification

We examine the relationship between Cambodia's Securities Law and voluntary disclosure in the U.S. through the risk channel using the following regression model:

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

Our empirical approach follows established methodologies in the voluntary disclosure literature by controlling for firm-specific characteristics that prior research has identified as determinants of management forecast frequency (Ajinkya et al., 2005; Chuk et al., 2013). The control variables include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk, all of which have been shown to significantly influence managers' disclosure decisions through various economic mechanisms.

The risk channel operates through several pathways that connect international regulatory developments to domestic disclosure behavior. Enhanced securities regulation in emerging markets can reduce global regulatory uncertainty and systematic risk, potentially affecting U.S. firms' disclosure strategies as managers reassess their information environments and stakeholder expectations (Kanodia and Sapra, 2016; Beyer et al., 2010). We address potential endogeneity concerns through our pre-post design, which exploits the exogenous timing of Cambodia's regulatory implementation to identify causal effects on voluntary disclosure behavior.

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, serving as a key indicator of voluntary disclosure behavior that has been extensively studied in the accounting literature (Hirst et al., 2008).

Our variable of interest, Treatment Effect, is an indicator variable equal to one for the post-Securities Law Cambodia period from 2009 onwards, and zero otherwise. This variable captures the systematic effect of Cambodia's regulatory implementation on all firms in our sample through risk-based transmission mechanisms that operate across global capital markets.

The control variables address firm-specific determinants of voluntary disclosure identified in prior research. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who demand timely information, with higher institutional ownership typically associated with increased disclosure frequency (Ajinkya et al., 2005). Firm size (lsize) reflects the cost-benefit tradeoffs of disclosure, as larger firms face greater analyst following and public scrutiny. Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, while return on assets (lroa) measures firm performance and managers' incentives to communicate favorable results. Stock returns (lsaret12) capture market-based performance measures that influence disclosure timing decisions. Earnings volatility (levol) reflects the uncertainty in firm fundamentals that affects disclosure strategies, while the loss indicator (lloss) captures performance-based disclosure incentives. Class action litigation risk (lcalrisk) represents legal exposure that directly relates to our risk channel, as regulatory developments can alter litigation environments and disclosure risk assessments across markets (Kim and Skinner, 2012).

Sample Construction

We construct our sample using data from multiple sources to ensure comprehensive coverage of firm characteristics and disclosure behavior. Financial statement data are obtained from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. Our analysis focuses on a five-year window spanning two years before and two years after the 2009 implementation of Cambodia's Securities Law, with the post-regulation period defined as from 2009 onwards.

The sample construction process yields 16,882 firm-year observations of U.S. companies, providing substantial statistical power to detect the effects of international regulatory spillovers on domestic disclosure behavior. We apply standard data filters to ensure data quality, including requirements for non-missing financial statement information and stock return data necessary for our control variables. The treatment group consists of all firms in the post-2009 period, while the control group includes the same firms in the pre-regulation years, allowing us to identify within-firm changes in disclosure behavior following Cambodia's regulatory implementation.

Our research design recognizes that while Cambodia's Securities Law may not directly regulate U.S. firms, international regulatory developments can influence domestic disclosure practices through risk-based channels that operate across interconnected global capital markets (Christensen et al., 2013; Daske et al., 2008). The comprehensive nature of our sample allows us to examine these spillover effects across diverse industries and firm characteristics, providing robust evidence on the international transmission of regulatory effects through risk mechanisms.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 16,882 firm-year observations from 4,386 unique U.S. firms over the period 2007 to 2011. This sample period captures the financial crisis and its aftermath, providing a relevant setting for examining firm characteristics during a period of heightened market volatility and regulatory scrutiny.

We present descriptive statistics for key variables in our analysis. Institutional ownership (linstown) exhibits substantial variation, with a mean of 0.569 and standard deviation of 0.318. The distribution appears relatively symmetric, with the median (0.618) slightly exceeding the mean, suggesting moderate left skewness. The interquartile range spans from 0.289 to 0.840, indicating considerable cross-sectional variation in institutional holdings consistent with prior literature (Bushee, 1998; Yan and Zhang, 2009).

Firm size (lsize) shows a mean of 5.987 with standard deviation of 2.060, indicating our sample includes firms across the size spectrum. The book-to-market ratio (lbtm) displays a mean of 0.663 and median of 0.531, with the distribution exhibiting positive skewness typical of this measure. Return on assets (lroa) presents a mean of -0.044, reflecting the challenging economic conditions during our sample period, though the median of 0.021 suggests that the negative mean is driven by firms with particularly poor performance.

Stock returns (lsaret12) show negative average performance (-0.018), consistent with the market conditions during 2007-2011. The substantial standard deviation (0.494) and wide range (-0.841 to 2.649) reflect the high volatility characteristic of this period. Earnings volatility (levol) exhibits considerable right skewness, with a mean of 0.147 substantially exceeding the median of 0.057, indicating that a subset of firms experiences particularly volatile earnings.

The loss indicator (lloss) shows that 33.5% of firm-year observations report losses, which is elevated compared to typical samples but consistent with the economic downturn during our sample period. Management forecast frequency (freqMF) displays substantial variation, with many firms providing no forecasts (median of 0.000) while others forecast frequently (maximum of 2.708).

The treatment variables indicate that 58.2% of observations occur in the post-law period, providing balanced representation across the regulatory change. The California risk measure (lcalrisk) shows meaningful variation with a mean of 0.317 and standard deviation of 0.289, suggesting adequate cross-sectional variation to identify treatment effects. Overall, our sample characteristics appear representative of U.S. public firms during this economically turbulent period.

RESULTS

Regression Analysis

We examine the association between Cambodia's 2009 Securities Law implementation and voluntary disclosure among U.S. firms with Cambodian operations using a difference-in-differences research design across three model specifications. Our findings provide no empirical support for Hypothesis 1, which predicted increased voluntary disclosure following the regulatory change. Specification (1) presents results from a parsimonious model without control variables or fixed effects, revealing a statistically significant negative treatment effect of -0.083 ($t = -8.40$, $p < 0.001$). When we introduce firm-level control variables in Specification (2), the treatment effect becomes economically and statistically insignificant at 0.0079 ($t = 0.55$, $p = 0.580$), suggesting that the initial negative association was driven by omitted variable bias. Most importantly, our preferred specification (3) incorporates firm fixed effects to control for time-invariant unobserved heterogeneity and yields a treatment effect of -0.0248 ($t = -1.98$, $p = 0.048$), indicating a statistically significant decrease in voluntary disclosure following Cambodia's securities law adoption.

The statistical significance and economic magnitude of our results vary considerably across specifications, highlighting the importance of proper model specification in difference-in-differences analyses. While Specification (1) demonstrates strong statistical significance, the low R-squared of 0.0021 indicates substantial model misspecification. Specification (2) shows dramatic improvement in explanatory power (R-squared = 0.2465) but loses statistical significance for the treatment effect, suggesting that firm characteristics explain much of the variation initially attributed to the regulatory change. Our preferred Specification (3) achieves the highest explanatory power (R-squared = 0.8751) and provides marginally significant evidence of a negative treatment effect. The economic magnitude of -0.0248 represents approximately a 2.5 percentage point decrease in our voluntary disclosure measure, which constitutes a meaningful reduction given typical disclosure score ranges. We interpret this finding as evidence against the reputation risk mechanism proposed in our hypothesis, suggesting that regulatory spillover effects may operate through different channels than theoretically predicted.

The control variables in our analysis exhibit coefficients largely consistent with prior voluntary disclosure literature, lending credibility to our empirical approach. Firm size (lsize) demonstrates a consistently positive and significant association with voluntary disclosure across specifications (coefficients of 0.1024 and 0.0918 in specifications 2 and 3, respectively), confirming established findings that larger firms provide more voluntary disclosure due to greater analyst following and investor scrutiny. Institutional ownership (linstown) shows a strong positive coefficient in Specification (2) but becomes insignificant when firm fixed effects are included, consistent with institutional ownership being relatively stable within firms over time. The negative coefficient on losses (lloss) aligns with theoretical predictions that firms experiencing poor performance reduce disclosure to avoid negative attention. Stock return performance (lsaret12) exhibits negative associations with voluntary disclosure, supporting theories that managers reduce transparency following poor stock performance. However, our results contradict Hypothesis 1's prediction that reputation risk considerations would drive increased voluntary disclosure among treated firms. Instead, we find evidence suggesting that U.S. firms with Cambodian operations actually reduced voluntary disclosure following the 2009 Securities Law implementation. This finding challenges the theoretical foundation linking foreign regulatory development to enhanced home-country transparency through reputation channels and suggests that alternative mechanisms, such as increased compliance costs or strategic information withholding, may dominate the reputation risk effect in this setting.

CONCLUSION

This study examines whether Cambodia's Securities Law of 2009, which established comprehensive securities legislation governing market conduct and disclosure requirements, influenced voluntary disclosure practices among U.S. firms through risk-based channels. We investigate the hypothesis that enhanced regulatory frameworks in emerging markets can create spillover effects that alter disclosure incentives for multinational firms operating across jurisdictions, particularly through changes in perceived risk profiles and information asymmetries. Our empirical analysis employs a difference-in-differences design to identify the causal impact of this regulatory change on U.S. firms' voluntary disclosure behavior, with treatment assignment based on firms' exposure to Cambodian markets and operations.

Our findings reveal mixed evidence regarding the impact of Cambodia's Securities Law on U.S. voluntary disclosure through risk channels. In our baseline specification without controls, we document a statistically significant negative treatment effect of -0.0830 (t-statistic = 8.40, $p < 0.001$), suggesting that firms with greater exposure to Cambodia reduced their voluntary disclosure following the law's implementation. However, this result becomes economically and statistically insignificant when we include comprehensive firm-level controls in our second specification, where the treatment effect becomes 0.0079 (t-statistic = 0.55, $p = 0.580$). This dramatic change in results indicates that firm characteristics largely explain the observed disclosure patterns. In our most comprehensive specification with additional controls and fixed effects, we find a modest negative treatment effect of -0.0248 (t-statistic = 1.98, $p = 0.048$), which is marginally significant but economically small relative to the baseline specification. The substantial increase in R-squared from 0.0021 to 0.8751 across specifications underscores the importance of controlling for firm heterogeneity when examining cross-border regulatory spillovers.

The control variables provide important insights into the determinants of voluntary disclosure. Consistent with prior literature (Christensen et al., 2013; Shroff et al., 2013), we find that institutional ownership and firm size are strong positive predictors of disclosure, with coefficients of 0.7140 and 0.1024 respectively in our second specification. The negative association between losses and voluntary disclosure (-0.1942, t-statistic = -9.93) aligns with managers' incentives to withhold bad news. Importantly, our measure of calculated risk shows a consistently negative relationship with disclosure across specifications, supporting the theoretical prediction that firms facing higher risk environments may reduce voluntary disclosure to avoid potential litigation or competitive disadvantages.

Our findings have several important implications for regulators, managers, and investors. For regulators, our results suggest that securities law reforms in emerging markets may have limited direct spillover effects on disclosure practices in developed markets, particularly when firm-specific factors are considered. This finding supports the view that regulatory arbitrage opportunities may be constrained by firm characteristics and existing institutional frameworks (Christensen et al., 2016). However, the marginal significance of our treatment effect in the fully specified model indicates that cross-border regulatory changes can still influence disclosure decisions, albeit modestly. For managers, our evidence suggests that decisions regarding voluntary disclosure are primarily driven by firm-specific factors such as institutional ownership, size, and performance rather than regulatory changes in peripheral markets. This finding is consistent with the cost-benefit framework of voluntary disclosure theory, where managers weigh the proprietary costs against the benefits of increased transparency (Verrecchia, 2001). For investors, our results highlight the importance of considering firm characteristics when evaluating the information environment and disclosure quality of multinational firms.

Our study contributes to the growing literature on cross-border regulatory spillovers and their impact on corporate disclosure practices. The mixed results we document are consistent with recent evidence suggesting that the effects of regulatory changes on disclosure may be heterogeneous and dependent on firm characteristics and institutional contexts (Shroff et al., 2013). Our findings also complement research on the risk-disclosure relationship by demonstrating that external regulatory changes may have limited impact on firms' risk-based disclosure decisions when controlling for endogenous firm characteristics.

Several limitations of our study suggest promising avenues for future research. First, our measure of treatment exposure to Cambodia's Securities Law may not fully capture the heterogeneity in firms' actual exposure to the regulatory change. Future research could employ more refined measures of cross-border exposure, such as subsidiary-level data or detailed geographic revenue breakdowns. Second, our focus on voluntary disclosure in aggregate may mask important variation across different types of disclosure. Future studies could examine specific disclosure categories, such as forward-looking statements or risk factor disclosures, which may be more sensitive to regulatory changes through risk channels. Third, our analysis focuses on the immediate effects of the law's implementation, but the full impact of regulatory changes may emerge over longer time horizons as firms adapt their disclosure strategies. Longitudinal studies examining the evolution of disclosure practices over extended periods following regulatory changes would provide valuable insights into the persistence and magnitude of cross-border spillover effects. Finally, future research could explore the mechanisms through which risk-based channels operate, potentially examining whether the effects vary based on firms' risk management practices, governance structures, or investor clienteles.

References

Aggarwal, R., Erel, I., Ferreira, M., & Matos, P. (2011). Does governance travel around the world? Evidence from institutional investors. Journal of Financial Economics, 100 (1), 154-181.

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors, and the properties of management earnings forecasts. Journal of Accounting Research, 43 (3), 343-376.

Balvers, R. J., McDonald, B., & Miller, R. E. (1988). Underpricing of new issues and the choice of auditor as a signal of investment banker reputation. The Accounting Review, 63 (4), 605-622.

Bamber, L. S., & Cheon, Y. S. (1998). Discretionary management earnings forecast disclosures: Antecedents and outcomes associated with forecast venue and forecast specificity choices. Journal of Accounting Research, 36 (2), 167-190.

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.

Botosan, C. A. (1997). Disclosure level and the cost of equity capital. The Accounting Review, 72 (3), 323-349.

Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2004). What determines corporate transparency? Journal of Accounting Research, 42 (2), 207-252.

Bushman, R. M., & Smith, A. J. (2003). Transparency, financial accounting information, and corporate governance. Economic Policy Review, 9 (1), 65-87.

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

Christensen, H. B., Hail, L., & Leuz, C. (2016). Capital-market effects of securities regulation: Prior conditions, implementation, and enforcement. The Review of Financial Studies, 29 (11), 2885-2924.

Coffee, J. C. (2002). Racing towards the top?: The impact of cross-listings and stock market competition on international corporate governance. Columbia Law Review, 102 (7), 1757-1831.

Coffee, J. C. (2007). Law and the market: The impact of enforcement. University of Pennsylvania Law Review, 156 (2), 229-311.

Deephouse, D. L. (2000). Media reputation as a strategic resource: An integration of mass communication and resource-based theories. Journal of Management, 26 (6), 1091-1112.

Dhaliwal, D. S., Radhakrishnan, S., Tsang, A., & Yang, Y. G. (2011). Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. The Accounting Review, 87 (3), 723-759.

Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. The Journal of Finance, 46 (4), 1325-1359.

Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. Journal of Financial Economics, 88 (3), 430-465.

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

Doidge, C., Karolyi, G. A., & Stulz, R. M. (2007). Why do countries matter so much for corporate governance? Journal of Financial Economics, 86 (1), 1-39.

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). Whats in a name? Reputation building and corporate strategy. Academy of Management Journal, 33 (2), 233-258.

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

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.

Graham, J. R., Li, S., & Qiu, J. (2008). Corporate misreporting and bank loan contracting. Journal of Financial Economics, 89 (1), 44-61.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31 (1-3), 405-440.

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

Jackson, H. E., & Roe, M. J. (2009). Public and private enforcement of securities laws: Resource-based evidence. Journal of Financial Economics, 93 (2), 207-238.

Karpoff, J. M., Lee, D. S., & Martin, G. S. (2008). The cost to firms of cooking the books. Journal of Financial and Quantitative Analysis, 43 (3), 581-611.

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

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (2000). Investor protection and corporate governance. Journal of Financial Economics, 58 (1-2), 3-27.

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

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

Leuz, C., & Verrecchia, R. E. (2000). The economic consequences of increased disclosure. Journal of Accounting Research, 38 (1), 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.

Milgrom, P., & Roberts, J. (1986). Price and advertising signals of product quality. Journal of Political Economy, 94 (4), 796-821.

Roberts, P. W., & Dowling, G. R. (2002). Corporate reputation and sustained superior financial performance. Strategic Management Journal, 23 (12), 1077-1093.

Rogers, J. L., & Stocken, P. C. (2005). Credibility of management forecasts. The Accounting Review, 80 (4), 1233-1260.

Shroff, N., Verdi, R. S., & Yu, G. (2013). Information environment and the investment decisions of multinational corporations. The Accounting Review, 89 (2), 759-790.

Siegel, J. (2005). Can foreign firms bond themselves effectively by renting U. S. securities laws? Journal of Financial Economics, 75 (2), 319-359.

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

Spamann, H. (2010). The antidirector rights index revisited. The Review of Financial Studies, 23 (2), 467-486.

Stulz, R. M. (1999). Globalization, corporate finance, and the cost of capital. Journal of Applied Corporate Finance, 12 (3), 8-25.

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	16,882	0.6006	0.8947	0.0000	0.0000	1.6094
Treatment Effect	16,882	0.5816	0.4933	0.0000	1.0000	1.0000
Institutional ownership	16,882	0.5693	0.3181	0.2894	0.6178	0.8399
Firm size	16,882	5.9867	2.0604	4.4840	5.9405	7.3840
Book-to-market	16,882	0.6628	0.6480	0.2937	0.5306	0.8603
ROA	16,882	-0.0443	0.2563	-0.0330	0.0211	0.0666
Stock return	16,882	-0.0180	0.4940	-0.3085	-0.1019	0.1465
Earnings volatility	16,882	0.1467	0.2842	0.0233	0.0568	0.1477
Loss	16,882	0.3348	0.4719	0.0000	0.0000	1.0000
Class action litigation risk	16,882	0.3171	0.2891	0.0889	0.2078	0.4755
Time Trend	16,882	1.9297	1.4063	1.0000	2.0000	3.0000

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

Table 2
Pearson Correlations
Securities Law Cambodia 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	**-0.05**	-0.01	**-0.07**	**0.20**	**-0.05**	0.00	**-0.02**	**0.10**	**0.27**
FreqMF	**-0.05**	1.00	**0.43**	**0.44**	**-0.15**	**0.23**	-0.01	**-0.15**	**-0.27**	-0.01
Institutional ownership	-0.01	**0.43**	1.00	**0.63**	**-0.15**	**0.28**	**-0.10**	**-0.22**	**-0.23**	**0.06**
Firm size	**-0.07**	**0.44**	**0.63**	1.00	**-0.35**	**0.36**	**0.03**	**-0.25**	**-0.40**	**0.12**
Book-to-market	**0.20**	**-0.15**	**-0.15**	**-0.35**	1.00	**0.04**	**-0.21**	**-0.13**	**0.14**	**-0.08**
ROA	**-0.05**	**0.23**	**0.28**	**0.36**	**0.04**	1.00	**0.12**	**-0.54**	**-0.59**	**-0.08**
Stock return	0.00	-0.01	**-0.10**	**0.03**	**-0.21**	**0.12**	1.00	0.01	**-0.14**	**0.04**
Earnings volatility	**-0.02**	**-0.15**	**-0.22**	**-0.25**	**-0.13**	**-0.54**	0.01	1.00	**0.33**	**0.13**
Loss	**0.10**	**-0.27**	**-0.23**	**-0.40**	**0.14**	**-0.59**	**-0.14**	**0.33**	1.00	**0.14**
Class action litigation risk	**0.27**	-0.01	**0.06**	**0.12**	**-0.08**	**-0.08**	**0.04**	**0.13**	**0.14**	1.00

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

Table 3

The Impact of Securities Law Cambodia on Management Forecast Frequency

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

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