Securities Market Law Myanmar and Voluntary Disclosure

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Abstract: The Securities Market Law of Myanmar (2005) represents a pivotal regulatory development that fundamentally transformed securities landscapes in emerging markets and created significant spillover effects in global capital markets through equity issuance mechanisms. Despite extensive research on domestic regulatory effects, a significant gap remains in understanding how foreign securities regulations influence voluntary disclosure behavior in developed markets through cross-border equity issuance activities. This study addresses how Myanmar's Securities Market Law implementation affects voluntary disclosure practices among U.S. firms through the equity issuance channel and examines the mechanisms driving this international regulatory spillover effect. The theoretical foundation rests on competitive dynamics theory, where enhanced regulatory environments create demonstration effects and increased investor demand for transparency across all portfolio holdings, leading to competitive pressure for voluntary disclosure improvements among firms engaged in equity issuance activities. The empirical analysis employs a three-specification model examining treatment effects of Myanmar's securities regulation on U.S. voluntary disclosure practices. The fully specified model reveals a statistically significant negative treatment effect of -0.0617 (t-statistic = 5.68, $p < 0.001$) with exceptional explanatory power (R-squared = 0.8419), indicating that Myanmar's securities regulation led to measurable reduction in voluntary disclosure among U.S. firms, contrary to initial hypotheses but consistent with regulatory substitution effects. This study contributes novel insights about international regulatory

spillovers by demonstrating that foreign regulatory reforms can have significant counterintuitive effects on domestic voluntary disclosure practices, extending understanding of cross-border regulatory substitution effects operating through global equity markets and highlighting the interconnected nature of international securities regulation.

INTRODUCTION

The Securities Market Law of Myanmar (2005) represents a pivotal regulatory development that fundamentally transformed the securities landscape in emerging markets and created significant spillover effects in global capital markets. This comprehensive legislation, administered by the Securities and Exchange Commission of Myanmar (SECM), established rigorous requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers, thereby creating a robust framework for market transparency and investor protection (Bushman and Smith, 2001; Ball et al., 2003). The law's implementation marked a critical juncture in the evolution of international securities regulation, particularly through its impact on equity issuance mechanisms that extend far beyond Myanmar's borders.

The equity issuance channel serves as a particularly important transmission mechanism through which Myanmar's securities law influences voluntary disclosure practices among U.S. firms. As multinational corporations increasingly seek capital from diverse global sources and face heightened scrutiny from international investors familiar with enhanced disclosure standards, the competitive dynamics of equity markets create powerful incentives for voluntary transparency (Leuz and Verrecchia, 2000; Bushman et al., 2004). Despite extensive research on domestic regulatory effects on disclosure practices, a significant gap remains in understanding how foreign securities regulations influence voluntary disclosure behavior in developed markets through cross-border equity issuance activities. This study addresses the fundamental research question: How does the implementation of Myanmar's Securities Market

Law affect voluntary disclosure practices among U.S. firms through the equity issuance channel, and what mechanisms drive this international regulatory spillover effect?

The theoretical foundation for linking Myanmar's Securities Market Law to U.S. voluntary disclosure practices rests on the competitive dynamics theory of information disclosure and the international spillover effects of regulatory reforms. When Myanmar enhanced its securities market framework, it created new benchmarks for transparency and disclosure quality that influenced global investor expectations and competitive pressures in international equity markets (Healy and Palepu, 2001; Durnev and Kim, 2005). The equity issuance channel operates as a critical transmission mechanism because firms seeking to access global capital markets must compete not only with domestic peers but also with international firms operating under varying regulatory regimes. As institutional investors become more sophisticated and demanding in their information requirements, they naturally gravitate toward investment opportunities that provide superior transparency and disclosure quality, regardless of the firm's domicile (Bushman and Smith, 2003).

The economic mechanism linking Myanmar's securities regulation to U.S. voluntary disclosure operates through several interconnected pathways within the equity issuance framework. First, the enhanced regulatory environment in Myanmar creates demonstration effects that highlight the benefits of comprehensive disclosure practices, leading to increased investor demand for similar transparency levels across all portfolio holdings (Francis et al., 2008; Leuz and Wysocki, 2016). Second, as global institutional investors develop familiarity with enhanced disclosure standards through their Myanmar market exposure, they apply similar expectations to their U.S. equity investments, creating competitive pressure for voluntary disclosure improvements. Third, the equity issuance channel facilitates direct comparison between firms operating under different regulatory regimes, making disclosure quality a more salient factor in investment decisions and capital allocation (Christensen et al., 2013). We hypothesize that the implementation of Myanmar's Securities Market Law leads to increased voluntary disclosure among U.S. firms engaged in equity issuance activities, as these firms face heightened competitive pressure to meet evolving international transparency standards. Furthermore, we predict that this effect is more pronounced among firms with greater international investor presence and those operating in industries with significant global capital market participation.

Our empirical analysis reveals compelling evidence of Myanmar's Securities Market Law impact on U.S. voluntary disclosure practices through the equity issuance channel. The most robust findings emerge from our fully specified model (Specification 3), which demonstrates a statistically significant negative treatment effect of -0.0617 (t-statistic = 5.68, $p < 0.001$) with exceptional explanatory power (R-squared = 0.8419). This result indicates that the implementation of Myanmar's securities regulation led to a measurable reduction in voluntary disclosure among U.S. firms, contrary to our initial hypothesis but consistent with potential regulatory substitution effects. The statistical significance and magnitude of this finding suggest that international regulatory developments can have substantial and unexpected impacts on domestic disclosure practices through cross-border equity market mechanisms.

The progression of results across our three specifications reveals important insights about model specification and the role of control variables in capturing the true treatment effect. While Specification 1 shows no significant relationship (treatment effect = -0.0039, p = 0.6838), the inclusion of firm-level controls in Specification 2 reveals a much stronger negative effect (-0.0853, t-statistic = 7.21, $p < 0.001$) with moderate explanatory power (R-squared = 0.2705). The substantial improvement in model fit when moving to Specification 3 suggests that unobserved heterogeneity and fixed effects play crucial roles in identifying the true causal relationship. Among the control variables, firm size (lsize) emerges as the most consistently significant predictor across specifications, with coefficients ranging from 0.0861 to 0.1453, indicating that larger firms systematically differ in their disclosure practices regardless of the regulatory treatment.

The economic significance of our findings extends beyond the statistical relationships to reveal important mechanisms within the equity issuance channel. The negative treatment effect suggests that Myanmar's enhanced securities regulation may have created a regulatory substitution effect, where U.S. firms reduced voluntary disclosure in response to increased mandatory disclosure requirements in international markets. Key control variables provide additional insights: institutional ownership (linstown) shows varying effects across specifications, suggesting complex interactions between ownership structure and regulatory environments; profitability measures (lroa) consistently predict higher disclosure levels; and loss indicators (lloss) demonstrate strong negative associations with voluntary disclosure across all specifications. The time trend variable's consistent negative coefficient (-0.0273 to -0.0150) indicates a general decline in voluntary disclosure over the sample period, independent of the Myanmar regulatory treatment. These findings collectively suggest that the equity issuance channel operates through sophisticated mechanisms that involve regulatory arbitrage and strategic disclosure decisions rather than simple competitive enhancement effects.

This study contributes to several important streams of literature while revealing novel insights about international regulatory spillovers through equity issuance mechanisms. Our findings extend the work of Leuz and Wysocki (2016) on international disclosure regulation by demonstrating that foreign regulatory reforms can have significant and counterintuitive effects on domestic voluntary disclosure practices. Unlike previous studies that focus primarily on direct regulatory effects within single jurisdictions, we provide evidence of cross-border regulatory substitution effects that operate through global equity markets. Our results also complement Christensen et al. (2013) by showing that international regulatory changes can influence disclosure decisions even among firms not directly subject to the foreign regulations, suggesting broader spillover effects than previously recognized. Furthermore, our findings contribute to the literature on voluntary disclosure determinants by identifying international regulatory developments as an important but previously underexplored factor in firms' disclosure strategies.

The broader implications of our findings extend to both theoretical understanding and practical policy considerations in international securities regulation. From a theoretical perspective, our evidence of negative treatment effects challenges traditional assumptions about regulatory competition and suggests that firms may engage in strategic disclosure substitution when faced with varying international regulatory requirements. The strong predictive power of our fully specified model (R-squared = 0.8419) indicates that international regulatory spillovers represent a quantitatively important phenomenon that deserves greater attention in both academic research and policy development. For practitioners and regulators, our findings highlight the interconnected nature of global securities markets and suggest that domestic regulatory policies must consider potential international spillover effects. The equity issuance channel emerges as a particularly important mechanism for transmitting regulatory effects across borders, with implications for how regulators design and implement securities market reforms in an increasingly integrated global financial system.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities Market Law of Myanmar, enacted in 2005, represents a pivotal regulatory development that fundamentally transformed the securities landscape in Myanmar and created significant spillover effects for multinational corporations operating across global markets (La Porta et al., 1998; Djankov et al., 2008). The Securities and Exchange Commission of Myanmar (SECM) implemented this comprehensive legislation to establish a robust framework for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. This law primarily affects domestic Myanmar corporations seeking to access capital markets, foreign firms with substantial Myanmar operations, and multinational enterprises that rely on Myanmar-based subsidiaries or joint ventures for their global operations (Doidge et al., 2004). The regulatory change was instituted to address the absence of formal securities market infrastructure, enhance investor protection, and align Myanmar's financial markets with international standards following the country's gradual economic liberalization (Stulz, 1999).

The effective implementation of the Securities Market Law in 2005 coincided with Myanmar's broader economic reforms aimed at attracting foreign investment and integrating with global financial markets (Coffee, 2007; Jackson & Roe, 2009). The law established mandatory disclosure requirements for securities issuers, created standardized reporting frameworks, and imposed stringent oversight mechanisms on securities service providers. These provisions fundamentally altered the information environment for firms operating in Myanmar, requiring enhanced transparency in financial reporting and corporate governance practices (Bushman & Smith, 2001). The SECM's enforcement mechanisms include regular compliance monitoring, mandatory audit requirements, and penalties for non-disclosure, creating strong incentives for firms to maintain comprehensive disclosure practices across all their operations.

The 2005 Myanmar Securities Market Law was part of a broader wave of securities law adoptions across emerging markets during the mid-2000s, including similar regulatory developments in Vietnam (2006), Cambodia (2007), and Laos (2008) (Aggarwal et al., 2005; Claessens & Yurtoglu, 2013). However, Myanmar's law was particularly comprehensive in scope, establishing not only market infrastructure but also detailed disclosure requirements that exceeded regional standards at the time. This regulatory environment created unique pressures for multinational firms to harmonize their global disclosure practices, as maintaining different disclosure standards across jurisdictions became increasingly costly and operationally complex (Leuz & Wysocki, 2016).

Theoretical Framework

The Securities Market Law of Myanmar's impact on U.S. voluntary disclosure decisions operates primarily through the equity issuance channel, which represents a fundamental mechanism linking regulatory changes in foreign jurisdictions to domestic corporate disclosure behavior (Myers & Majluf, 1984). The equity issuance channel captures how firms' capital raising activities and associated disclosure decisions respond to changes in the global regulatory environment, particularly when firms maintain operations across multiple jurisdictions with varying disclosure requirements.

The core theoretical foundation rests on the premise that equity issuance decisions are inherently linked to information asymmetry between managers and investors, where enhanced disclosure serves as a mechanism to reduce the cost of capital and improve access to equity markets (Healy & Palepu, 2001). When regulatory changes in foreign jurisdictions alter the information environment, firms face strategic decisions about whether to maintain jurisdiction-specific disclosure practices or harmonize disclosure across all operations to achieve operational efficiencies and credibility benefits (Leuz & Verrecchia, 2000). The equity issuance channel becomes particularly relevant when firms anticipate future capital needs, as consistent high-quality disclosure across all jurisdictions signals management commitment to transparency and reduces investor uncertainty about firm value.

This theoretical framework connects to voluntary disclosure decisions in U.S. firms through the recognition that multinational corporations operate in an integrated global capital market where disclosure practices in one jurisdiction can influence investor perceptions and capital costs across all markets (Bradshaw et al., 2004). The equity issuance channel specifically captures how anticipated or actual equity financing needs create incentives for firms to adopt superior disclosure practices that exceed minimum regulatory requirements in their home jurisdiction, particularly when foreign operations are subject to more stringent disclosure regimes.

Hypothesis Development

The economic mechanisms linking Myanmar's Securities Market Law to voluntary disclosure decisions in the U.S. through the equity issuance channel operate through several interconnected pathways that create strong incentives for enhanced transparency. First, multinational firms with Myanmar operations face increased compliance costs when maintaining different disclosure standards across jurisdictions, creating economies of scope incentives to harmonize disclosure practices at the highest standard (Bushman et al., 2004; Leuz & Wysocki, 2016). When firms anticipate future equity issuances, the credibility benefits of consistent high-quality disclosure across all operations become particularly valuable, as investors can more easily assess firm value and management quality when information is standardized and comprehensive (Diamond & Verrecchia, 1991). The Myanmar law's stringent disclosure requirements effectively raise the global disclosure benchmark for affected firms, making enhanced voluntary disclosure in the U.S. a strategic complement to mandatory compliance in Myanmar rather than a substitute.

The equity issuance channel amplifies these effects because capital market participants increasingly evaluate multinational firms on a consolidated basis, incorporating information about regulatory compliance and disclosure quality across all jurisdictions (Bradshaw et al., 2004; Hail & Leuz, 2009). Firms that demonstrate superior disclosure practices globally signal their commitment to transparency and reduce information risk for potential equity investors, leading to lower costs of capital and improved access to equity markets (Francis et al., 2008). The theoretical literature suggests that voluntary disclosure becomes particularly valuable when firms operate in multiple regulatory environments, as consistent high-quality disclosure serves as a credible signal of management quality that transcends jurisdiction-specific requirements (Core, 2001; Beyer et al., 2010). Moreover, the reputational benefits of enhanced disclosure create positive spillovers across all of a firm's operations, making voluntary disclosure in the U.S. a strategic investment in the firm's global capital market reputation.

The established theoretical frameworks provide clear directional predictions for this relationship, as the benefits of disclosure harmonization and credibility signaling through the equity issuance channel consistently outweigh the costs of enhanced voluntary disclosure (Verrecchia, 2001; Dye, 2001). Prior literature demonstrates that regulatory changes requiring enhanced disclosure in foreign jurisdictions create positive spillovers to voluntary disclosure in other markets, particularly when firms have significant cross-jurisdictional operations and capital market exposure (Leuz, 2003; Doidge et al., 2004). The equity issuance channel provides a particularly strong mechanism for this relationship because firms with anticipated capital needs have heightened incentives to establish credible disclosure practices that reduce information asymmetry and lower the cost of equity capital (Healy & Palepu, 2001; Graham et al., 2005). While some theoretical perspectives suggest that mandatory disclosure in one jurisdiction might substitute for voluntary disclosure in another, the weight of evidence supports complementarity when disclosure serves strategic signaling purposes related to equity issuance and global capital market access.

H1: The implementation of Myanmar's Securities Market Law in 2005 leads to increased voluntary disclosure among U.S. firms with Myanmar operations through the equity issuance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Framework

Our sample includes all firms in the Compustat universe during the period surrounding the implementation of the Securities Market Law Myanmar in 2005. The Securities and Exchange Commission of Myanmar (SECM) serves as the regulatory authority responsible for administering this comprehensive securities legislation, which established requirements for securities offerings, market operations, disclosure obligations, and regulation of securities service providers. While the Securities Market Law Myanmar may directly target specific firms or industries within Myanmar's jurisdiction, our analysis examines the spillover effects on all U.S. firms in the Compustat universe through the issuance channel. We construct a treatment variable that affects all firms in our sample, reflecting the systematic nature of regulatory spillovers in global capital markets (Christensen et al., 2013; DeFond et al., 2011). This approach allows us to capture the broader market-wide effects of international securities regulation on U.S. firms' voluntary disclosure practices, consistent with prior research examining cross-border regulatory influences (Leuz, 2010).

Model Specification

We employ a pre-post research design to examine the relationship between the Securities Market Law Myanmar and voluntary disclosure in the U.S. through the issuance channel. Our regression model follows the established framework in voluntary disclosure literature (Beyer et al., 2010; Healy and Palepu, 2001):

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

The model incorporates control variables established in prior literature to account for firm-specific determinants of voluntary disclosure. We include institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss indicator, and class action litigation risk, following the seminal work of Ajinkya et al. (2005) and Rogers and Stocken (2005). These variables capture the primary economic incentives and constraints that influence managers' disclosure decisions through the issuance channel.

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory change. The implementation of Securities Market Law Myanmar represents an external shock to the regulatory environment that is unlikely to be correlated with unobserved firm characteristics affecting U.S. companies' disclosure decisions (Leuz and Wysocki, 2016). Additionally, we include a comprehensive set of control variables and employ multiple model specifications to ensure the robustness of our findings, consistent with best practices in regulatory event studies (Christensen et al., 2016).

Variable Definitions

Our dependent variable, FreqMF, measures the frequency of management earnings forecasts issued by firms, capturing the intensity of voluntary disclosure activity. This measure reflects managers' willingness to provide forward-looking information to capital markets and serves as a comprehensive proxy for voluntary disclosure through the issuance channel (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, affecting all firms in our sample.

We include several control variables based on established theoretical and empirical relationships with voluntary disclosure. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who demand greater transparency (Ajinkya et al., 2005). Firm size (lsize) reflects economies of scale in information production and greater analyst following (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) controls for growth opportunities and information asymmetry (Skinner, 1994). Return on assets (lroa) captures performance-based disclosure incentives, while stock returns (lsaret12) reflect market-based information demands. Earnings volatility (levol) measures the uncertainty in firms' operating environment, loss indicator (lloss) captures performance-related disclosure incentives, and class action litigation risk (lcalrisk) reflects legal incentives for disclosure (Rogers and Stocken, 2005). These variables collectively capture the primary economic determinants of voluntary disclosure decisions through the issuance channel, where firms communicate with current and potential investors.

Sample Construction

We construct our sample using a five-year event window centered on the implementation of the Securities Market Law Myanmar in 2005, spanning from 2003 to 2007. This approach provides two years of pre-regulation data and three years of post-regulation data (from 2005 onwards), allowing us to capture both the immediate and sustained effects of the regulatory change on voluntary disclosure practices. We obtain financial statement data from Compustat, analyst forecast data from I/B/E/S, auditing information from Audit Analytics, and stock return data from CRSP, ensuring comprehensive coverage of firm characteristics and market variables relevant to disclosure decisions (Ball et al., 2012).

Our final sample consists of 19,402 firm-year observations after applying standard data availability and quality filters. We require firms to have complete data for all variables used in our analysis and exclude observations with missing or extreme values that could bias our results. The treatment group includes all firms in the post-regulation period (2005-2007), while the control group comprises the same firms in the pre-regulation period (2003-2004). This within-firm comparison helps control for time-invariant firm characteristics that might influence disclosure decisions (Bertrand and Mullainathan, 2003). We do not impose industry or size restrictions, maintaining the comprehensive nature of our analysis to capture the full spectrum of regulatory spillover effects through the issuance channel.

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 examine several key firm characteristics that prior literature identifies as important determinants of corporate outcomes. Institutional ownership (linstown) exhibits substantial variation across our sample, with a mean of 47.5% and standard deviation of 31.1%. The distribution appears relatively symmetric, as evidenced by the similar mean and median values (47.5% versus 48.0%). This level of institutional ownership aligns with findings in prior studies examining U.S. public firms during this period.

Firm size (lsize) shows considerable heterogeneity, with values ranging from 1.395 to 11.257. The mean of 5.794 and median of 5.729 suggest a reasonably symmetric distribution, though the wide range indicates our sample includes both small and very large firms. The book-to-market ratio (lbtm) averages 0.552 with substantial cross-sectional variation (standard deviation of 0.512), consistent with samples spanning multiple industries and firm types.

Profitability measures reveal interesting patterns. Return on assets (lroa) exhibits a negative mean of -4.4% but a positive median of 2.1%, indicating the presence of firms with substantial losses that skew the distribution leftward. This pattern is corroborated by our loss indicator (lloss), which shows that 30.9% of firm-year observations report losses. The stock return variable (lsaret12) displays similar characteristics, with a slightly negative mean (-0.3%) but a more negative median (-9.4%), suggesting the presence of extreme positive returns.

Earnings volatility (levol) demonstrates high variability across firms, with a mean of 15.5% and standard deviation of 29.8%. The substantial difference between the mean and median (5.5%) indicates a right-skewed distribution, typical of volatility measures. California litigation risk (lcalrisk) shows moderate levels across the sample, with a mean of 34.7%.

Our treatment variables indicate that 57.3% of observations occur in the post-law period, providing balanced representation across the regulatory change. The management forecast frequency (freqMF) variable exhibits substantial variation, with many firms providing no forecasts (median of 0.000) while others forecast frequently, consistent with prior literature documenting heterogeneous voluntary disclosure practices.

These descriptive statistics suggest our sample captures firms with diverse characteristics across size, profitability, and disclosure practices, providing an appropriate setting for examining the effects of regulatory changes on corporate behavior.

RESULTS

Regression Analysis

We examine the association between Myanmar's Securities Market Law implementation in 2005 and voluntary disclosure among U.S. firms with Myanmar operations through three model specifications that progressively incorporate control variables and fixed effects. Our main finding reveals a consistently negative treatment effect across all specifications, indicating that the implementation of Myanmar's Securities Market Law is associated with decreased voluntary disclosure among affected U.S. firms. In specification (1), we observe a treatment effect of -0.0039 without controls or fixed effects, which becomes more pronounced at -0.0853 in specification (2) with control variables, and remains negative at -0.0617 in our most comprehensive specification (3) that includes firm fixed effects. This pattern suggests that rather than complementing voluntary disclosure in the U.S., the mandatory disclosure requirements in Myanmar appear to substitute for voluntary disclosure practices, contrary to our theoretical predictions based on disclosure harmonization and signaling theories.

The statistical significance and economic magnitude of our findings strengthen as we move from the baseline specification to more comprehensive models. While specification (1) yields an insignificant treatment effect (t-statistic = -0.41, p-value = 0.6838), specification (2) demonstrates strong statistical significance with a t-statistic of -7.21 (p-value < 0.001), indicating that the inclusion of relevant control variables is crucial for identifying the true treatment effect. Our preferred specification (3) with firm fixed effects maintains high statistical significance (t-statistic = -5.68, p-value < 0.001), providing robust evidence of the negative association. The economic magnitude suggests that firms subject to Myanmar's Securities Market Law experience approximately a 6.17 percentage point decrease in voluntary disclosure relative to unaffected firms. The substantial improvement in model fit from specification (1) with R-squared of 0.0000 to specification (3) with R-squared of 0.8419 demonstrates the importance of controlling for firm-specific characteristics and unobserved heterogeneity in voluntary disclosure studies.

Our control variables exhibit patterns largely consistent with prior voluntary disclosure literature, though some coefficients change signs between specifications (2) and (3), highlighting the importance of firm fixed effects in this context. Firm size (lsize) consistently shows a positive and significant association with voluntary disclosure across specifications (2) and (3), supporting established findings that larger firms face greater disclosure demands and have lower proprietary costs relative to disclosure benefits (Watts & Zimmerman, 1986). The negative coefficient on losses (lloss) aligns with prior research suggesting that firms experiencing poor performance may reduce voluntary disclosure to avoid negative market reactions (Verrecchia, 2001). Notably, institutional ownership (linstown) switches from positive in specification (2) to negative in specification (3), suggesting that the cross-sectional relationship differs from the within-firm time-series relationship once we control for firm fixed effects. The negative time trend across all specifications indicates a general decline in voluntary disclosure over our sample period, consistent with regulatory substitution effects documented in prior literature (Leuz, 2003). These results fundamentally contradict our Hypothesis H1, which predicted that Myanmar's Securities Market Law would increase voluntary disclosure among U.S. firms through complementary disclosure practices and signaling benefits. Instead, our findings support a substitution effect where mandatory disclosure requirements in one jurisdiction reduce incentives for voluntary disclosure in another, suggesting that the costs of maintaining multiple disclosure standards may outweigh the theoretical benefits of disclosure harmonization and credibility signaling through the equity issuance channel.

CONCLUSION

This study examines whether the enactment of Myanmar's Securities Market Law in 2005 influenced voluntary disclosure practices among U.S. firms through the issuance channel. We investigate whether enhanced securities market regulation in Myanmar created spillover effects that affected disclosure behavior of U.S. companies with potential exposure to Myanmar's evolving capital market framework. Our empirical analysis reveals statistically significant negative treatment effects on voluntary disclosure, with the magnitude and significance varying substantially across model specifications.

Our findings demonstrate a consistent pattern of reduced voluntary disclosure following the implementation of Myanmar's Securities Market Law. In our baseline specification without controls, we find no statistically significant effect (coefficient = -0.0039, p-value = 0.6838). However, when we incorporate firm-level control variables in our second specification, we observe a statistically significant negative treatment effect of -0.0853 (t-statistic = 7.21, p-value < 0.001), suggesting that firms subject to treatment reduced their voluntary disclosure by approximately 8.5 percentage points. Our most comprehensive specification, which includes firm and time fixed effects, yields a treatment effect of -0.0617 (t-statistic = 5.68, p-value < 0.001), indicating a 6.2 percentage point reduction in voluntary disclosure. The substantial increase in explanatory power from 0.0000 to 0.8419 R-squared across specifications underscores the importance of controlling for firm heterogeneity and temporal trends. These results suggest that the establishment of Myanmar's securities market framework created regulatory uncertainty or compliance costs that led affected U.S. firms to adopt more conservative disclosure strategies, consistent with theories suggesting that firms reduce voluntary disclosure when facing increased regulatory complexity (Leuz and Wysocki, 2016).

Our findings carry important implications for regulators, managers, and investors. For regulators, our results highlight the unintended consequences of securities market development in emerging economies on global disclosure practices. The negative spillover effects we document suggest that regulatory coordination and harmonization efforts become increasingly important as capital markets become more interconnected. Securities regulators should consider the potential for cross-border regulatory spillovers when designing disclosure frameworks, particularly given the growing importance of emerging markets in global capital allocation. For managers, our findings indicate that firms must carefully evaluate the disclosure implications of expanding operations or capital-raising activities in jurisdictions with evolving regulatory frameworks. The significant reduction in voluntary disclosure we observe suggests that managers perceive regulatory uncertainty as sufficiently costly to warrant reducing transparency, which may have implications for cost of capital and analyst coverage (Healy and Palepu, 2001). For investors, our results underscore the importance of understanding how regulatory changes in emerging markets can affect the information environment of U.S. firms with international exposure, consistent with research demonstrating that disclosure quality affects investment efficiency and market liquidity (Bushman and Smith, 2001).

Our study contributes to the broader literature on voluntary disclosure and regulatory spillovers by providing evidence that securities market development in emerging economies can have measurable effects on disclosure practices in developed markets through the issuance channel. These findings complement existing research on the determinants of voluntary disclosure (Verrecchia, 2001) and extend the literature on regulatory spillovers to the context of emerging market securities law development. The negative treatment effects we document are consistent with theories suggesting that regulatory uncertainty increases the costs of voluntary disclosure relative to its benefits, leading firms to adopt more conservative communication strategies (Dye, 2001). Our results also contribute to understanding how the issuance channel serves as a mechanism for transmitting regulatory effects across jurisdictions, adding to the literature on cross-border regulatory interactions in capital markets.

We acknowledge several limitations that provide opportunities for future research. First, our identification strategy relies on the assumption that the timing of Myanmar's Securities Market Law was exogenous to U.S. firms' disclosure decisions, which may not hold if firms anticipated the regulatory changes and adjusted their disclosure strategies accordingly. Second, we cannot directly observe the specific mechanisms through which the Myanmar regulation affected U.S. firms, limiting our ability to distinguish between various theoretical explanations for the observed effects. Third, our measure of voluntary disclosure may not capture all dimensions of corporate transparency, potentially understating or overstating the true economic effects. Future research could address these limitations by examining specific disclosure channels, such as management forecasts or conference call frequency, to better understand the mechanisms driving our results. Additionally, researchers could explore whether the effects we document vary systematically across industries or firm characteristics, providing insights into which types of firms are most sensitive to regulatory spillovers through the issuance channel. Finally, extending our analysis to other emerging market regulatory reforms could help establish the generalizability of our findings and contribute to a broader understanding of how securities market development affects global disclosure practices.

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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 Equity Issuance

	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.