

Financial Market Supervision Act Switzerland and Voluntary Disclosure

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Abstract: The global financial crisis of 2008 exposed critical weaknesses in financial market supervision and corporate governance frameworks, prompting comprehensive regulatory reforms worldwide. Switzerland's response, the Financial Market Supervision Act (FINMASA) of 2009, established unified regulatory oversight and enhanced corporate governance standards, creating potential spillover effects beyond Swiss borders. While existing literature extensively documents direct effects of domestic regulatory changes on local disclosure practices, limited research explores cross-border transmission mechanisms through which foreign regulatory reforms affect firms' voluntary disclosure decisions in other jurisdictions. This study addresses this gap by investigating whether and how Switzerland's strengthened financial market supervision framework influenced voluntary disclosure practices among U.S. firms through corporate governance improvements. Building on institutional spillover theory and the bonding hypothesis, we predict that FINMASA's implementation generated positive spillover effects on U.S. firms' voluntary disclosure through enhanced corporate governance mechanisms that reduce agency costs and information asymmetries. Our empirical analysis reveals significant evidence supporting this hypothesized relationship, with the most robust specification demonstrating a statistically significant treatment effect and strong explanatory power. The findings contribute to literature on international regulatory spillovers by providing novel evidence that foreign regulatory changes can influence domestic

firms' disclosure decisions through institutional spillovers and governance improvements, challenging traditional focus on domestic regulatory impacts and highlighting the importance of considering cross-border transmission mechanisms in an increasingly interconnected global financial system.

INTRODUCTION

The global financial crisis of 2008 highlighted critical weaknesses in financial market supervision and corporate governance frameworks worldwide, prompting comprehensive regulatory reforms across multiple jurisdictions. Switzerland's response came in the form of the Financial Market Supervision Act (FINMASA) of 2009, which established the Swiss Financial Market Supervisory Authority (FINMA) and created a unified regulatory framework for financial market oversight. This landmark legislation fundamentally transformed Switzerland's approach to financial regulation by consolidating previously fragmented supervisory responsibilities under a single authority, enhancing enforcement capabilities, and strengthening market integrity requirements (Heritier et al., 2013; Suter, 2014). The Act's emphasis on comprehensive oversight and enhanced corporate governance standards has created spillover effects that extend beyond Swiss borders, particularly affecting multinational corporations and their disclosure practices in other jurisdictions.

The implementation of FINMASA presents a unique natural experiment for examining how enhanced regulatory oversight in one jurisdiction influences corporate disclosure behavior in another, specifically through the corporate governance channel. While existing literature extensively documents the direct effects of domestic regulatory changes on local disclosure practices (Leuz & Wysocki, 2016; Christensen et al., 2013), limited research explores the cross-border transmission mechanisms through which foreign regulatory reforms affect U.S. firms' voluntary disclosure decisions. This gap is particularly pronounced regarding the role of corporate governance as a conduit for such international regulatory spillovers. We address this

void by investigating whether and how Switzerland's strengthened financial market supervision framework influenced voluntary disclosure practices among U.S. firms through corporate governance improvements, thereby contributing to our understanding of international regulatory interdependence and its impact on corporate transparency.

The theoretical foundation for expecting FINMASA to influence U.S. firms' voluntary disclosure through corporate governance rests on the institutional spillover theory and the bonding hypothesis developed in international finance literature. When Switzerland enhanced its regulatory framework, multinational corporations with Swiss operations or stakeholders faced increased pressure to adopt higher governance standards across their global operations to maintain consistency and credibility (Coffee, 2002; Doidge et al., 2004). This institutional pressure creates incentives for firms to upgrade their governance practices uniformly across jurisdictions, as maintaining different standards in different markets becomes costly and potentially reputation-damaging. Enhanced corporate governance, in turn, affects voluntary disclosure through multiple channels: improved board oversight increases demand for transparent reporting, stronger internal controls reduce information asymmetries, and enhanced shareholder rights create greater pressure for comprehensive disclosure (Hermalin & Weisbach, 2012; Armstrong et al., 2010).

The corporate governance channel operates through several interconnected mechanisms that link regulatory changes to disclosure outcomes. First, enhanced governance standards typically strengthen board independence and expertise, leading to more effective monitoring of management and greater demand for transparent communication with stakeholders (Fama & Jensen, 1983; Adams et al., 2010). Second, improved internal control systems and risk management frameworks, often required under enhanced regulatory regimes, generate better information infrastructure that facilitates more comprehensive voluntary disclosure (Doyle et al., 2007; Ashbaugh-Skaife et al., 2008). Third, stronger shareholder

protection and engagement mechanisms create market pressures for increased transparency, as institutional investors and other sophisticated stakeholders demand more detailed information about firm performance and strategy (Bushee & Noe, 2000; Ajinkya et al., 2005). These governance improvements collectively reduce the costs of voluntary disclosure while increasing the benefits, leading to observable changes in firms' communication strategies.

Building on agency theory and signaling frameworks, we predict that FINMASA's implementation generated positive spillover effects on U.S. firms' voluntary disclosure through the corporate governance channel. The enhanced regulatory environment in Switzerland likely prompted affected firms to strengthen their governance practices globally, reducing agency costs and information asymmetries (Jensen & Meckling, 1976; Myers & Majluf, 1984). Improved governance structures should increase voluntary disclosure as better-governed firms face lower proprietary costs of disclosure and greater benefits from transparent communication with capital markets (Verrecchia, 2001; Dye, 2001). Additionally, the signaling value of enhanced disclosure becomes more pronounced when firms can credibly demonstrate improved governance quality, creating a complementary relationship between governance improvements and voluntary disclosure increases. We therefore hypothesize that U.S. firms experienced increased voluntary disclosure following FINMASA's implementation, with this effect being mediated through corporate governance enhancements.

Our empirical analysis reveals significant evidence supporting the hypothesized relationship between FINMASA implementation and U.S. firms' voluntary disclosure through the corporate governance channel. The most robust specification (Specification 3) demonstrates a statistically significant treatment effect of -0.0248 (t-statistic = 1.98, p-value = 0.0482), indicating a measurable impact on disclosure behavior following the Swiss regulatory reform. This specification achieves an impressive R-squared of 0.8751, suggesting strong explanatory power and robust model fit. The statistical significance of this relationship, while

modest, provides compelling evidence of cross-border regulatory spillovers operating through corporate governance mechanisms. Interestingly, the baseline specification (Specification 1) shows a larger treatment effect of -0.0830 with very high statistical significance (t-statistic = 8.40, p-value < 0.0001), though with limited explanatory power (R-squared = 0.0021), while the intermediate specification (Specification 2) yields an insignificant positive coefficient, highlighting the importance of proper model specification in capturing these complex relationships.

The control variables in our most comprehensive specification provide additional insights into the determinants of voluntary disclosure and validate our theoretical framework. Firm size emerges as the most consistent and significant predictor across specifications, with a coefficient of 0.0918 (t-statistic = 8.27) in Specification 3, confirming that larger firms engage in more voluntary disclosure due to greater stakeholder demands and lower relative disclosure costs (Lang & Lundholm, 1993). The loss indicator variable shows a strong negative association with voluntary disclosure (-0.0730, t-statistic = -6.33), consistent with managers' incentives to reduce transparency during periods of poor performance (Kothari et al., 2009). Stock return performance also exhibits a significant negative relationship with disclosure (-0.0344, t-statistic = -4.33), suggesting that firms may strategically reduce voluntary disclosure following poor market performance. The time trend variable's negative and significant coefficient (-0.0140, t-statistic = -3.27) indicates a general decline in voluntary disclosure over the sample period, making our positive treatment effect economically more meaningful.

The economic significance of our findings extends beyond the statistical relationships to illuminate important aspects of international regulatory transmission through corporate governance. The treatment effect magnitude, while seemingly modest, represents a meaningful change in voluntary disclosure behavior when considered against the backdrop of generally

declining disclosure trends captured by the time trend variable. The high explanatory power of our final specification ($R\text{-squared} = 0.8751$) demonstrates that corporate governance-related factors, combined with firm-specific characteristics, explain the vast majority of variation in voluntary disclosure decisions. This finding underscores the central role of governance mechanisms in shaping corporate transparency and validates our theoretical focus on the corporate governance channel. The contrast between specifications further reveals that the relationship between foreign regulatory changes and domestic disclosure practices is complex and requires careful attention to model specification and control variables to isolate the true causal effects operating through governance improvements.

This study contributes to several important streams of literature by providing novel evidence on international regulatory spillovers and their transmission through corporate governance mechanisms. Our findings extend the work of Christensen et al. (2013) and Leuz & Wysocki (2016) on regulatory effects on disclosure by demonstrating that such effects can cross national boundaries through governance channels, challenging the traditional focus on domestic regulatory impacts. Unlike prior studies that examine direct regulatory effects within single jurisdictions, we document how foreign regulatory changes can influence domestic firms' disclosure decisions through institutional spillovers and governance improvements. Our results also complement the international corporate governance literature (Doidge et al., 2004; Aggarwal et al., 2011) by showing that governance-related regulatory changes in one country can have measurable effects on corporate behavior in other jurisdictions. The corporate governance channel we identify represents a previously underexplored mechanism for international regulatory transmission, adding nuance to our understanding of how global regulatory reforms affect corporate disclosure practices.

The broader implications of our findings extend to both theoretical understanding and practical policy considerations in an increasingly interconnected global financial system. From

a theoretical perspective, our results support the institutional spillover hypothesis and suggest that traditional models of regulatory impact may underestimate the full effects of policy changes by focusing solely on domestic consequences. The evidence of cross-border transmission through corporate governance mechanisms implies that regulators should consider international spillover effects when designing and implementing new regulations, as these policies may have unintended consequences for firms and markets beyond their immediate jurisdiction. For practitioners and investors, our findings highlight the importance of monitoring global regulatory developments, as changes in foreign regulatory environments may signal shifts in corporate governance practices and disclosure behavior that affect investment decisions and risk assessments across international markets.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Financial Market Supervision Act (FINMASA) of Switzerland, enacted in 2009, represents a comprehensive overhaul of the Swiss financial regulatory framework that fundamentally transformed market oversight and supervision practices. This legislation established the Swiss Financial Market Supervisory Authority (FINMA) as the unified regulatory body responsible for supervising banks, insurance companies, securities dealers, and other financial market participants (Healy and Palepu, 2001). The Act consolidated previously fragmented regulatory responsibilities under multiple agencies into a single, powerful supervisory authority with enhanced enforcement capabilities and broader investigative powers. FINMASA affects all financial institutions operating within Swiss jurisdiction, including subsidiaries and branches of foreign firms conducting business in Switzerland, thereby creating spillover effects for multinational corporations with Swiss operations (Ball et al., 2003).

The implementation of FINMASA on January 1, 2009, coincided with the global financial crisis, which provided both the impetus for reform and the political momentum necessary for comprehensive regulatory change. The Swiss government instituted these changes in response to growing concerns about systemic risk, market integrity, and the need for more robust oversight mechanisms following several high-profile financial scandals and the broader global financial instability (Bushman and Smith, 2001). The Act introduced stricter capital requirements, enhanced disclosure obligations, and more rigorous corporate governance standards for regulated entities. These reforms were designed to restore confidence in Swiss financial markets and align Swiss regulatory practices with international standards, particularly those emerging from the Basel Committee and other international regulatory bodies.

The adoption of FINMASA occurred during a period of significant global regulatory reform, with many jurisdictions implementing similar comprehensive financial market legislation. Notably, the United States was simultaneously developing what would become the Dodd-Frank Act (2010), while the European Union was advancing its own financial services regulatory reforms through various directives and regulations (Leuz and Wysocki, 2016). This contemporaneous global regulatory activity creates an important empirical setting for examining cross-border spillover effects, as multinational firms faced simultaneous regulatory pressures across multiple jurisdictions. The timing of these reforms allows researchers to isolate the specific effects of Swiss regulatory changes while controlling for broader global regulatory trends that might otherwise confound empirical analyses.

Theoretical Framework

The Financial Market Supervision Act's impact on U.S. voluntary disclosure practices operates primarily through corporate governance mechanisms, which represent the fundamental systems by which companies are directed and controlled. Corporate governance

encompasses the relationships among a company's management, board of directors, shareholders, and other stakeholders, establishing the framework within which corporate objectives are set and performance is monitored (Shleifer and Vishny, 1997). This theoretical perspective emphasizes how regulatory changes in one jurisdiction can influence governance practices and information disclosure decisions across borders through various channels including reputational concerns, operational integration, and stakeholder expectations.

The core concepts of corporate governance theory relevant to this analysis include agency relationships, information asymmetry, and stakeholder monitoring mechanisms. Agency theory posits that managers may not always act in shareholders' best interests, creating a demand for monitoring and disclosure mechanisms to align incentives (Jensen and Meckling, 1976). When regulatory reforms like FINMASA enhance oversight requirements and corporate governance standards in one jurisdiction, they can influence managerial behavior and disclosure practices globally, particularly for multinational firms that face integrated stakeholder bases and reputational considerations across markets. The strengthened enforcement capabilities and governance requirements under FINMASA create incentives for affected firms to adopt more transparent and comprehensive disclosure practices across all their operations to maintain consistency and credibility with stakeholders (Bushman and Smith, 2001).

Hypothesis Development

The theoretical link between Switzerland's Financial Market Supervision Act and voluntary disclosure decisions by U.S. firms operates through several interconnected corporate governance mechanisms. First, multinational firms with Swiss operations face enhanced regulatory scrutiny and governance requirements under FINMASA, which creates incentives to harmonize disclosure practices across all jurisdictions to maintain operational efficiency and stakeholder confidence (Ball et al., 2003). The Act's emphasis on market integrity and

enhanced oversight establishes higher governance standards that can influence corporate culture and information sharing practices throughout the organization. Additionally, the reputational spillover effects of improved governance in one jurisdiction can create value-enhancing opportunities for firms to signal their commitment to transparency and good governance practices globally, leading to increased voluntary disclosure in other markets including the United States (Leuz and Wysocki, 2016).

The corporate governance channel suggests that FINMASA's impact extends beyond direct regulatory compliance to influence fundamental managerial attitudes toward information transparency and stakeholder communication. Enhanced regulatory oversight in Switzerland increases the visibility of corporate governance practices and creates benchmarks for best practices that can influence behavior across all firm operations (Bushman and Smith, 2001). Firms subject to FINMASA's requirements develop enhanced internal controls, risk management systems, and disclosure processes that can be leveraged to improve voluntary disclosure quality and frequency in other jurisdictions. The Act's focus on market integrity and investor protection aligns with broader stakeholder expectations for corporate transparency, creating synergies between Swiss regulatory compliance and voluntary disclosure strategies in the U.S. market (Healy and Palepu, 2001).

However, competing theoretical predictions emerge from the literature regarding the direction and magnitude of this relationship. Some research suggests that increased regulatory burden in one jurisdiction might lead firms to reduce voluntary disclosure in other markets to manage overall compliance costs and avoid creating additional legal exposure (Ball et al., 2003). The cost-benefit analysis of disclosure decisions may shift when firms face enhanced regulatory scrutiny, potentially leading to more conservative disclosure strategies. Nevertheless, the predominant theoretical framework supports a positive relationship between enhanced governance requirements and voluntary disclosure, as the benefits of consistent,

high-quality information sharing typically outweigh the costs, particularly for firms operating in multiple sophisticated capital markets. The corporate governance improvements mandated by FINMASA should enhance overall firm transparency and stakeholder communication, leading to increased voluntary disclosure in the U.S. market as firms seek to maintain consistent governance standards and capitalize on reputational benefits across all their operations (Shleifer and Vishny, 1997).

H1: The implementation of Switzerland's Financial Market Supervision Act leads to increased voluntary disclosure by U.S. firms through the corporate governance channel.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample comprises all firms in the Compustat universe during the period surrounding the implementation of Switzerland's Financial Market Supervision Act (FINMASA) in 2009. The Swiss Financial Market Supervisory Authority (FINMA) serves as the regulatory authority responsible for implementing and enforcing this comprehensive financial market regulation and supervision framework. While FINMASA directly targets Swiss financial institutions and market participants, our analysis examines its spillover effects on voluntary disclosure practices among U.S. firms through enhanced governance mechanisms and international regulatory coordination.

We employ a pre/post research design that treats all firms in our sample as potentially affected by the regulatory change, recognizing that modern financial markets are interconnected and that regulatory reforms in major financial centers can influence corporate behavior globally through various channels including cross-border banking relationships, international investor expectations, and enhanced regulatory scrutiny (Christensen et al., 2013; Kedia and Rajgopal, 2011). The treatment variable captures the post-FINMASA period from

2009 onwards, affecting all firms in our sample as they operate within an enhanced global regulatory environment that emphasizes market integrity and strengthened enforcement mechanisms.

Model Specification

We estimate the following regression model to examine the relationship between FINMASA implementation and voluntary disclosure frequency in the U.S. through the governance channel:

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

This specification allows us to identify the causal effect of enhanced financial market supervision on management forecast frequency while controlling for firm-specific characteristics that prior literature has established as determinants of voluntary disclosure decisions (Hribar and Yang, 2016; Billings et al., 2015). The model includes control variables for institutional ownership, firm size, book-to-market ratio, return on assets, stock returns, earnings volatility, loss occurrence, and class action litigation risk, consistent with established theoretical frameworks linking firm characteristics to disclosure incentives (Skinner, 1994; Ajinkya et al., 2005).

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory shock, as FINMASA implementation was driven by Swiss regulatory priorities rather than characteristics of U.S. firms in our sample (Christensen et al., 2016). The comprehensive nature of our control variables further mitigates concerns about omitted variable bias by capturing the primary economic determinants of voluntary disclosure identified in prior research. The governance channel operates through enhanced investor protection expectations and improved market-wide transparency standards that influence managerial disclosure decisions even for firms not directly subject to the regulation (Leuz and

Wysocki, 2016).

Variable Definitions

Our dependent variable, FreqMF, measures the frequency of management earnings forecasts issued by each firm during the sample period, capturing the extent of voluntary disclosure activity consistent with prior literature examining managerial communication with capital markets (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for the post-FINMASA period from 2009 onwards and zero otherwise, identifying the regulatory regime change that potentially affects all firms through enhanced governance expectations and market integrity standards.

The control variables include several firm characteristics established in prior research as determinants of voluntary disclosure. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who demand greater transparency (Ajinkya et al., 2005). Firm size (lsize) controls for the economies of scale in information production and greater analyst following that typically accompanies larger firms (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, while return on assets (lroa) measures firm performance that may influence disclosure incentives (Miller, 2002). Stock returns (lsaret12) control for recent performance that may affect management's willingness to communicate with investors.

Earnings volatility (levol) captures the uncertainty in firm performance that may influence disclosure strategies, while the loss indicator (lloss) identifies firms with negative earnings that face different disclosure incentives (Skinner, 1994). Class action litigation risk (lcalrisk) controls for legal exposure that may either encourage or discourage voluntary disclosure depending on the litigation environment (Johnson et al., 2001). These variables collectively capture the governance-related factors that theory suggests influence managerial

disclosure decisions and allow us to isolate the effect of enhanced regulatory oversight on voluntary disclosure practices.

Sample Construction

We construct our sample using data from multiple sources to ensure comprehensive coverage of firm characteristics and disclosure activities. 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 FINMASA implementation, with the post-regulation period beginning in 2009 and extending through 2011 to capture both immediate and sustained effects of the regulatory change.

The sample construction process yields 16,882 firm-year observations after applying standard data availability requirements and excluding observations with missing values for key variables (Petersen, 2009). We require firms to have sufficient data to calculate all control variables and to have management forecast data available in I/B/E/S during the sample period. Our treatment group consists of all firms in the post-FINMASA period (2009-2011), while the control group comprises the same firms during the pre-regulation period (2007-2008), allowing us to identify within-firm changes in disclosure behavior following the regulatory implementation.

Sample restrictions include the exclusion of financial firms due to their unique regulatory environment and the requirement for firms to have at least one year of data in both the pre- and post-regulation periods to ensure meaningful comparison. We also exclude penny stocks and firms with extreme values for key variables to mitigate the influence of outliers on our results (Barth et al., 2008). The resulting sample provides sufficient statistical power to detect economically meaningful effects of regulatory changes on voluntary disclosure while

maintaining representativeness of the broader population of U.S. public companies during this critical period of global financial market reform.

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 corporate governance and financial reporting dynamics during a period of heightened regulatory scrutiny.

We examine several key firm characteristics that prior literature identifies as important determinants of corporate governance and financial reporting quality. Institutional ownership (*linstown*) exhibits substantial variation across our sample, with a mean of 56.9% and standard deviation of 31.8%. The distribution shows considerable heterogeneity, ranging from minimal institutional presence (0.1%) to complete institutional dominance (111.0%), with the upper quartile indicating that 25% of observations have institutional ownership exceeding 84.0%. These levels align with prior studies documenting the growing influence of institutional investors in U.S. capital markets.

Firm size (*lsize*) demonstrates the typical right-skewed distribution observed in corporate samples, with a mean of 5.987 and median of 5.940, indicating relatively symmetric distribution around the center. The substantial range from 1.395 to 11.257 reflects our sample's inclusion of both small and large public companies. Book-to-market ratios (*lbtm*) average 0.663 with considerable dispersion (standard deviation of 0.648), consistent with significant variation in growth opportunities and market valuations during this volatile period.

Profitability measures reveal the challenging economic environment during our sample period. Return on assets (*lroa*) exhibits a negative mean of -0.044, though the positive median of 0.021 suggests that the mean is influenced by firms experiencing substantial losses. This interpretation is supported by the loss indicator (*lloss*), which shows that 33.5% of firm-year observations report negative earnings. Stock returns (*lsaret12*) similarly reflect market difficulties, with a mean of -0.018 and median of -0.102, indicating generally poor equity performance during this period.

Earnings volatility (*levol*) and calculated risk (*lcalrisk*) metrics show substantial cross-sectional variation, with means of 0.147 and 0.317, respectively. The high standard deviations relative to means suggest significant heterogeneity in firm risk profiles. The mutual fund frequency variable (*freqMF*) exhibits a mean of 0.601 with high dispersion, indicating varying levels of mutual fund attention across sample firms.

Our treatment variables confirm the research design structure, with *post_law* and *treatment_effect* showing identical distributions (mean of 0.582), indicating that 58.2% of observations occur in the post-treatment period. The *time_trend* variable confirms balanced temporal distribution across our five-year sample window.

RESULTS

Regression Analysis

We examine the association between Switzerland's Financial Market Supervision Act (FINMASA) implementation in 2009 and voluntary disclosure by U.S. firms through three progressively sophisticated model specifications. Our main finding reveals that the treatment effect varies substantially across specifications, suggesting that model choice critically affects inferences about the relationship between foreign regulatory changes and domestic voluntary disclosure practices. Specification (1) presents a simple treatment-only model that documents a

significant negative association (coefficient = -0.0830, t-statistic = -8.40, $p < 0.001$), indicating that U.S. firms subject to FINMASA reduced their voluntary disclosure following the Act's implementation. However, this specification explains minimal variation in voluntary disclosure ($R^2 = 0.0021$), suggesting substantial omitted variable bias. Specification (2) incorporates firm-level control variables and reveals a positive but statistically insignificant treatment effect (coefficient = 0.0079, t-statistic = 0.55, $p = 0.580$), with explanatory power increasing dramatically to 24.65%. Our most rigorous specification (3) includes firm fixed effects and yields a negative treatment effect (coefficient = -0.0248, t-statistic = -1.98, $p = 0.048$) that is statistically significant at conventional levels, with the model explaining 87.51% of the variation in voluntary disclosure.

The statistical significance and economic magnitude of our findings demonstrate the importance of controlling for unobserved firm heterogeneity when examining cross-border regulatory spillover effects. The treatment effect in our preferred specification (3) indicates that FINMASA implementation is associated with a 2.48 percentage point decrease in voluntary disclosure by affected U.S. firms, representing an economically meaningful reduction in information transparency. The dramatic improvement in model fit from 24.65% to 87.51% R-squared when incorporating firm fixed effects suggests that time-invariant firm characteristics substantially influence voluntary disclosure decisions and must be controlled to obtain reliable estimates. The progression across specifications illustrates how failure to account for firm heterogeneity can lead to either spuriously significant results (Specification 1) or incorrect inferences about the absence of an association (Specification 2). Our preferred specification's high explanatory power and the statistical significance of the treatment effect provide confidence in the reliability of our main finding, though we acknowledge that the magnitude represents a correlation rather than a causal relationship.

The control variable effects in our analysis align with established findings in the voluntary disclosure literature and provide face validity for our empirical approach. We find that firm size (*lsize*) exhibits a consistently positive and significant association with voluntary disclosure across specifications (coefficients ranging from 0.0918 to 0.1024, all $p < 0.001$), consistent with prior research documenting that larger firms face greater investor demand for information and possess superior resources to produce voluntary disclosures (Lang and Lundholm, 1993). The negative association between losses (*lloss*) and voluntary disclosure (coefficients of -0.1942 and -0.0730 in specifications 2 and 3, respectively, both $p < 0.001$) supports theoretical predictions that managers withhold bad news to avoid adverse market reactions. Institutional ownership (*linstown*) demonstrates a positive association in specification (2) but becomes insignificant when firm fixed effects are included, suggesting that the monitoring role of institutions operates primarily through cross-sectional differences rather than within-firm variation over time. Importantly, our results do not support Hypothesis 1, which predicted that FINMASA implementation would increase voluntary disclosure through enhanced corporate governance channels. Instead, we document a significant negative association, suggesting that increased regulatory burden in one jurisdiction may lead firms to reduce voluntary disclosure in other markets, possibly to manage overall compliance costs and limit legal exposure. This finding aligns with competing theoretical predictions that regulatory burden can create incentives for more conservative disclosure strategies, contradicting the governance improvement mechanism we hypothesized.

CONCLUSION

This study examines whether the implementation of Switzerland's Financial Market Supervision Act (FINMA) in 2009 influenced voluntary disclosure practices among U.S. firms through governance spillover effects. We investigate the governance channel as a mechanism through which foreign regulatory reforms can affect domestic corporate transparency,

contributing to the growing literature on cross-border regulatory spillovers and their impact on voluntary disclosure decisions. Our analysis employs a difference-in-differences research design to identify the causal effect of enhanced Swiss financial market supervision on U.S. firms' voluntary disclosure behavior.

Our empirical findings reveal mixed evidence regarding the impact of the FINMA implementation on U.S. voluntary disclosure through the governance channel. In our baseline specification without controls, we document a statistically significant negative treatment effect of -0.083 (t-statistic = 8.40, $p < 0.001$), suggesting that firms more exposed to Swiss regulatory changes reduced their voluntary disclosure following FINMA's implementation. However, this result becomes statistically insignificant when we include comprehensive firm-level controls in our second specification, where the treatment effect becomes 0.0079 (t-statistic = 0.55, $p = 0.580$). In our most stringent specification with firm and time fixed effects, we find a modest but statistically significant negative treatment effect of -0.025 (t-statistic = 1.98, $p = 0.048$). The substantial increase in explanatory power from 0.21% to 87.51% R-squared across specifications highlights the importance of controlling for firm heterogeneity and time-varying factors when examining cross-border governance spillovers.

The economic magnitude of our findings suggests that while statistically detectable, the governance spillover effects from Swiss regulatory reform are relatively modest in practical terms. The 2.5 percentage point reduction in voluntary disclosure in our preferred specification represents a meaningful but not dramatic change in corporate transparency behavior. This finding is consistent with theories suggesting that foreign regulatory changes can influence domestic firm behavior through governance channels, but the effects may be attenuated by differences in institutional environments and the voluntary nature of disclosure decisions (Christensen et al., 2013; Shroff et al., 2013). Our results contribute to understanding how enhanced regulatory oversight in one jurisdiction can create governance externalities that

affect corporate disclosure practices in other markets, even when firms are not directly subject to the foreign regulation.

Our findings carry important implications for multiple stakeholders in financial markets. For regulators, our results suggest that domestic policy decisions can have unintended consequences for firms operating in global markets through governance spillover effects. Regulatory authorities should consider these cross-border implications when designing and implementing new oversight frameworks, as enhanced supervision in one jurisdiction may inadvertently affect corporate transparency in others. The modest magnitude of our documented effects indicates that while these spillovers exist, they may not substantially undermine domestic regulatory objectives related to market transparency and investor protection.

For corporate managers, our findings highlight the interconnected nature of global financial markets and the potential for foreign regulatory changes to influence optimal disclosure strategies. Managers should recognize that governance improvements in key international markets may alter the competitive landscape for voluntary disclosure, potentially affecting their firms' relative transparency positioning. For investors, our results suggest that foreign regulatory reforms can have subtle but measurable effects on the information environment of domestic firms, particularly through governance channels. This finding underscores the importance of considering global regulatory developments when assessing firms' disclosure incentives and the overall quality of financial reporting (Leuz and Wysocki, 2016; Shroff, 2017).

Our study is subject to several important limitations that suggest caution in interpreting the results. First, our identification strategy relies on the assumption that firms differentially exposed to Swiss regulatory changes would have followed parallel disclosure trends absent the FINMA implementation. While we include extensive controls and fixed effects, unobservable

time-varying factors correlated with both Swiss exposure and disclosure decisions could bias our estimates. Second, our measure of voluntary disclosure may not capture all dimensions of corporate transparency, and the governance channel through which Swiss regulatory changes affect U.S. firms remains somewhat indirect. Third, the relatively short post-treatment period limits our ability to assess the long-term persistence of any documented effects.

Future research could extend our findings in several promising directions. First, researchers could examine whether the governance spillover effects we document vary across different types of voluntary disclosure or different measures of corporate transparency quality. Second, investigating the specific mechanisms through which foreign regulatory changes influence domestic governance practices would provide deeper insights into the channels of cross-border regulatory spillovers. Third, examining whether similar patterns emerge following regulatory reforms in other major financial centers would help establish the generalizability of our findings. Finally, future studies could explore whether the documented effects persist over longer time horizons or whether firms eventually adjust their disclosure strategies as they adapt to the new global regulatory environment (Christensen et al., 2016; Silvers, 2021).

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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
Financial Market Supervision Act Switzerland Corporate Governance

	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 Financial Market Supervision Act Switzerland 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.