*Carlos Contreras* y Mónica Contreras***

# Should corporate disclosure be regulated? A review of theoretical and empirical literature


## ABSTRACT

**Mandatory disclosure regimes and fair disclosure regulations have been in place for years in developed economies on both sides of the Atlantic. But why is it necessary to regulate disclosure? There is a great deal of research documenting the economic implications of voluntary and mandatory corporate disclosure. However, the existing debate on the necessity of regulation remains open, and the empirical evidence for the net benefits of regulation is still inconclusive. This paper surveys the theoretical and empirical economic literature on this subject and highlights a number of relevant questions to provide directions for future research in the light of the emergence of Internet financial reporting and the potential use of social media in corporate disclosure.**


**Key words:** mandatory disclosure, adverse selection, moral hazard, signalling, externalities, free-riding
**JEL Code**: K22


## RESUMEN

**Los regímenes de revelación obligatoria de información corporativa y la normativa sobre "divulgación justa" de información llevan en vigor desde hace años a ambos lados del Atlántico. Pero, ¿por qué es necesario regular la divulgación de información? Aunque hay una abundante literatura sobre el impacto económico de la divulgación voluntaria y obligatoria de información corporativa, el debate permanece abierto y la evidencia empírica al respecto todavía no es concluyente. Este trabajo revisa la literatura teórica y empírica sobre el tema y resalta algunas cuestiones para orientar la investigación futura sobre el tema, a la luz de la emergencia de los sistemas de divulgación a través de Internet y el uso potencial de las redes sociales para tales fines.**


**Palabras clave**: revelación obligatoria, selección adversa, *moral hazard*, *signalling*, externalidades, usuario gratuito.
**Código JEL:** K22

**Recibido: 7 de marzo de 2016** **Aceptado: 3 de abril de 2016**

* Facultad de Ciencias Económicas y Empresariales. Universidad Complutense
** Facultad de Derecho. FPI, Universidad CEU San Pablo, Madrid

## 1. INTRODUCTION

There is a consensus that corporate disclosure is critical for both capital markets' efficiency and market protection. In the words of Levitt (2000), "high-quality and timely information is the lifeblood of strong, vibrant markets and the very core of investor confidence." However, the issue of whether corporate disclosure should be regulated and how has become a battlefield. A huge body of literature has been accumulated, providing many legal and economic arguments in favour of and against regulation. The regulation on corporate disclosure basically involves two issues: first, companies must report a minimum of compulsory information and, second, if they voluntarily report additional information, they must not do it selectively. The concept of fair public markets is built upon the theory that selective disclosure of material information obstructs the operation of fair price valuation. Non-selective disclosure implies that whenever a public company intentionally discloses material non-public information to any securities market professional who may trade on the information, it must do so publicly to all market participants at the same time. Furthermore, all non-intentional selective disclosures must be publicly disseminated promptly once the issuer knows that the information disclosed was both material and non-public.

The advocates of regulation pursue the broad dissemination of information and the *levelling of the playing field* by giving individual investors the same information as analysts. However, the regulation has provoked vigorous academic debate about its effects on the financial information environment and on companies' disclosure practices. The critics of the regulation on corporate disclosure argue that firms tend to provide enough information to the market in a voluntary manner and that, furthermore, eliminating the flow of private information between companies and analysts would only result in a significant decrease in the level of information available to market specialists and the entire capital market. Despite the academic debate, recent decades have seen mandatory and non-selective disclosure regimes become more widespread all over the developed world.

In this paper, we update the academic discussion on these issues. Prior survey papers that review the literature on corporate disclosure include Healy and Palepu (2001), Core (2001), Fields et al. (2001), Amihud et al. (2005), Botosan (2006), Leuz and Wysocki (2008), and Beyer et al. (2010). Our review includes new research that post-dates prior studies, complements these surveys by providing a different organising framework, and takes a broader scope by including a review of literature on fair disclosure regulation[1]. Moreover, we highlight a number of relevant unanswered questions to provide directions for future research in the light of the emergence of Internet Financial Reporting (IFR) and the potential use of social media in corporate disclosure.

The remainder of this paper is organised as follows. Section 2 deals with the informational problems arising from the relationships among current shareholders, potential shareholders, and managers. Section 3 addresses the arguments against the establishment of mandatory and fair disclosure regimes. Section 4 examines the theoretical arguments in favour of corporate disclosure regulation. It is a fact that mandatory disclosure regimes prevail in virtually all jurisdictions, but the question of whether market solutions contribute to the mitigation of agency problems or mandatory disclosure regulation is a better solution is empirical. Section 5 surveys the research dealing with empirical evidence. In Section 6 we offer some suggestions for future research.

## 2. INFORMATIONAL PROBLEMS

Information flows among firms and the public, flows of capital among companies and investors, as well as compensations by companies to managers, are the keys to the topic at hand. See figure 1 for a summary of these flows.

[1] The growing literature on the impact of the Sarbanes Oxley Act (2002) on financial reporting has not been reviewed in this paper.

**INFORMATION AND CASH FLOWS IN CAPITAL MARKETS**

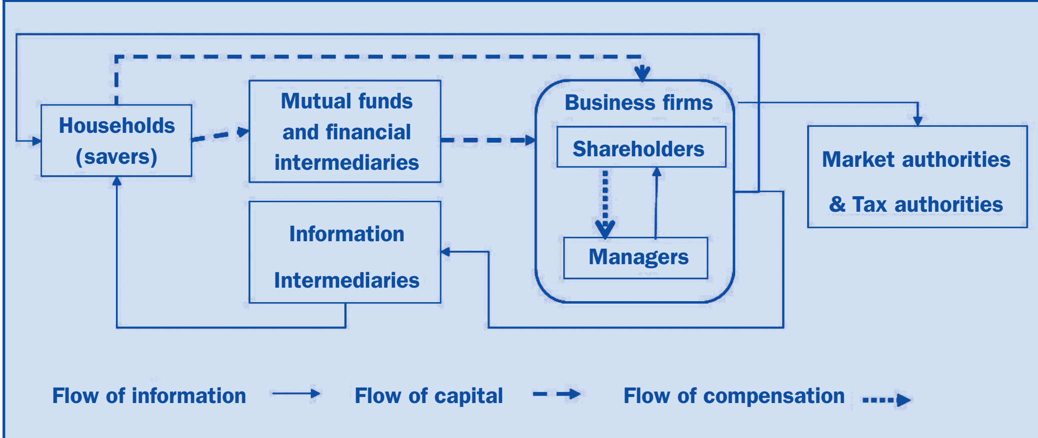


**FIGURE 1**

*Source: Authors' elaboration*

Information can be delivered from issuers to markets through a number of channels, such that the transmitted information includes not only formal reports and prepared materials but also a number of signals. See table 1.

**SOURCES OF INFORMATION**

| | | |
|---|---|---|
| Reports and communications | Corporate Disclosure | Financial statements, regulatory filings, press releases, conference calls, performance presentations. |
| | Competitors' or related companies' disclosures | Same type of information sources as those cited above if there is any connection with the firm's environment. |
| | Information generated by other players | Research analysis, rating agencies' reports, financial press articles, social media opinions, macroeconomic analysis, industry reports, market authorities' communications, auditors' statements. |
| Signals from | Corporate actions | Acquisition plans, capital structure decisions, dividend pay-outs, share buy-back plans. |
| | Corporate silence | Silence on earnings and profit guidance. |
| | Financial market | Stock, bond, and CDS prices and trading volume. |

**TABLE 1**

*Source: Authors' elaboration*

Information that is to be publicly disclosed develops two components: relevance and reliability. Information is relevant when it refers to events and activities that allow users to make informed decisions. Information is reliable when it truthfully links those events and activities to associated risks and opportunities.[2] Should the disclosure of corporations' information be regulated? Proponents of a mandatory disclosure regime argue that regulation must determine the conditions upon which issuers disclose information, which must be relevant and useful for users. On the opposite side, there are those who maintain that market forces are sufficient to ensure the optimal level of voluntary disclosure by firms. Literature has established that mandatory disclosure should be implemented if regulators can do it better (more effectively and at a lower cost) than the market when dealing with agency problems, externalities, and problems of property rights assignment. Informational problems in this area can be summarised as follows.

### 2.1 Adverse selection issues

Shareholders typically have both better information than potential investors about the value of their business and the incentive to overstate it in initial public offerings (IPOs) or when selling shares in secondary markets. There is an *agency problem* due to that information asymmetry between the current shareholder (the *agent*) and the potential investor (the *principal*). In this context, an *adverse selection* problem arises.[3] As in the paper by Akerlof (1970), when the seller (here the shareholder) knows more about the quality of the product (here the firm's value) than the buyer (here the investor), the price becomes a wrong signal. Uninformed investors' best guess for a given firm is that the company is of average value; accordingly, they will be willing to pay for it only the price of a firm of known average value. This means that the shareholder of a high-value company will be unable to get a high enough price to make selling it worthwhile. Therefore, owners of good companies will not place them on the stock markets. The withdrawal of good firms reduces the average quality of listed companies, causing buyers to revise their expectations for any given firm downwards. This, in turn, motivates the owners of moderately good firms not to sell and so on. The result is that a market in which there is asymmetric information shows characteristics similar to those described by Gresham's Law[4]: the bad drives out the good. Consequently, *adverse selection* leads to a market failure since the market gets narrower.

### 2.2 Moral hazard issues

On the other hand, nowadays, developed economies are characterised by a separation of ownership and control. There is a distinction between decision-making rights and the capital provided being at risk. Once investors have acquired an equity or a debt stake in a firm, managers have an incentive to behave improperly, which creates a problem of *moral hazard*.[5] Due to the information asymmetry between the managers (the agents), who have the hidden information about the company's performance, and the shareholders (the principals), who decide the compensation for the managers, the agent has an incentive to seek perquisites and compensations by revealing only the good news about the company.[6] Similarly, if investors buy fixed income issues, the managers may have the incentive to expropriate the value of the investment by undertaking the following:

[2] See Lannoo (2003).

[3] The problem of *adverse selection* occurs when the *agent* has hidden information about a relevant feature of a product/situation which the *principal* does not have.

[4] The law, commonly stated as "bad money drives out good", was named in 1858 in recognition of Sir Thomas Gresham (1519–1579).

[5] *Moral hazard* arises where the agent has more information about his or her actions or intentions than the principal does because the principal usually cannot completely monitor the agent.

[6] See Jensen and Meckling (1976).

a) Issuing additional senior debt, which worsens the ranking of repayment rights in the case of bankruptcy;

b) Altering the pay-out policy. The increase of the paid dividend reduces the likelihood of full repayment.

c) Taking high-risk capital projects. This implies an asymmetric outcome: the success of the project benefits the managers in particular, but if the project fails, bondholders are especially affected.[7]

### 2.3. Selective disclosure issues

A third informational concern involves the practice of selective disclosure, under which companies provide relevant information (such as earnings guidance, forward-looking information, intra-period historical financial information, etc.) to select security analysts and/or institutional investors before disclosing it to the general public. This practice may create the opportunity for market professionals to trade on the basis of privileged information. Such practices were believed to place individual investors at a severe informational disadvantage in terms of the timing and the content of available information. Selective disclosure has been seen as a problem similar to insider trading and "tipping", with the potential result of undermining investors' confidence in the fairness and integrity of capital markets.

The relevant question is whether the market can solve these informational problems (arising from information asymmetries) by itself, without involving the regulator.[8] Table 2.1 presents a summary of the main arguments in favour of and against disclosure regulation.

**MAIN ARGUMENTS CONCERNING DISCLOSURE REGULATION**

| Against | In favour of |
|---|---|
| Self-interest of disclosure hypothesis | Under-reporting |
| Signalling hypothesis | Externalities |
| The use of optimal contracts | Free riding on information |
| Board of directors as a monitor | Prisoner dilemma situation |
| Market for corporate control | Moral hazard (managers' misbehaviour) |
| Stock-based compensation schemes for managers | Low-cost commitment device |
| Litigation risks | A mechanism of standardisation |
| Lack of ability by regulators | Protection of unsophisticated investors |

**TABLE 1**

*Source: Authors' elaboration*

[7] See Smith and Warner (1979).

[8] Verrecchia (2001) recommends information asymmetry reduction as the best vehicle for integrating the efficiency of disclosure choice, the incentives to disclose, and the endogeneity of the capital market process as it involves interactions among individual and diverse investors.

## 3. THEORETICAL ARGUMENTS AGAINST REGULATION

### 3.1. Mandatory disclosure

According to an initial perspective, regulation is unnecessary and may be hazardous and against the consumer's interest, since companies have strong incentives to disclose relevant information to potential investors in an open manner. Consider, first, a scenario without market imperfections or external effects. The literature has identified at least seven potential market solutions to the agency problems:

a) Self-interest of disclosure hypothesis.
This approach indicates that companies may notice that is better to voluntarily disclose financial information. In a situation where firm-specific benefits exceed firm-specific costs, corporations have the incentive to voluntarily provide information.[9] Then, a rule compelling disclosure would be redundant. Table 2 exhibits the main benefits linked to corporate disclosure.

**BENEFITS OF CORPORATE DISCLOSURE**

| Impact on the firm that discloses its financial information | | Authors |
|---|---|---|
| Impact on firm's value | In the presence of adverse selection, all firms (except the worst) disclose their private information voluntary to escape from the average (and low) value of non-disclosing firms. | Grossman and Hart (1980), Grossman (1981), Milgrom (1981), Milgrom and Roberts (1986), Darrough and Stoughton (1990). |
| | More transparency and better governance increase firms' value by improving managers' decisions or by reducing the amounts that managers appropriate for themselves. | Merton (1987), Lambert (2001), Shleifer and Wolfenzon (2002), Leuz and Wysocki (2008). |
| | Information disclosure may contribute to reduction of firm's beta (as estimation of risk)[10] | Barry and Brown (1985), Brown et al. (1988), Coles (1988), Coles et al. (1995), Jorgensen and Kirschenheiter (2003). |
| | Given that a manager holds more information on risk factors and their potential impact on the entity's future performance than outsiders, the disclosure of risk information reduces the information asymmetry and contributes to reducing the cost of capital, to discipline management, and to improving governance. | ICAEW (1999), Solomon et al. (2000), Linsley and Shrives (2000), Jorion (2002), Dobler (2008). |
| Impact on liquidity of its securities | Adverse selection reduces the number of securities that uninformed investors are willing to trade. Corporate disclosure by mitigating adverse selection increases market liquidity and reduces bid-ask spreads. | Glosten and Milgrom (1985), Amihud and Mendelson (1986), Kim et al. (1990), Diamond and Verrecchia (1991), Kim and Verrechia (1994), Botosan and Harris (2000), Easley and O'Hara (2004). |

**TABLE 2**

*Source: Authors' elaboration*

[9] See Roos (1979).

[10] The extent to which voluntary disclosure mitigates market imperfections arising from asymmetric information depends on the degree of the credibility of the information on the firm´s financials. Much of the evidence in this regard focuses on the accuracy and stock price effects of the disclosure of management forecasts. See Waymire (1984 and 1986), Ajinkya and Gift (1984), Hassell and Jennings (1986), Pownall and Waymire (1989), McNichols (1989), or Amir and Lev (1996).

| BENEFITS OF CORPORATE DISCLOSURE (continuation) | | |
|---|---|---|
| **Impact on the firm that discloses its financial information** | | **Authors** |
| Cost of capital and cost of funding[11] | Firms committing to more disclosure should experience a smaller slope coefficient on trading volume. | Kim and Verrecchia (2001). |
| | In the presence of adverse selection, investors anticipate that they will need price protection when selling securities in the future. Therefore, they reduce the prices at which they are willing to buy shares or bonds in the primary markets. Thus, information asymmetry translates into a higher cost of raising capital and funding. | Barry and Brown (1986), Rock (1986), Coles et al. (1995), Baiman and Verrecchia (1996), Garleanu and Pedersen (2004), Leuz and Wysocki (2008). |
| | In imperfect competition, information asymmetry affects the willingness to supply liquidity; this, in turn, affects a firm's cost of capital. In perfect competition, information differences across investors affect a firm's cost of capital through investors' average information precision and not information asymmetry per se. | Lambert et al. (2012). |
| Investment opportunities | A firm should disclose to avoid passing up profitable investments if it has to issue new securities to finance them. Disclosure reduces the under-pricing of shares in the primary market. | Myers and Majluf (1984). |
| Investor base | Disclosure enlarges the investor base, which, in turn, improves risk sharing and lowers the cost of capital. This also reduces the arbitrage effects arising if some investors know which of the stocks are not known by all investors. | Merton (1987), Easley and O'Hara (2004). |

**TABLE 2**

*Source: Authors' elaboration*

But corporate disclosure also has linked costs to be considered. Table 3 shows the main direct and indirect costs.

[11] There are basically three streams of research which analyse the existence of a link between information and cost of capital. According to them, information reduces the cost of equity capital by reducing investors' estimation risk or, alternatively, by reducing information asymmetry or cutting down transaction costs.

| COSTS OF CORPORATE DISCLOSURE | | |
|---|---|---|
| **Impact on the firm that discloses its financial information** | | **Authors** |
| Direct cost | Cost due to preparation, certification, and dissemination of reports | Ribstein (2005). |
| Indirect cost | Public disclosure of information can affect a disclosing firm negatively if market participants make strategic use of the information to their advantage. Information provided to capital market participants can be used by other parties, such as competitors, labour unions, tax authorities, etc. | Jovanovic (1982), Verrechia (1983), Gal-Or (1985), Dye (1986), Lanen and Verrecchia (1987), Darrough and Stoughton (1990), Wagenhofer (1990), Feltham and Xie (1992), Feltham et al. (1992), Newman and Sansing (1993), Darrough (1993), Gigler (1994), Hayes and Lundholm (1996), Suijs (2005). |
| | More transparency could be costly to existing financing relationships. | Rajan and Zingales (2003), Leuz and Oberholzer-Gee (2006). |
| Cost of capital | The reduction in the ex-post cost of capital is offset by an equal increase in the cost of capital for the period leading up to the release of the information. There is no impact on the ex-ante cost of capital covering the full time span of the firm. | Christensen et al. (2010). |

**TABLE 3**

*Source: Authors' elaboration*

Academic literature also points out that central to management's disclosure decision is management's anticipation of investors' interpretation of both disclosure and the absence of disclosure. Moreover, the existence of a positive relation between management´s disclosure decisions and the analyst's decision to cover firms is expected, given that voluntary disclosure lowers the cost of information acquisition for analysts.[13]

b) Signalling hypothesis**.**

Signalling may play a twofold role. First, firms may voluntarily disclose their private information as a signal of their performance. By voluntarily disclosing information, investors are not to confuse the firms' purposes with other companies that offer lower performances. Firms with market values a notch below those of high-value firms tend to voluntarily commit to a full disclosure regime so as not to be confused with firms with even lower values. Eventually, the market completely unravels with all firms voluntarily disclosing their values even if their performance levels are poor[14]. The signalling hypothesis seems to be a plausible scenario in today's capital markets, where the majority of investors are sophisticated institutional investors who understand the significance of non-disclosure.[15] Moreover, firms use verification and certification devices, such as requiring external auditors to verify the financial statements or compelling managers to own shares in the companies. In addition, third parties, such as fi-

[12] The decision to disclose involves trading off the benefits of informing the capital markets about the firm's value against the cost of aiding the "rivals". See also externalities effects in tables 6 and 7.

[13] See Bhushan (1989), Lang and Lundholm (1993), and Francis et al. (1998) for such arguments.

[14] See Mahoney (1995).

[15] See Choi and Guzman (1996) and Romano (1998 and 2001).

nancial analysts and rating agencies, provide *signals* about firm solvency and value. These players also engage in private information production to uncover any manager misuse of firm resources.

c) The use of *optimal contracts*.
The contracts between managers and shareholders include compensation agreements and debt contracts. These contracts seek to align the interests of the managers with those of investors and frequently require managers to disclose relevant information that enables investors to monitor compliance with contractual agreement.[16]

d) The board of directors and corporate governance.
One of the roles of the board of directors in publicly-traded corporations is to monitor and discipline management on behalf of external owners and to promote the interests of shareholders. Outside board members who hold multiple directorships have a greater incentive to monitor corporate decisions on behalf of all shareholders because these directors have made a significant investment in establishing reputations as decision experts[17]. A number of studies also analyse whether corporate disclosure and corporate governance are substitutes or complements. Other works suggest a positive relationship between quality of disclosure and institutional investor ownership given the pressure investors exert on managers.

e) The market for corporate control
Corporate control refers to the rights to determine the management of corporate resources - that is, the rights to hire, fire, and set the compensation of top-level managers including the threat of hostile takeovers. It is also a source of mitigation of agency problems between corporate insiders and outside shareholders. By acquiring control of a firm, takeover specialists, can replace poorly performing managers or those pursuing their own interests at shareholder expense.[18] Moreover, managers may use corporate disclosure to reduce the likelihood of undervaluation and to explain away poor earnings performances, given the risk of job loss that accompanies poor stock and earnings performances.

f) Stock-based compensation schemes for managers
Stock-based compensation plans for managers encourage them to engage in voluntary disclosure policies for a number of reasons. By disclosing private information, managers interested in trading their stock meet restrictions that insider trading rules impose. Moreover, managers have incentives to avoid the possible undervaluation of the company pushing the stock options *in the money*.

g) Litigation risks
Legal actions against managers for inadequate or untimely disclosures can encourage firms to increase voluntary disclosures. Voluntary predisclosure of poor performance may reduce the risk of litigation if delaying bad news until a required earnings announcement is interpreted as *prima facie* evidence that management did not voluntarily disclose information to investors in a timely manner. Thus, managers may release earnings forecasts involving bad news to avoid subsequent litigation and the related costs.[19]

[16] See Kreps (1990), chapters 17 and 18.

[17] See, among others, Byrd and Hickman (1992), Monks and Minow (1995), Beasley (1996), Hermalin and Weisbach (2001), and Klein (2002).

[18] See Jensen and Ruback (1983), Jarrell et al. (1988), Agrawal and Knoeber (1996), and Datta et al. (2001) among others.

[19] See Skinner (1993 and 1997).

Another critique of mandatory disclosure requirements is that, on balance, this regime may be more harmful than beneficial because regulatory agencies are not able to design universally useful disclosure rules[20]. Regulatory agencies often have imperfect knowledge concerning which pieces of disclosed information would improve capital markets' performance and imperfect incentives to seek out the needed information.[21]

A different issue which has also been discussed in the literature at both theoretical and empirical levels concerns the differential effect of regulating corporate disclosure for small and large companies. Theoretical reasons have been put forward regarding the link between firm size and the amount of information produced. Large firms are expected to have better disclosure policies.[22] Moreover, given that production of information entails fixed costs, disclosure costs per unit of size are more likely to decrease with size.[23] In addition, given that for small firms the liquidity is low and the cost of obtaining private information may be higher than the gains from selling or trading on private information, small firms may prefer to disclose selectively in order to attract analyst following.[24]

Finally, some authors point out that more disclosure is not necessarily a good thing given that a task is said to become more complicated when it involves the processing of more and more information; people become overloaded with information and make worse decisions. When facing complicated tasks that involve vast quantities of information, people tend to adopt simplifying decision strategies that require less cognitive effort but that are less accurate than more complex decision strategies. Thus, the net result of having access to more information and using a less accurate decision strategy as the information load increases is often an inferior decision.[25]

### 3.2. Fair disclosure regulation

Fair disclosure regulation forbids the previously discussed legal practice of companies releasing news exclusively to analysts and institutions before making it available to the public by requiring equal access to material information for all market participants. Those who do not see regulation as a solution, including industry associations, economists, analysts, law firms, and media commentators present a number of arguments. See table 4 for a summary of these arguments.

20 See Benston (1999).
21 See Ferrell (2004).
22 See King et al. (1990).
23 See Lang and Lundholm (1993).
24 See Goshen and Parshomovsky (2001).
25 See Paredes (2003).

| PROBLEMS ARISING FROM FAIR DISCLOSURE REGULATION | |
|---|---|
| Regulation has a chilling effect on information. Regulation makes the dissemination of information more simultaneous and uniform, but less information will be disseminated and it will be disseminated less frequently. | Thompson and King (2001), Duggan (2001), Daly and Del Giorno (2002). |
| If there are multiple informed traders with identical information, this is immediately incorporated into price and insiders' expected profit is zero. Hence, analysts and their clients receive no benefit from private briefings. | Holden and Subrahmanyam (1992), Foster and Viswanathan (1996). |
| Companies do not expand the scope of information provided to the public because it would be too difficult and too costly to give small investors the same information that was traditionally provided only to market professionals. | Nocera (2000),<br>SIA (2001). |
| Although a corporation does not enjoy the same constitutional rights as a natural person, it should be protected in its commercial speech and in its right to not be compelled to speak. Fair disclosure regulation directly penalises firms' truthful valuable disclosures. | Gross (2000), Clifford (2000), Page and Yang (2005). |
| The expected impact of fair disclosure regulation on analysis activity consists of a decrease in the accuracy of analysts' estimates and the increase of estimation ranges. | Hill (2000), Kobi (2002). |
| Regulating the disclosure results in the greater volatility of share prices; analysts' estimates vary more because they use less information and more inferences in creating their estimates. | Barnes (2012). |
| Regulation leads to a failure of efficient capital markets given that, to a greater extent, stock prices reflect market actions by untrained, inexperienced investors who do not have the requisite experience, skill, or knowledge to assess the information accurately when formulating investment decisions. | Talosig (2003). |
| Regulation may increase herding behaviour among financial analysts in their forecasts of future earnings. This behaviour can be detrimental to efficient markets because it limits the information available to the investor. | Russell (2002),<br>Arya et al. (2005). |

**TABLE 4**

*Source: Authors' elaboration*

## 4. THEORETICAL ARGUMENTS IN FAVOUR OF REGULATION

### 4.1. Mandatory disclosure

The rationale for the desirability of mandatory disclosure laws basically rests on the insufficiency of incentives to induce firms' management to voluntarily disclose information and the existence of circumstances under which additional disclosure improves social welfare. A number of scholars assert that market forces alone provide firms with enough incentives to disclose relevant information and have made arguments that are very critical of the imposition of disclosure and fair requirements through regulation. However, in opposition to this perspective, other authors consider the abandonment of mandatory disclosure to result in a market failure that would reduce social welfare. Several economic and legal arguments support the view that disclosure of certain information should be mandated for issuers. Some of them are as follows.

a) Under-reporting.
Listed companies under-report information. Information asymmetries in financial markets are linked to the fact that without legal compulsion, publicly-traded firms do not disclose sufficient or sufficiently comparable information, especially negative information. Full voluntary disclosure is rare, mainly because of the costs associated with producing and disseminating information and the strategic costs of having to reveal information to competitors. Thus, companies may provide information to shareholders voluntarily, but the amount of information they disclose may be far from optimal without a mandatory regime. See table 5 for a summary of arguments.

| ARGUMENTS IN FAVOUR OF MANDATORY DISCLOSURE | |
|---|---|
| If disclosure provides information to firms that produce strategic complements, it increases firm value in some cases of competition. | Vives (1984). |
| Mandatory disclosure enables traders to gather information and, thereby, to reflect new information in prices at a reduced cost compared to that in a world without disclosure. This helps to differentiate between efficient and inefficient firms if the market fails to do so. | Coffee (1984), Mahoney (1995), Lannoo (2003), Kershaw (2012). |
| Disclosure regulation may enhance the comparability of disclosures across firms and generate economies of scale in terms of understanding/evaluating disclosure for investors. Regulating the disclosure can serve as a cost-effective way to commit to frequent and detailed future disclosure. | Leuz and Wysocki (2008), Mahoney (1995), Dye and Sridhar (2008). |
| Agency theory studies suggest that more information can reduce the amount of wealth that managers/insiders can expropriate or can reduce other agency problems. | Shleifer and Wolfenzon (2002). |
| Firms with unfavourable information do not support disclosure because they are, from the investors' perspective, indistinguishable from firms without information | Dye (1985), Jung and Kwon (1988), Penno (1997), Pae (2002). |

**TABLE 5**

*Source: Authors' elaboration*

One limitation of the argument on under-reporting is the difficulty in measuring the extent of voluntary disclosure even though several researchers have used a number of proxies for this variable.[26]

Following the same argument on under-reporting, the possibility that systematic departures from rationality, such as herd behaviour or the status quo bias, might result in a capital market failure has been investigated.[27]

b) Existence of externalities.
As previously noted, absent externalities, firms may have incentives to optimally trade off the costs and benefits of voluntary disclosure and to produce efficient levels of information for investors. But if externalities exist because of the

[26] See Miller and Piotroski (2000), Lang and Lundholm (1993 and 1997), Botosan (1997), Miller (1999), or Healy et al. (1999).

[27] However, Bainbridge (2000) is cautious regarding the use of behavioural economics as a justification for invoking government intervention in developed capital markets.

spillovers, social welfare depends not only on the utility of companies and investors involved in a given transaction but also on other parties. This market imperfection might justify the prevalence of disclosure regulations. The literature has identified positive external effects arising from corporate disclosure. See Tables 6 and 7.

**CORPORATE DISCLOSURE: EXTERNALITIES ON THIRD PARTIES**

| Positive externalities | | Authors |
|---|---|---|
| Competing firms | Firms may disclose information to prevent overproduction in the industry. | Vives (1984), Kirby (1988), Darrough (1993), Kanodia et al. (2000). |
| | Managers can identify promising new investment opportunities on the basis of high profit margins reported by other firms. | Gigler (1994), Bushman and Smith (2001). |
| Non-competing firms | An individual firm's disclosure may benefit firms in other industries by reducing agency problems (e.g. by revealing relevant information about new consumer trends, technological shocks, etc.) | Foster (1981), Leuz and Wysocki (2008). |
| Investors and risk assessment companies | Given that firm values and cash flows are likely to be correlated, the disclosure of one firm is useful to investors in valuing other firms. Thus, there is a liquidity spillover in capital markets. | Dye (1990), Lambert et al. (2007), Admati and Pfleiderer (2000), Jorgensen and Kirschenheiter (2007). |
| | Corporate disclosure eliminates duplicative efforts of information intermediaries and investors. Corporate disclosure is efficient given that it reduces the cost of producing corporate information for credit analysts. | Coffee (1984), Easterbrook and Fischel (1984, 1991), Diamond (1985). |
| | Overproduction of information creates incentives for specialisation where some investors produce reports and others pay for them. | Gonedes et al. (1976), Mahoney (1995). |

**TABLE 6**

*Source: Authors' elaboration*

Moreover, a number of negative external effects can be identified in connection to the disclosure of corporate information. See table 7 for a summary of potential negative externalities.

| CORPORATE DISCLOSURE: EXTERNALITIES ON THIRD PARTIES | | |
|---|---|---|
| Negative externalities | | Authors |
| Competing firms | Incumbent firms may disclose information to deter entry by competitors. | Pae (2000, 2002), Leuz and Wysocki (2008). |
| | Given that processing information is costly, an increase in disclosure by one firm can deter investments from other firms. | Fishman and Hagerty (1989). |
| Related firms, government, and investors | An individual firm's misreporting activities may have negative spillovers on third parties. Fraudulent disclosures send false signals on industry investment opportunities to players and investors. They may also lead regulators to pursue incorrect regulatory policies. | Sidak (2003), Kumar and Langberg (2009). |

**TABLE 7**

*Source: Authors' elaboration*

c) Free riding on information.
Accounting information can be viewed as a public good. A public good is both non-excludable and non-rivalrous. One of the problems arising from public goods is the free-rider behaviour, in which people who do not pay for the good may continue to access it. In this context, existing stockholders implicitly pay for the production of information but cannot charge potential investors for the use of such information. Prospective investors, therefore, free ride on information that existing shareholders have paid for, leading to the potential underproduction of information in the economy.[28]

d) Prisoner's dilemma.
Another limit to the argument of voluntary disclosure relates to the so-called *prisoner's dilemma* (PD). Actors face the PD when they can maximise their joint and individual utility by taking a given action, but they cannot secure binding commitments from each other to take that action. Moreover, in the absence of such a commitment, the best course for each actor is to choose a second-best alternative. That, however, is suboptimal. In this context, a firm would only be willing to disclose if other firms did the same. The information produced by one firm for its investors may be valuable to investors in other firms, since it may reveal something about the firm itself or about the industry in which the firm operates. Therefore, a firm acting individually would, in principle, be reluctant to disclose certain costly information, fearing that others could get a free ride or that such information may give a competitive advantage to rivals.[29]

e) Managers' misbehaviour
It has also been noted that linking mandatory disclosure to legal liability may constitute a way to ensure the quality of a company's disclosure and the credibility of its commitments to continue honest disclosure in the future.[30] Mandatory disclosure can also be seen as a solution to *moral hazard* arising from conflicts of interest within a corporation in several ways:

[28] Leftwich (1980), Watts and Zimmerman (1986), and Beaver (1998).
[29] See Macey (2003).
[30] See Healy et al. (2001).

i. Rules requiring the disclosure of detailed information about management's compensation aim at helping shareholders to monitor management's self-interested behaviour.[31]

ii. Disclosure is a tool for facilitating the shareholders' assessment of company's performance and the management's stewardship of the company.[32] The assessment resulting from disclosure is key for shareholders, who have two options in the case of an unfavourable outcome: they either might want to exit the company by selling their investment or engage in an action to change the membership of the board of directors.

iii. Disclosing information about significant transactions between the corporation and the managers leads to the reduction of shareholders' monitoring expenses and therefore reduces the overall agency costs.[33]

f) Low-cost commitment device.
Commitment arising from disclosure regulation can mitigate information asymmetries and reduce volatility at lower costs.[34] Moreover, a mandatory disclosure regime can be beneficial, given that private contracts may not be able to produce a sufficient level of commitment, while the possibility of criminal penalties may be more effective. The effectiveness of particular disclosure rules depends on the enforcement mechanisms.[35]

g) Regulation as a mechanism for standardisation.
The diversity of substance, format, and quality of information that is disclosed in the market can lead to confusion among investors, who may not be able to adequately compare such information. Some formats of disclosure are easier to understand than others, and some disclosures tend to hide information more than they reveal it.[36] In this regard, mandatory disclosure can contribute to accelerating the standardisation process, improving the degree of comparability among firms and thus increasing the value of information to investors. In this regard, there is a debate on the optimal level of regulation. While regulation at a higher level generates benefits in terms of standardisation, doing it at a lower level allows for better specificity and the fostering of competition among regulatory regimens.[37] On the other hand, it has long been understood that specifying the most highly preferred set of accounting standards is impossible without knowledge of the agents' preferences and decision problems.[38] The accounting standard that eliminates information asymmetry to the extent possible by disclosing more precise information will always be the most desirable standard. But more information is not always desirable when multiple strategic players interact.[39]

[31] See Mahoney (1995).
[32] See Kershaw (2012).
[33] See Mahoney (1995).
[34] See Mahoney (1995) and Rock (2002).
[35] See Hay and Shleifer (1998), Djankov et al. (2003), and Shleifer (2005).
[36] See Easterbrook and Fischel (1984) or Dye and Sunder (2001).
[37] See Barth et al. (1999), Romano (2001), Huddart et al. (1999), Rock (2002), and Chemmanur and Fulghieri (2006).
[38] See Demski (1973).
[39] See Kanodia et al. (2000).

h) Protection of unsophisticated investors.

Mandatory disclosure can also be seen as a strategy designed to protect unsophisticated investors[40]. A key objective of securities regulation is ensuring that market participants have sufficient information to participate in the market on an informed basis. The law of investor protection seeks to ensure that investors are correctly informed about the pricing of publicly-traded securities and pursues the safeguarding of the quality of issuers in public markets. The literature maintains that the goal of disclosure is helping the market participants to determine prices for securities that accurately reflect all available information.[41] The law protects holders of shares and debt securities in the public markets better than it does other types of investors because of the nature of listed companies and publicly trading markets. In small firms, investors have firsthand knowledge about their companies, managers, and shareholders, something that does not occur with investors of listed companies. Equally, an unexpected failure or fraud in one listed company may affect other listed companies in the same market, causing an impact across the entire market. Regulators' are concerned about the welfare of financially unsophisticated investors, and, by creating minimum disclosure requirements, they try to reduce the information gap between the informed and the uninformed. However, this explanation may imply that the objective of disclosure regulation is to redistribute income, rather than to improve economic efficiency. After all, unsophisticated investors could choose to reduce the information gap by investing in financial knowledge or hiring the services of sophisticated intermediaries.[42]

### 4.2. Fair disclosure regulation

Fair disclosure regulation compels a company that wishes to pass on market-moving information to share the news with everyone at the same time. Thus, all material information must be released publicly and simultaneously to all market participants. Many arguments in favour of this regulation are summarised in Table 8.

[40] See Lefwich (1980), Watts and Zimmerman (1986), and Beaver (1998).

[41] Mahoney (1995).

[42] Healy et al. (2001).

| ARGUMENTS IN FAVOUR OF FAIR DISCLOSURE REGULATION | |
|---|---|
| Certain members of the investment community with access to private information have a trading advantage over (and at the expense of) the wider investing public. Selective disclosure creates the opportunity for analysts' favoured clients to earn trading profits at the expense of uninformed investors and, thus, might be considered "unfair". | SEC (2000a) |
| Selective disclosure creates incentives for analysts to optimistically bias their opinions in order to maintain access to information. | Zitzewitz (2002) |
| By increasing the asymmetry of information, selective disclosure can reduce liquidity and increase firms' cost of capital. | SEC (2000b) |
| Corporate managers use key analysts to guide or manage earnings forecasts of analysts so as to minimise surprises and sudden price movements on earnings announcements. Artificial smoothing and the delay of the price discovery process give undue trading advantage to a favoured few. | SEC (2000a) |
| FD regulation avoids discrimination against individual investors. Prior to regulation, market professionals had the distinct advantage of being able to elicit selective information from managers and could make recommendations and engage in trading without being prosecuted. | Morano (2001) |
| Regulation improves investor confidence in the integrity of the capital markets by reducing the potential for corporate management to gain or maintain favour with particular analysts or investors. | SEC (2000a) |
| Regulation increases market efficiency given that information leakage makes the price process more informative in the short-run but reduces its informativeness in the long-run. | Brunnermeier (2005) |

**TABLE 8**

*Source: Authors' elaboration*

## 5. EMPIRICAL EVIDENCE ON MANDATORY AND FAIR DISCLOSURE REGULATION

The preceding debate illustrates that arguments in favour of and against mandatory disclosure are complex. Whether potential market solutions contribute to eliminating or mitigating the agency problems or a mandatory disclosure regulation is a better remedy is ultimately an empirical question. At the empirical level, the academic literature has focused on a number of different directions, trying to refute the main theoretical arguments. But, as often happens, we can find empirical evidence supporting both sides of the discussion.

Regarding the empirical debate on whether the incentives for voluntary disclosure are enough, a wide literature supports an affirmative answer. According to these studies, mandatory disclosure would not be necessary. See table 9 for the details of studies that provide evidence of the positive effects of voluntary reporting.

| EMPIRICAL EVIDENCE (I): THERE ARE ENOUGH INCENTIVES FOR VOLUNTARY DISCLOSURE | |
|---|---|
| Managers act as if greater disclosure reduces cost of capital. | Choi (1973), Healy at al. (1999), Frankel et al. (1995), Lang and Lundholm (2000). |
| Voluntary disclosure reduces information asymmetries, increases liquidity in firm´s stock, and reduces bid-ask spreads. | Greenstein and Sami (1994), Welker (1995), Botosan (1997), Healy et al. (1999), Gelb and Zarowin (2000), Richardson and Welker (2001), Leuz and Verrecchia (2000), Botosan and Plumlee (2002), Graham et al. (2005), Poshakwale and Courtis (2005), Ng (2011). |
| There is a direct and negative link between voluntary disclosure and the cost of equity capital due to the reduction of perceived risk. | Dhaliwal et al. (1979), Barry and Brown (1985 and 1986), Prodhan and Harris (1989), Frankel et al. (1995), Lang and Lundholm (2000), Hail (2003), Brown et al. (2004), Graham et al. (2005), Schrand and Verrecchia (2005), Botosan (2006), Leone et al. (2007). |
| There is an inverse relationship between disclosure and the effective interest cost of raising debt. | Sengupta (1998),<br>Miller and Puthenpurackal (2002). |
| Risk reporting deficits are not improved by the requirement of regulation. | Rajgopal (1999),<br>Kajüter and Esser (2007). |
| Companies issuing equity and debt instruments in capital markets tend to engage in voluntary disclosure policies and the quality of the disclosed information increases prior to seasoned equity offering. | Ruland et al. (1990), Lang and Lundholm (1993, 1997), Healy et al. (1999),<br>Marquardt and Wiedman (1998). |
| Voluntary disclosure is linked to the probability of hostile takeovers. | Brennan (1999). |
| Stock-based compensation plans for managers encourage them to engage in voluntary disclosure policies. | Noe (1999), Aboody and Kasznik (2000), Miller and Piotroski (2000). |
| Voluntary disclosure may reduce the litigation risk. | Skinner (1993, 1997). |
| There is mixed evidence regarding the disincentive effect of voluntarily forward-looking disclosure due to the litigation risk. Forthcoming disclosure can reduce the expected litigation costs. | Kasznik and Lev (1995), Skinner (1997), Johnson et al. (2001), Field et al. (2005). |
| Insider trading incentives contribute to managers' propensity to provide earnings forecasts. Maximisation of stock plan awards implies the opportunistic timing of voluntary disclosures. | Aboody and Kasznik (2000),<br>Nagar et al. (2003),<br>Cheng and Lo (2006). |
| For the majority of small firms the imposition of disclosure requirements may imply significant costs that outweigh their benefits in terms of market value and liquidity. | Bushee and Leuz (2005). |
| Silence speaks. Investors interpret silence negatively, that is, they seem to equate no news with bad news. | Hollander et al (2010). |

**TABLE 9**

*Source: Authors' elaboration*

However, there are also a number of empirical studies indicating that the existing incentives in the markets are not enough to guarantee the voluntary disclosure of a full package of relevant information by firms. According to these studies, the requirement of a disclosing regulation would be justified. See table 10 for more details.

| EMPIRICAL EVIDENCE (II): THERE ARE NOT ENOUGH INCENTIVES FOR FULL VOLUNTARY DISCLOSURE | |
|---|---|
| Voluntary and conservative disclosure is not a primary factor in determining the cost of equity. The link between voluntary disclosure and the cost of equity capital is not significant or even positive. | Francis et al. (2004, 2005), Lui and Wysocki (2007), Cohen (2008). |
| Using bid-ask spreads to proxy for information asymmetry is problematic because less than half of the total spread is comprised of information costs. | Stoll (1989), George et al. (1991). |
| Mandatory disclosure significantly reduces the cost of equity for mandatory adopters although this reduction is only present in countries with strong legal enforcement. | Li (2010). |
| There are methodological limitations in the studies analysing the connection between disclosure and cost of capital. | Core et al. (2008), Easton and Sommers (2007). |
| Proprietary costs that those firms revealing information to outside parties face (e.g. profitable client profiles, profitable market segments, etc.) are a relevant source of negative incentives for voluntary disclosure. | Harris (1998),<br>Berger and Hann (2003),<br>Leuz (2004). |
| Managers have limited incentives for disclosing private risk information. Accounting conservatism or asymmetric timeliness involves the use of stricter standards for recognising bad news as losses than for recognising good news as gains. The withholding of bad news by managers is widespread evidence due to the personal costs for managers. | Penman (1980), Lev and Penman (1990), Basu (1997), Miller (2002), Carlon et al. (2003), Lajili and Zéghal, (2005), Linsley et al. (2006), Kothari et al. (2009), Lafond and Roychowdhury (2008), Dechow et al. (2009), Sletten (2012). |
| Managers delay the disclosure of good news and accelerate the release of bad news prior to stock option award periods to increase their stock-based compensation. | Aboody and Kasznik (2000). |
| Managers of firms in turnaround situations are more likely to provide earnings forecasts if they have higher stock option compensation at risk. | Miller and Priotoski (2000). |
| Managers withhold bad news but exogenous stock price declines can induce its disclosure. | Sletten (2012). |
| Less than full disclosure arises when investors are uncertain about firms' information endowment, allowing firms with unfavourable information to remain silent because investors cannot distinguish them from firms without information. | Dye (1985), Jung and Kwon (1988), Penno (1997),<br>Pae (2002). |
| Less than full disclosure arises when different investors interpret firms' disclosure in different ways | Fishman and Hagerty (2003), Suijs (2007). |
| Firms do not fully disclose their private information when truthful disclosure cannot be verified ex-post. | Crawford and Sobel (1982), Stoken (2000). |
| Earnings differential informativeness in bad-news quarters is more pronounced when managers do not voluntarily disclose the news, information asymmetry is stronger, and managers are net sellers of stock. | Roychowdhury and Sletten (2012). |
| Less than full disclosure may arise when managers are uncertain about investors' interpretation of corporate disclosure depending on the audience. | Dutta and Trueman (2002), Fishman and Hagerty (2003). |

**TABLE 10**

*Source: Authors' elaboration*

In the presence of market failures (as externalities), individual incentives do not guarantee an optimal social outcome since market prices are not good signals of marginal rates of substitution and marginal rates of transformation. In connection to the existence of externalities arising from corporate disclosure, several studies provide evidence of both positive and negative spillover effects when firms report the right and wrong information. Table 11 shows the results of the main works in connection to this topic.

| EMPIRICAL EVIDENCE (III): DISCLOSURE PRODUCES SPILLOVER EFFECTS | |
|---|---|
| Disclosure produces positive externalities to investors and analysts. Firms' announcements provide information that is useful to investors in valuing other firms of the same industry. | Foster (1981), Han et al. (1989), Bushee and Leuz (2005). |
| Increased disclosure by both foreign and domestic peers after IFRS adoption has a positive spillover effect on a firm's investment efficiency. | Chen et al. (2012). |
| Negative effects of a restatement by a firm may transfer equity market penalties to other firms' competitors. | Gleason et al. (2004), Xu et al. (2006). |
| A negative externality may arise if the misreporting activity by one firm leads competitors to make sub-optimal investment decisions based on the erroneous information. | Sidak (2003),<br>Durnev and Mangen (2007). |
| In the presence of the interaction of sequential discretionary disclosures across firms, the disclosure of favourable news by the leader causes a negative externality on the investors' beliefs regarding the future profitability of the follower, prompting the follower to disclose more to mitigate this externality. | Jorgensen and Kirschenheiter (2012), Beatty et al. (2013). |

**TABLE 11**

*Source: Authors' elaboration*

Whether the litigation risk actually affects actions of corporate disclosure, it has also been studied from an empirical perspective. However, there is a general paucity of evidence on the subject. The main findings in this regard are summarised in Table 12.

| EMPIRICAL EVIDENCE (IV): LITIGATION RISK AND VOLUNTARY DISCLOSURE | |
|---|---|
| Disclosure deters certain types of litigation. | Field et al (2005). |
| Litigation risk is not a robust incentive for disclosure. Significant declines in earnings are not a sufficient cause of litigations, and managers are more likely to issue earnings forecasts in a less litigious financial reporting environment. | Skinner (1997), Baginski et al. (2002). |
| Firms tend to reduce disclosures subsequent to class-action lawsuits | Rogers and Van Buskirk (2009). |

**TABLE 12**

*Source: Authors' elaboration*

Empirical work on the relationship between corporate disclosure and monitoring by the board has mainly focused on the nature of corporate ownership (concentration percentage, family firms versus institutional investors) and on the nature of the board of directors (basically in connection to the percentage of outsiders). Table 13 contains the main findings on the subject.

| EMPIRICAL EVIDENCE (IV): BOARD OF DIRECTORS AND CORPORATE GOVERNANCE | |
|---|---|
| As outside director ownership in the firm and outside director tenure on the board increase, and as the number of outside directorships in other firms held by outside directors decreases, the likelihood of financial statement fraud decreases. | Beasley (1996). |
| Monitoring complements disclosure rather than substituting for it. There is a positive relation between the information voluntarily disclosed and increased monitoring by shareholders. The probability of the occurrence of management earnings forecasts and the frequency of such forecasts are positively associated with the percentage of the board that consists of outsiders. | Ajinkya et al. (2005),<br>Karamanou and Vafeas (2005). |
| Ownership concentration, directors' and executives' equity-based incentives, and outside directors' reputations vary inversely with earnings' timeliness. | Bushman et al. (2004). |
| Controlling owners are perceived to report accounting information for self-interested purposes, causing the reported earnings to lose credibility to outside investors. | Fan and Wong (2002). |
| There is a positive relationship between disclosure and institutional investors' ownership due to the pressure they exert on managers. | Healy et al. (1999), Bushee and Noe (2000). |
| Firms with concentrated institutional ownership are less likely to provide voluntary disclosures. | Core (2001), Bushee et al. (2003),<br>Ajinkya et al. (2005). |
| Firms that founding families manage are more likely to issue warnings when facing bad news while making fewer disclosures about their corporate governance practices. | Ali et al. (2007), Chen et al. (2008). |

**TABLE 13**

*Source: Authors' elaboration*

Regarding the impact of mandatory disclosure and the stopping of "selective disclosure" on traded equity and debt instruments issued by firms, most of the empirical studies for the US economy have focused on the impact of changes in regulation, including the Exchange Act (1934), the Securities Act Amendments (1964), the Eligibility Rule on the OTC Bulletin Board, (1999), Regulation Fair Disclosure (2000), and the Sarbanes-Oxley Act (2002). Proponents of these regulations argue that lack of firm reporting and selective disclosure are unfair and undermine the integrity of capital markets, while their opponents assert that these rules would imply a *chilling effect* on communication between firms and investors. Table 14 exhibits some of the empirical results in this regard. They seem to be quite mixed.

| EMPIRICAL EVIDENCE (V): IMPACT OF MANDATORY DISCLOSURE REGULATION ON TRADED EQUITY AND DEBT | |
|---|---|
| A signal that mandatory disclosures may improve investors' assessment of risky securities is the decrease of the variance of abnormal returns of new issues after the imposition of disclosure regulation. | Seligman (1983), Ferrell (2003), Greenstone et al. (2006). |
| Regulation may shift riskier securities to less regulated markets (private placements). Given this crowding-out effect of regulation, the impact on the variance of abnormal returns of new issues in a sample of public capital markets is not a good signal of the benefits arising from mandatory disclosure. | Jarrell (1981), Simon (1989). |
| There is a negative association between an index of disclosure level and the cost of capital and debt. | Botosan (1997), Sengupta (1998), Botosan and Plumlee (2002). |
| The commitment to increased disclosure lowers bid-asked spreads and increases trading volume. | Leuz and Verrecchia (2000). |
| Improvements in market liquidity seem to be driven by market-wide trends and unrelated to regulation. | Daines and Jones (2005), Mahoney and Mei (2006). |
| There is little empirical evidence on the link between information, stock price efficiency, and capital allocation. | Durnev et al. (2003), Verdi (2006). |
| Regulation reduces the impact of information disseminated by analysts on prices and a produces a shift in analyst coverage from smaller to larger firms. | Gintschel and Markov (2004), Gomes et al. (2007). |
| Companies do not respond to the regulation by increasing the quality of their disclosures, which is reflected in a higher level of information asymmetry. Regulation implies an increase in the quantity of public information, but it only serves to provide a higher volume of information that is more difficult to interpret. | Heflin et al. (2003), Bailey et al. (2003), Straser (2002). |
| Firms with greater number of analysts covering them and greater institutional ownership are less likely to have conference calls. | Tasker (1998), Bushee et al. (2004). |

**TABLE 14**

*Source: Authors' elaboration*

The analysis of the impacts of fair disclosure regulations has also generated abundant empirical literature. Most of the studies have focused on the following: the so-called *chilling effect* on the quantity and quality of corporate information; the impact of the regulation on the accuracy and the dispersion of the financial analysis, as well as on the level of coverage by analysts; the effect of the regulation on the cost of capital and on the volatility of the share prices; and the incidence of regulation on the symmetry of information among investors of different types. See table 15 for a summary of the main results.

| EMPIRICAL EVIDENCE (VI): IMPACT OF FAIR DISCLOSURE REGULATION | | |
|---|---|---|
| Chilling effect on information | Regulation has no chilling effect on information: Zitzewitz, E. (2002), Bushee et al. (2004). | Regulation has a chilling effect on information: Bushee et al. (2003), Yang and Mensah (2006), Wang (2007), Srinidhi et al. (2009); Koch et al. (2013). |
| Impact on the accuracy of analysts' forecasts | Positive: Mohanram and Sunder (2001), Agrawal and Chadha (2006), Rees and Adut (2005). | No significance or negative: Shane et al. (2001), Heflin et al. (2003), Bailey et al. (2003), Francis et al. (2006), Kwag and Small (2007), Bagnoli et al. (2008). |
| Impact on the dispersion of analysts' forecasts | Significant increases: Mohanram and Sunder (2001), Irani and Karamanou (2003), Bailey et al. (2003). | No significance: Shane et al. (2001), Heflin et al. (2003), Francis et al (2006). |
| Impact on the cost of capital | Declines in medium and large firms: Chen et al. (2010). | No significant change: Duarte et al. (2008). |
| Impact on the return volatility around earnings announcements | Decrease: Shane et al. (2001), Eleswarapu et al. (2004), Heflin et al. (2003), Gintschel and Markov (2004), Gadarowski and Sinha (2007). | No significance or increase: Bailey et al. (2003), Bushee et al. (2003), Francis et al. (2006). |
| Impact on level of information asymmetry reflected in trading cost (bid-ask spreads) | Decrease: Eleswarapu et al. (2003), Chiyachantana et al. (2004), Lee et al. (2004), Ahmed and Schneible (2007). | Neutral or increase: Straser (2002), Sidhu et al. (2008), Koch et al. (2013) through non-material information used to complete the "mosaic" of information-, Bushee et al. (2013). |
| Impact on firms' coverage | Reduction for well-followed firms while: Mohanram and Sunder (2006). | Increase for firms that were less followed prior to regulation: Mohanram and Sunder (2006). |
| Impact on analyst conflicts of interest | Mitigated: Ertimur et al. (2007). | Not mitigated: Mayew (2008). |
| Impact on conference call related behaviour | Regulatory intervention over conference call access on the basis of levelling the information playing field may be unwarranted: Mayew et al. (2013). | Firms tend to either stop holding closed conference calls or to open them: Bushee et al. (2003), Yang and Mensah (2006). |
| Impact on herding behaviour among financial analysts | Neutral: Mensah and Yang (2008). | |
| Impact on good news disclosure | Managers selectively disclose good news: Rogers and Van Buskirk (2008). | Firms reduce the withholding of bad news relative to good news: regulation: Kothari et al. (2009). |

**TABLE 15**

*Source: Authors' elaboration*

## 6. FINAL COMMENTS

For good or ill, it appears that mandatory and fair disclosure regulation is here to stay. A verifiable fact is the widespread support for mandatory regimes, and many countries have adopted or strengthened their mandatory disclosure requirements in the last years. All over the world, regulators impose disclosure duties on companies whose securities are admitted to trading in regulated markets.

The disclosure literature is interlinked with the literature on corporate governance and management incentives which has endogeneity problems, given that there is uncertainty and active debate on how to measure governance quality and incentives.

Much of the debate on the impact of regulation on corporate disclosure to date has focused primarily on the merits and disadvantages of mandatory and fair disclosure in the United States. However, recently, a number of empirical studies analysing the case for Europe have been accumulated[43].

With the advent of the Internet, electronic Business Reporting (eBR) has emerged as a new trend. The Internet became the primary source of financial information for investors. Moreover, the increasing use of social networks (SNs) is starting to change the way in which companies relate to stakeholders. To our best knowledge, Internet or social network reporting scandals have yet to take place in Europe, and, as the history of financial regulation suggests, a higher degree of regulation has almost always resulted from financial scandals. Although securities and market regulation develop in an empirical manner and typically respond to crisis-driven events, it may be time to analyse whether the potential effects of the use of new technologies on corporate disclosure recommend a change in regulation in order to prevent problems such as market manipulation or insider trading among others. So far, the academic literature has paid little attention to this phenomenon. New challenges have arisen from the use of the Internet and social networks, and we believe that there are opportunities for future research that will advance the analysis of the benefits, pitfalls, risks, and drawbacks of the use of new technologies in corporate disclosure.

## REFERENCES

Aboody, D., and Kasznik, R. (2000) "CEO stock options awards and the timing of corporate voluntary disclosures", *Journal of Accounting and Economics,* 29: 73–100.

Admati, A., and Pfleiderer, P. (2000) "Forcing Firms to Talk: Financial Disclosure Regulation and Externalities", *Review of Financial Studies,* 13: 479-515.

Agrawal, A., Chadha, S., and Chen, M. A. (2006) "Who Is Afraid of Reg FD? The Behavior and Performance of Sell-Side Analysts Following the SEC's Fair Disclosure Rules", *The Journal of Business,* 79(6): 2811-2834.

Ahmed, A. S., and Schneible, R. A. (2007) "The impact of regulation fair disclosure on investors' prior information quality—evidence from an analysis of changes in trading volume and stock price reactions to earnings announcements", *Journal of Corporate Finance*, 13(2): 282-299.

Ajinkya, B., and Gift, M. (1984) "Corporate managers' earnings forecasts and symmetrical adjustments of market expectations", *Journal of Accounting Research,* 22: 425–444.

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

[43] Ferrell (2004) has pointed out that regulation may have different impacts in countries with dispersed ownership structures (as is the case in the United States) and in countries with concentrated ownership structures (as is the case in most countries around the world, including those of Continental Europe).

Akerlof, G., (1970) "The market for 'lemons': quality uncertainty and the market mechanism", *Quarterly Journal of Economics,* 90: 629–650.

Ali, A., Chen, T., and Radhakrishnan, S. (2007) " Corporate disclosures by family firms", *Journal of Accounting and Economics,* 44: 238-286.

Amihud, Y., H. Mendelson and Pedersen, L. (2005) "Liquidity and Asset Pricing", *Foundation and Trends in Finance,* 1: 269–364.

Amir, E., and Lev, B. (1996) "Value-relevance of nonfinancial information: the wireless communications industry", *Journal of Accounting and Economics,* 22: 3–30.

Arya, A., Glover, J. Mittendorf B., and Narayanamoorthy, G. (2005) "Unintended consequences of regulating disclosures: The case of Regulation Fair Disclosure", *Journal of Accounting and Public Policy,* 24 (3): 243-252.

Baginski, S. P., Hassell, J. M., and Kimbrough, M. D. (2002) "The effect of legal environment on voluntary disclosure: Evidence from management earnings forecasts issued in U.S. and Canadian markets", *The Accounting Review,* 77: 25-50.

Bagnoli, M., Watts, S. G., and Zhang, Y. (2008) "Reg-FD and the competitiveness of all-star analysts", *Journal of Accounting and Public Policy,* 27(4): 295-316.

Bailey, W., Li, H., Mao, C. X., and Zhong, R. (2003), "Regulation FD and Market Behavior around Earnings Announcements: Is the Cure Worse than the Disease?" *Journal of Finance*: 2487-2514.

Baiman, S., and R. Verrecchia, (1996) "The Relation among Capital Markets, Financial Disclosure, Production Efficiency, and Insider Trading", *Journal of Accounting Research*: 1-22.

Bainbridge, S. M. (2000) "Mandatory disclosure: A behavioral analysis", *University of Cincinnati Law Review*, 68: 1023-1060.

Barnes, J. E. (2012) "Regulation FD Will Result in Poorer Disclosure and Increased Market Volatility", *Pepperdine Law Review*, 29(3): 609-636.

Barry, C. B., and Brown, S. J. (1985) "Differential information and security market equilibrium", *Journal of Financial and Quantitative Analysis*, 20(04): 407-422.

Barry, C.B., and Brown, S.J. (1986) "Limited information as a source of risk", *The Journal of Portfolio Management,* 12: 66–72.

Barth, M., Clinch, G., and Shibano, T. (1999) "International Accounting Harmonization and Global Equity Markets", *Journal of Accounting and Economics,* 26: 201-235.

Basu, S. (1997) "The conservatism principle and the asymmetric timeliness of earnings", *Journal of Accounting and Economics,* 24: 3-37.

Beasley, M. S. (1996) "An empirical analysis of the relation between the board of director composition and financial statement fraud"., *Accounting Review*: 443-465.

Beatty, A., Liao, S., and Yu, J. J. (2013) "The spillover effect of fraudulent financial reporting on peer firms' investments", Journal of Accounting and Economics, 55(2), 183-205.

Beaver, W. (1998) *Financial reporting: an accounting revolution*, Prentice-Hall, Englewood Cliffs, NJ.

Botosan, C. A. (2006) "Disclosure and the cost of capital: what do we know?", *Accounting and business research*, *36*(sup1), 31-40.eaver, W. (1998*) Financial reporting: an accounting revolution*, Prentice-Hall, Englewood Cliffs, New Jersey.

Benston, G. J. (1999) *Regulating financial markets: a critique and some proposals*, American Enterprise Institute. Washington D.C.

Berger, P., and Hann, R. (2003) "The Impact of SFAS 131 on Information and Monitoring, *Journal of Accounting Research,* 41: 163-223.

Beyer, A., Cohen, D. A., Lys, T. Z., and Walther, B. R. (2010) "The financial reporting environment: Review of the recent literature", *Journal of Accounting and Economics*, 50(2): 296-343.

Bhushan, R. (1989) " Firm characteristics and analyst following", *Journal of Accounting and Economics* 11 (2–3): 255–275.

Botosan, C.A. (1997) "Disclosure level and the cost of equity capital", *The Accounting Review,* 72 (3): 323–350.

Botosan, C., and Harris, M. (2000) "Motivations for a change in disclosure frequency and its consequences: An examination of voluntary quarterly segment disclosures", *Journal of Accounting Research,* 38: 329-353

Botosan, C. A. (2006) "Disclosure and the cost of capital: what do we know?", *Accounting and business Research*, 36(sup1): 31-40.

Botosan, C., and Plumlee, M. (2002) "A Re-Examination of Disclosure Level and the Expected Cost of Equity Capital", *Journal of Accounting Research,* 40: 21-40.

Brennan, N. (1999) "Voluntary disclosure of profit forecasts by target companies in takeover bids", *Journal of Business Finance and Accounting,* 26: 883–918.

Brown, S., Lo, K., and Hillegeist, S. (2004) "Conference calls and information asymmetry", *Journal of Accounting and Economics,* 37: 343-366.

Brunnermeier, M. K., (2005) "Information leakage and market efficiency", *Review of Financial Studies,* 18(2): 417-457.

Bushee, B. J., and Noe, C. F. (2000) "Corporate disclosure practices, institutional investors, and stock return volatility", *Journal of Accounting Research*, 38:171-202.

Bushee, B., Matsumoto, D., and Miller, G. (2004) "Managerial and investor responses to disclosure regulation: The case of Reg FD and conference calls", *The Accounting Review,* 79: 617-643.

Bushee, B., Matsumoto, D., and Miller, G. (2003) "Open versus closed conference calls: The determinants and effects of broadening access to disclosure", *Journal of Accounting and Economics,* 34(3): 149-180.

Bushee, B. J., Matsumoto, D. A., and Miller, G. S. (2004) "Managerial and investor responses to disclosure regulation: The case of Reg FD and conference calls", *The Accounting Review*, 79(3): 617-643.

Bushee, B., and Leuz, C. (2005) "Economic Consequences of SEC Disclosure Regulation: Evidence from the OTC Bulletin Board", *Journal of Accounting and Economics,* 39: 233-264.

Bushee, B. J., Jung, M. J., and Miller, G. S. (2013) "Do Investors Benefit from Selective Access to Management?" Available at SSRN 1880149.

Bushman, R. M., and Smith, A. (2001) "Financial accounting information and corporate governance", Journal of Accounting and Economics, 32(1-3): 237-333.

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

Byrd, J. W., and Hickman, K. A. (1992) "Do outside directors monitor managers? Evidence from tender offer bids", *Journal of financial Economics*, 32(2): 195-221.

Carlon, S., Loftus, J. F., and Miller, M. C. (2003) "The challenge of risk reporting: Regulatory and corporate responses", *Australian Accounting Review*, 13(3): 36–51

Chemmanur, T., and Fulghieri, P. (2006) "Competition and Cooperation among Exchanges: A Theory of Cross-Listing and Endogenous Listing Standards", *Journal of Financial Economics,* 82: 455-489.

Chen, S., Chen, X., and Cheng, Q. (2008) "Do family firms provide more or less voluntary disclosure?", *Journal of Accounting Research,* 46: 499-536.

Chen, Z., Dhaliwal, D. S., and Xie, H. (2010) "Regulation fair disclosure and the cost of equity capital", *Review of Accounting Studies*, 15(1): 106-144.

Chen, C., Young, D., and Zhuang, Z. (2012) "Externalities of mandatory IFRS adoption: Evidence from cross-border spillover effects of financial information on investment efficiency", *The Accounting Review*, 88(3): 881-914.

Cheng, Q., and Lo, K. (2006) " Insider trading and voluntary disclosures. *Journal of Accounting Research,* 44: 815-848.

Chiyachantana, C. N., Jiang, C. X., Taechapiroontong, N., and Wood, R. (2004) "The impact of Regulation Fair Disclosure on information asymmetry and trading: An intraday analysis". Available at SSRN 572321.

Choi, S. J., and Guzman, A. T. (1996) "The dangerous extraterritoriality of American securities law". *Northwestern Journal of International Law & Business*, 17: 207.

Christensen, P. O., de la Rosa, L. E., and Feltham, G. A. (2010) "Information and the cost of capital: An ex ante perspective", *The Accounting Review*, 85(3): 817-848.

Clifford, L. (2000) "The SEC Wants To Open The Info Vault Regulation FD sounds great on paper, but will it help investors know more about the companies they own?" Fortune, Nov. 13.

Coffee Jr, J. C. (1984) "Market failure and the economic case for a mandatory disclosure system", *Virginia Law Review*: 717-753.

Cohen, D. (2008) "Does information risk really matter? An analysis of the determinants and economics consequences of financial reporting quality", *Asia-Pacific Journal of Accounting and Economics*, 15: 59-90.

Coles, J. (1988) "Equilibrium Pricing and Portfolio Composition in the Presence of Uncertain Parameters and Estimation Risk", *Journal of Financial Economics,* 22: 279-303.

Coles, J., Loewenstein, U., and Suay, J. (1995) "On Equilibrium Pricing Under Parameter Uncertainty", *The Journal of Financial and Quantitative Analysis,* 30: 347-374.

Core, J. (2001) "A review of the empirical disclosure literature: Discussion, *Journal of Accounting and Economics,* 31: 441-456.

Core, J., Guay, W. and Verdi, R. (2008) "Is accruals quality priced as a factor?", *Journal of Accounting and Economics,* 46: 2-22.

Crawford, V. P., and Sobel, J. (1982) "Strategic information transmission", *Econometrica: Journal of the Econometric Society,* 50(6): 1431-1451.

Daines, R., and Jones, C. (2005) "Mandatory Disclosure, Asymmetric Information and Liquidity: The Impact of the 1934 Act", *Columbia University Working Paper*.

Daly, M. P., and Del Giorno, R. A. (2002) "SEC's New Regulation FD: A Critical Analysis", The St. John's Journal of Legal Commentary, 16: 457.

Darrough, M. N. (1993) "Disclosure policy and competition: Cournot vs. Bertrand", *Accounting Review*: 534-561.

Darrough, M. and Stoughton, N. (1990) "Financial disclosure policy in an entry game", *Journal of Accounting and Economics,* 12: 219–244.

Datta, S., Iskandar-Datta, M., and Raman, K. (2001) "Executive compensation and corporate acquisition decisions", *Journal of Finance*: 2299-2336.

Dechow P., Ge W., and Schrand C, (2009) "Earnings Quality and Earnings Management", *Journal of Accounting and Economics Conference Paper*.

Demski, J. (1973) “The general impossibility of normative accounting standards”, *The Accounting Review,* 48: 718-723.

Dhaliwal, D. S., Spicer, B. H., and Vickrey, D. (1979) “The quality of disclosure and the cost of capital”, *Journal of Business Finance & Accounting*, 6(2): 245-266.

Diamond, D., (1985) “Optimal Release of Information by Firms”, *Journal of Finance* 40: 1071-1094.

Diamond, D. and Verrecchia, R. (1991) “Disclosure, liquidity, and the cost of capital”, *The Journal of Finance,* 66: 1325–1355.

Djankov, S., La Porta, R. Lopez-de-Silanes F., and Shleifer, A. (2003) “Courts”, *Quarterly Journal of Economics,* 118: 453-517.

Dobler, M. (2008) “Incentives for risk reporting—A discretionary disclosure and cheap talk approach”, *The International Journal of Accounting*, 43(2): 184-206.

Duarte, J., Han, X., Harford, J., & Young, L. (2008) “Information asymmetry, information dissemination and the effect of regulation FD on the cost of capital”, *Journal of Financial Economics*, 87(1): 24-44.

Duggan, J. (2001) “Regulation FD: SEC Tells Corporate Insiders to ‘Chill Out’ “, Washington Journal of Environmental Law & Policy, 7: 159.

Durnev, A., Morck, R., and Yeung, B. (2003) “Value Enhancing Capital Budgeting and Firm-Specific Stock Returns Variation”, *Journal of Finance,* 59: 65-106

Durnev, A., and Mangen, C. (2007) “Erroneous Accounting and the Efficiency of Industry Investment”, *McGill University Working Paper*.

Dutta, S., and Trueman, B. (2002) “The interpretation of information and corporate disclosure strategies”, *Review of Accounting Studies*, 7(1): 75-96.

Dye, R. A. (1985) “Disclosure of non-proprietary information”, *Journal of Accounting Research,* 23: 123-145.

Dye, R. A. (1986) “Proprietary and nonproprietary disclosures”, *Journal of Business,* 59: 331-366.

Dye, R. (1990) “Mandatory Versus Voluntary Disclosures: The Cases of Financial and Real Externalities”, *The Accounting Review,* 65: 1-24.

Dye, R. A., and Sridhar, S. S. (2008) “A positive theory of flexibility in accounting standards”, *Journal of Accounting and Economics,* 46: 312-333.

Dye, R. A., and Sunder, S. S. (2001) “Why not allow FASB and IASB standards to compete in the U.S.? *Accounting Horizons,* 15: 257-271.

Easley, D., and M. O’Hara (2004) “Information and the Cost of Capital”, *Journal of Finance,* 59: 1553-1583.

Easterbrook, F. H., and Fischel, D. R. (1984) “Mandatory disclosure and the protection of investors”, *Virginia Law Review*: 669-715.

Easterbrook, F., and Fischel, D. (1991) “The economic structure of corporate law”, *Harvard University Press*, Cambridge, MA.

Easton, P., and Sommers, G. (2007) “Effects of analysts’ optimism on estimates of the expected rate of return implied by earnings forecasts”, *Journal of Accounting Research,* 45: 983–1015.

Eleswarapu, V. R., Thompson, R., and Venkataraman, K. (2004) “The impact of Regulation Fair Disclosure: Trading costs and information asymmetry”, *Journal of Financial and Quantitative Analysis*, 39(02): 209-225.

Ertimur, Y., Sunder, J., and Sunder, S. V. (2007) “Measure for measure: The relation between forecast accuracy and recommendation profitability of analysts”, *Journal of Accounting Research,* 45(3): 567-606.

Fan, J. P., and Wong, T. J. (2002) "Corporate ownership structure and the informativeness of accounting earnings in East Asia", *Journal of Accounting and Economics*, 33(3): 401-425.

Feltham, G., Xie, J. (1992) "Voluntary financial disclosure in an entry game with continua of type", *Contemporary Accounting Research*, 9: 46–80.

Feltham, G., Gigler, F., and Hughes, J. (1992) "The Effects of Line-of-Business Reporting on Competition in Oligopoly Settings", *Contemporary Accounting Research* 9, 1-23.

Ferrell, A., (2003) "Mandated Disclosure and Stock Returns: Evidence from the Over-The-Counter Market", Harvard Law School Working Paper.

Ferrell, A. (2004) "The case for mandatory disclosure in securities regulation around the world", *Harvard Law and Economics Discussion Paper*, 492.

Field, L., Lowry, M. and Shu, S. (2005) "Does Disclosure Deter or Trigger Litigation?", *Journal of Accounting and Economics,* 39: 487-507.

Fields. T., Lys, T. Z. and Vincent, L. (2001) "Empirical Research on Accounting Choice", *Journal of Accounting and Economics,* 31: 255-307.

Fishman, M., and Hagerty, K. (1989) " Disclosure Decisions by Firms and the Competition for Price Efficiency", *Journal of Finance,* 44: 633-646.

Fishman, M., and Hagerty, K. (2003) "Mandatory versus voluntary disclosure in markets with informed and uninformed customers", *The Journal of Law, Economics, and Organization*, 29: 45-83.

Foster, G. (1981) "Intra-Industry Information Transfers Associated with Earnings Releases", *Journal of Accounting and Economics,* 3: 201-232.

Foster, F.D., and Viswanathan, S. (1996) "Strategic trading when agents forecast the forecasts of others", *Journal of Finance,* 51:1437-1478.

Fox, M. B. (2009) "Civil liability and mandatory disclosure", *Columbia Law Review*: 237-308.

Francis, J., Hanna, J., and Philbrick, D. (1998) "Management communications with securities analysts", *Journal of Accounting and Economics,* 24: 363–394.

Francis, J., LaFond, R., Olsson, P., and Schipper, K. (2004) "Costs of Equity and Earnings Attributes", *The Accounting Review,* 79: 967-1010.

Francis, J., LaFond, R., Olsson, P., and Schipper, K. (2005) "The market pricing of accruals quality", *Journal of Accounting and Economics,* 39: 295-327.

Francis, J., Nanda, D., and Wang, X. (2006) "Re-examining the effects of regulation fair disclosure using foreign listed firms to control for concurrent shocks", *Journal of Accounting and Economics*, 41(3): 271-292.

Frankel, R., McNichols, M., and Wilson, G. P. (1995) "Discretionary Disclosure and External Financing", *The Accounting Review,* 70:135-150.

Gadarowski, C., and Sinha, P. (2007) "The efficacy of regulation fair disclosure", *Available at SSRN 877207*.

Gal-Or, E. (1985) "Information sharing in oligopoly", *Econometrica: Journal of the Econometric Society*: 329-343.

Garleanu, N., and Pedersen, L. (2004) "Adverse Selection and the Required Return", *Review of Financial Studies,* 17: 643-665.

Gelb, D., and Zarowin, P. (2000) "Corporate disclosure policy and the informativeness of stock prices", *Working Paper, New York University*, New York, NY.

George, T., Kaul, G., and Nimalendran, M. (1991) "'Estimation of the bid-ask spread and its compotients: a new approach", *The Review of Financial Studies*, 4:623-656.

Gigler, F. (1994) "Self-enforcing voluntary disclosures", *Journal of Accounting Research*, 32: 224–241.

Gintschel, A., and Markov, S. (2004) "The Effectiveness of Regulation FD", *Journal of Accounting and Economics*, 37: 293–314.

Gleason, C., Jenkins, N., and Johnson, W. (2004) "Financial Statement Credibility: The Contagion Effect of Accounting Restatements", *University of Iowa Working Paper*.

Glosten, L., and Milgrom, P. (1985) "Bid, ask and transaction prices in a specialist market with heterogeneously informed traders", *Journal of Financial Economics*, 14: 71-100.

Gomes, A., Gorton, G., and Madureira, L. (2007) "SEC Regulation Fair Disclosure, information, and the cost of capital", *Journal of Corporate Finance*, 13(2): 300-334.

Gonedes, N., Dopuch, N. and Penman, S. (1976) "Disclosure Rules, Information Production, and Capital Market Equilibrium: The Case of Forecast Disclosure Rules", *Journal of Accounting Research (Spring)*, 89-137.

Goshen, Z., and Parchomovsky, G. (2001) "On Insider Trading, Markets, and Negative Property Rights in Information", *Virginia Law Review*, 87: 1229-1277.

Graham, J., Harvey, C., and Rajgopal, S. (2005) "The Economic Implications of Corporate Financial Reporting", *Journal of Accounting and Economics*, 40: 3-73.

Greenstein, M. M., and Sami, H. (1994) "The impact of the SEC's segment disclosure requirement on bid-ask spreads", *Accounting Review*, 68(1): 179-199.

Greenstone, M., Oyer, P., and Vissing-Jorgensen, A. (2006) "Mandated Disclosure, Stock Returns, and the 1964 Securities Acts Amendments", *Quarterly Journal of Economics*, 1221: 399-460.

Gross, D. (2000) "A Little Democracy on Wall Street", N.Y. Times, Oct.23.

Grossman, S. (1981) "The Informational Role of Warranties and Private Disclosure about Product Quality", *Journal of Law and Economics*, 24: 461-483.

Grossman, S. J., and Hart O. D. (1980) "Disclosure Laws and Takeover Bids", *Journal of Finance*, 35: 323-334.

Hail, L. (2003) "The Impact of Voluntary Corporate Disclosures on the Ex Ante Cost of Capital for Swiss Firms", *European Accounting Review*, 11: 741-743.

Han, J., Wild, J., and Ramesh, K. (1989) "Managers Earnings Forecasts and Intra-Industry Information Transfers", *Journal of Accounting and Economics*, 11: 3-33.

Harris, M. (1998) "The Association between Competition and Managers' Business Segment Reporting Decisions", *Journal of Accounting Research*, 36: 111-128.

Hassell, J., and Jennings, R. (1986) "Relative forecast accuracy and the timing of earnings forecast announcements", *The Accounting Review*, 61: 58–76.

Hay, J., and. Shleifer, A. (1998) "Private Enforcement of Public Laws: A Theory of Legal Reform", *American Economic Review*, 88: 398-403.

Hayes, R., and Lundholm, R. (1996) "Segment Reporting to the Capital Market in the Presence of a Competitor", *Journal of Accounting Research*, 34: 261-279.

Healy, P., Hutton, A., and Palepu, K. (1999) "Stock performance and intermediation changes surrounding sustained increases in disclosure", *Contemporary Accounting Research*, 16, 485–520.

Healy, P. M., and 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): 405-440.

Heflin, F., Subramanyam, K. R. and Zhang, Y (2003) "Regulation FD and the Financial Information Environment" *The Accounting Review,* 78: 1-37.

Hermalin, B. E., and Weisbach, M. S. (2001) "Boards of directors as an endogenously determined institution: A survey of the economic literature", *National Bureau of Economic Research, W 8161*.

Hill, M. (2000) "New Rule Aims to Keep Investors in the Know, But Wall Street Analysts Wonder How it Will Affect Their Work," CIn.TRIB, Nov. 21 at C3.

Holden, C.W., and Subrahmanyam, A. (1992) "Long-lived private information and imperfect competition", *Journal of Finance,* 47: 247-270.

Hollander, S., Pronk, M., and Roelofsen, E. (2010) "Does silence speak? An empirical analysis of disclosure choices during conference calls", *Journal of Accounting Research*, 48(3): 531-563.

Huddart, S., Hughes, J. and Brunnermeier, M. (1999) "Disclosure Requirements and Stock Exchange Listing Choice in an International Context", *Journal of Accounting and Economics* 26:237-269.

Institute of Chartered Accountants in England and Wales (ICAEW) (1999) "No surprises: The case for better risk reporting", London.

Irani, A. J., and Karamanou, I. (2003) "Regulation fair disclosure, analyst following, and analyst forecast dispersion", *Accounting Horizons*, 17(1): 15-29.

Jarrell, G. (1981) "The Economic Effects of Federal Regulation of the Market for New Security Issues", *Journal of Law and Economics,* 24: 613-675.

Jarrell, G. A., Brickley, J. A., and Netter, J. M. (1988) "The market for corporate control: The empirical evidence since 1980", *The Journal of Economic Perspectives*: 49-68.

Jensen, M., and Meckling, W. (1976) "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics,* 3: 305–360.

Jensen, M. and Ruback, R. S. (1983) "The market for corporate control: The scientific evidence", *Journal of Financial economics*, *11*(1): 5-50.

Johnson, M., Kasznik, R. and Nelson, K. (2001) "The Impact of Securities Litigation Reform on the Disclosure of Forward-Looking Information by High Technology Firms", *Journal of Accounting Research,* 39: 297-327.

Jorgensen, B. N. and Kirschenheiter, M. T. (2003) "Discretionary risk disclosures", *The Accounting Review,* 78 (2): 449-469.

Jorgensen, B. N. and Kirschenheiter, M. T. (2007) "Voluntary Sensitivity Disclosures", *Working paper Columbia University*.

Jorgensen, B. N., and Kirschenheiter, M. T. (2012) "Interactive Discretionary Disclosures", *Contemporary Accounting Research*, 29(2): 382-397.

Jorion, P. (2002) "How informative are value-at-risk disclosures?", *The Accounting Review*, 77(4): 911-931.

Jovanovic, B. (1982) "Truthful disclosure of information", *Bell Journal of Economics* 13: 36-44.

Jung, W.O. and Kwon, Y.K. (1988) "Disclosure when the market is unsure of information endowment of managers", *Journal of Accounting Research,* 26: 146-153.

Kanodia, C., Mukherji, A., Sapra, H. and Venugopalan, R. (2000) "Hedge disclosures, future prices and production distortions", *Journal of Accounting Research,* 38: 53-82.

Karamanou, I., and Vafeas, N. (2005) "The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis", *Journal of Accounting Research*, 43: 453-486.

Kajüter, P., and Esser, S. (2007) "Risiko- und Chancenberichterstattung im Lagebericht – Eine empirische Analyse der HDAX-Unternehmen", *Zeitschrift für Internationale Rechnungslegung*, 2(6), 381–390.

Kasznik, R., and Lev, B. (1995) "To Warn or Not to Warn: Management Disclosures in the Face of an Earnings Surprise", *The Accounting Review,* 70: 113-134.

Kershaw, D. (2012) *Company law in context: Text and materials*. Oxford University Press.

Kim, O., and Verrecchia, R. (1994) "Market liquidity and volume around earnings announcements", *Journal of Accounting and Economics*, 17: 41–68.

Kim, O., and Verrecchia, R. (2001) "The relation among disclosure, returns, and trading volume information", *The Accounting Review*, 76(4): 633-654.

King, R., Pownall G., and Waymire, G. (1990) "Expectations Adjustments via Timely Management Forecasts: Review, Synthesis and Suggestions for Future Research" *Journal of Accounting Literature*, 9: 113-144.

Kirby, A. (1988) "Trade Associations as Information Exchange Mechanisms", *RAND Journal of Economics*, 19: 138-146.

Klein, A. (2002) "Audit committee, board of director characteristics, and earnings management", *Journal of Accounting and Economics*, 33(3): 375-400.

Kobi, D. C. (2002) "Wall Street v. Main Street: The SEC's New Regulation FD and Its Impact on Market Participants", Indiana Law Journal, 77: 551-614.

Koch, A. S., Lefanowicz, C. E., and Robinson, J. R. (2013) "Regulation FD: A review and synthesis of the academic literature", *Accounting Horizons*, 27(3): 619-646.

Kothari, S. P., Shu, S., and. Wysocki, P. (2009) "Do Managers Withhold Bad News?", Journal of Accounting Research, 47: 241-276.

Kreps, D. (1990) *A course in microeconomic theory*, Princeton University Press, Princeton, New Jersey.

Kumar, P., and Langberg, N. (2009) "Corporate fraud and investment distortions in efficient capital markets", *The RAND Journal of Economics*, 40(1): 144-172.

Kwag, S. W. A., and Small, K. (2007) "The impact of regulation fair disclosure on earnings management and analyst forecast bias", *Journal of Economics and Finance*, 31(1): 87-98.

Lafond, R., and Roychowdhury, S. (2008) "Managerial ownership and accounting conservatism", *Journal of accounting research*, 46(1): 101-135.

Lajili, K., and Zéghal, D. (2005) "Content analysis of risk management disclosures in Canadian annual reports", *Canadian Journal of Administrative Sciences*, 22(2): 125–142.

Lambert, R. (2001) "Contracting Theory and Accounting", *Journal of Accounting and Economics*, 32: 3-87.

Lambert, R., Leuz, C., and Verrecchia, R.(2007) "Accounting Information, Disclosure, and the Cost of Capital", *Journal of Accounting Research*, 45: 385-420.

Lambert, R. A., Leuz, C., and Verrecchia, R. E. (2012) "Information asymmetry, information precision, and the cost of capital", *Review of Finance*, *16*(1): 1-29.

Lanen, W. N., and Verrecchia, R. E. (1987) "Operating decisions and the disclosure of management accounting information", *Journal of Accounting Research* 25:165-189.

Lannoo, K. (2003) "The emerging framework for disclosure in the EU", *Journal of Corporate Law Studies*, 3(2): 329-358.

Lang, M., and Lundholm, R. (1993) "Cross-sectional determinants of analysts ratings of corporate disclosures", *Journal of Accounting Research* 31, 246–271.

Lang, M., and Lundholm, R. (1997), "Voluntary disclosure during equity offerings: reducing information asymmetry or hyping the stock?" *Working Paper, University of Michigan*, Ann Arbor, MI.

Lang, M., and Lundholm, R. (2000) "Voluntary Disclosure and Equity Offerings: Reducing Information Asymmetry Or Hyping the Stock?", *Contemporary Accounting Research,* 17: 623.

Lannoo, K. (2003) "The emerging framework for disclosure in the EU", *Journal of Corporate Law Studies*, 3(2): 329-358.

Lee, C. I., Rosenthal, L., and Gleason, K. (2004) "Effect of regulation FD on asymmetric information", *Financial Analysts Journal*, 60(3): 79-89.

Leftwich, R. (1980) "Market failure fallacies and accounting information", *Journal of Accounting and Economics,* 2: 193–211.

Leone, A., Rock S., and Willenborg, M. (2007) "Disclosure of Intended Use of Proceeds and Underpricing in Initial Public Offerings", *Journal of Accounting Research* 45: 111-115.

Leuz, C. (2004) "Proprietary Versus, Non-Proprietary Disclosures: Evidence from Germany, in: C. Leuz, D. Pfaff, and A. Hopwood eds.: *The Economics and Politics of Accounting*. Oxford University Press, Oxford: 164-197.

Leuz, C., and Verrecchia, R. E. (2000) "The Economic Consequences of Increased Disclosure (Digest Summary)", *Journal of Accounting Research*, 38: 91-124.

Leuz.C., and Oberholzer-Gee, F. (2006) "Political Relationships, Global Financing, and Corporate Transparency: Evidence from Indonesia", *Journal of Financial Economics,* 81: 411-439.

Leuz, C., and Wysocki, P. (2008) "Economic Consequences of Financial Reporting and Disclosure Regulation: A Review and Suggestions for Future Research" *Available at SSRN 1105398*.

Lev, B., and Penman, S. H. (1990) "Voluntary forecast disclosure, nondisclosure, and stock prices", *Journal of Accounting Research*, 28: 49-76.

Levitt, A. (2000) http:llwww.sec.gov/newslextraseldisal.htm.

Li, S. (2010) "Does mandatory adoption of International Financial Reporting Standards in the European Union reduce the cost of equity capital?", *The Accounting Review*, 85(2): 607-636.

Linsley, P. M., and Shrives, P. J. (2000) "Risk management and reporting risk in the UK", *The Journal of Risk*, 3(1): 115–129.

Linsley, P. M., and Shrives, P. J. (2006) "Risk reporting: A study of risk disclosures in the annual reports of UK companies", *The British Accounting Review,* 38(4), 387–404.

Liu, M., and Wysocki, P. (2007) "Cross-sectional determinants of information quality proxies and cost of capital", *Working Paperm MIT Sloan School of Management*.

Macey, J. R. (2003) "Efficient capital markets, corporate disclosure, and Enron", Cornell Law Review, (89): 394-422.

Mahoney, P. G. (1995) "Mandatory disclosure as a solution to agency problems", *The University of Chicago Law Review:* 1047-1112.

Mahoney, P. G., and Mei, J. (2006) "Mandatory vs. contractual disclosure in securities markets: Evidence from the 1930s" in *Contractual Disclosure in Securities Markets: Evidence from the 1930s*.

Marquardt, C., and Wiedman, C. I. (1998) "Voluntary Disclosure, Information Asymmetry, and Insider Selling through Secondary Equity Offerings", *Contemporary Accounting Research*, 15(4): 505-537.

Mayew, W. J. (2008) "Evidence of management discrimination among analysts during earnings conference calls", *Journal of Accounting Research*, 46(3): 627-659.

Mayew, W. J., Sharp, N. Y., and Venkatachalam, M. (2013) "Using earnings conference calls to identify analysts with superior private information", *Review of Accounting Studies*, 18(2): 386-413.

McNichols, M. (1989) "Evidence of informational asymmetries from management earnings forecasts and stock returns", *Accounting Review*, 1:1-27.

Mensah, Y. M., and Yang, R. (2008) "An empirical evaluation of analysts' herding behavior following Regulation Fair Disclosure", *Journal of Accounting and Public Policy*, 27(4): 317-338.

Merton, R. C. (1987) "A Simple Model of Capital Market Equilibrium with Incomplete Information", *Journal of Finance*, 42: 483-510.

Myers, S. C., and Majluf, N. S. (1984) "Corporate financing and investment decisions when firms have information that investors do not have", *Journal of Financial Economics*, 13(2): 187-221.

Milgrom, P. R. (1981) "Good news and bad news: Representation theorems and applications", *The Bell Journal of Economics*: 380-391.

Milgrom, P., and Roberts, J. (1986) "Relying on the information of interested parties", *Rand Journal of Economics*, 17: 18-32.

Miller, G. (2002) "Earnings Performance and Discretionary Disclosure", *Journal of Accounting Research*, 40: 173 - 204.

Miller, G. and Piotroski, J. (2000) "The role of disclosure for high book-to-market firms", *Working paper, Harvard University.*

Miller, D., and Puthenpurackal J. (2002) "The Cost, Wealth Effects, and Determinants of International Capital Raising: Evidence from Public Yankee Bonds", *Journal of Financial Intermediation*, 11:455-485.

Mohanram, P., and Sunder, S. (2001) "Has Regulation Fair Disclosure affected financial analysts' ability to forecast earnings". Unpublished working paper, New York University.

Mohanram, P. S., and Sunder, S. V. (2006) "How Has Regulation FD Affected the Operations of Financial Analysts?" *Contemporary Accounting Research*, 23(2): 491-525.

Monks, R.A.G., and Minow, N. (1995) *Corporate governance* (Basil Blackwell, Cambridge).

Morano, M. (2001) "Reg FD: Its Effects on the Role of Analysts, Market Volatility on Wall Street, and Information Flow from Issuers", Rutgers Law Review, 54: 535.

Nagar, V., Nanda, D., Wysocki, P. (2003) "Discretionary disclosure and stock-based incentives", *Journal of Accounting and Economics*, 34: 283-309.

Newman, P., and Sansing, R. (1993) "Disclosure policies with multiple users", *Journal of Accounting Research*, 31: 92–113.

Ng, J. (2011) "The effect of information quality on liquidity risk", *Journal of Accounting and Economics*, 52(2): 126-143.

Nocera. J. (2000) "No Whispering Allowed; Why the SEC's crackdown on selective disclosure is good news" *Money*, 29 (13): 71-75.

Noe, C. (1999) "Voluntary disclosures and insider transactions", *Journal of Accounting and Economics* 27, 305–327.

Pae, S. (2000) "Information sharing in the presence of preemptive incentives: economic consequences of mandatory disclosure", *Review of Accounting Studies*, 5: 331-350.

Pae, S. (2002) "Discretionary disclosure, efficiency, and signal informativeness", *Journal of Accounting and Economics*, 33: 279-311.

Page, A., and Yang, K. (2005) "Controlling Corporate Speech: Is Regulation Fair Disclosure Unconstitutional". *UC Davis Law Review*, 39: 1-84.

Paredes, T. A. (2003) "Blinded by the light: Information overload and its consequences for securities regulation" *Washington University of Law Quarterly*, 81: 417-481.

Penman, S. H. (1980) "An empirical investigation of the voluntary disclosure of corporate earnings forecasts", *Journal of Accounting Research*,18: 132-160.

Penno, M. C. (1997) "Information quality and voluntary disclosure", *Accounting Review* 72: 275- 284.

Poshakwale, S., and Courtis, J. (2005) "Disclosure level and cost of equity capital: evidence from the banking industry, *Managerial and Decision Economics*, 26:431-44.

Pownall, G., and Waymire, G. (1989) "Voluntary disclosure credibility and securities prices: evidence from management earnings forecasts", *Journal of Accounting Research*, 27: 227–246.

Prodhan, B. K., and Harris, M. C. (1989) "Systematic risk and the discretionary disclosure of geographical segments: an empirical investigation of US multinationals", *Journal of Business Finance & Accounting*, 16(4), 467-485.

Rajan, R. G., and Zingales, L. (1998) "Which capitalism? Lessons form the East Asian crisis", *Journal of Applied Corporate Finance*, 11(3): 40-48.

Rajan, R., and Zingales, L. (2003) "The Great Reversals: The Politics of Financial Development in the 20th Century", *Journal of Financial Economics*, 69: 5-50.

Rajgopal, S. (1999) "Early evidence on the informativeness of the SEC's market risk disclosures: The case of commodity price risk exposure of oil and gas producers", *The Accounting Review*, 74(3): 251–280.

Rees, L., and Adut, D. (2005) "The relative accuracy of analysts' published forecasts versus whisper forecasts surrounding the adoption of Regulation FD", *Advances in Accounting*, 21: 173-197.

Ribstein, L. (2005) "Sarbanes-Oxley after Three Years", *University of Illinois Law & Economics Research Paper*.

Richardson, A., and Welker, M. (2001) "Social disclosure, financial disclosure and the cost of equity capital", *Accounting, Organizations and Society*, 26: 597-616.

Rock, K. (1986) "Why New Issues are Underpriced", *Journal of Financial Economics*, 15: 187-212.

Rock, E., (2002) "Securities Regulation as Lobster Trap: A Credible Commitment Theory of Mandatory Disclosure", *Cardozo Law Review*, 23: 675-704.

Rogers, J. L., and Van Buskirk, A. (2009) "Shareholder litigation and changes in disclosure behavior", *Journal of Accounting and Economics*, 47: 136-156.

Romano, R. (1998) "Empowering investors: a market approach to securities regulation", *Yale Law Journal*: 2359-2430.

Romano, R. (2001) "The need for competition in international securities regulation", *Theoretical Inquiries in Law*, 2(2).

Ross, S. A. (1979) "Disclosure regulation in financial markets: Implications of modern finance theory and signaling theory", *Issues in financial regulation*, 5: 177-202.

Roychowdhury, S., and Sletten, E. (2012) "Voluntary disclosure incentives and earnings informativeness", *The Accounting Review*, 87(5): 1679-1708.

Ruland, W., Tung, S., and George, N. E. (1990) "Factors associated with the disclosure of managers' forecasts", *Accounting Review* 65(3): 710-721.

Russell, S. (2002) "Regulation Fair Disclosure: The Death of the Efficient Capital Market Hypothesis and the Birth of Herd Behavior", *Boston University Law Review*, 82: 527-535

Schrand, C. M., and Verrecchia, R.E. (2005) "Information Disclosure and Adverse Selection Explanations for IPO Underpricing", *Wharton School Working Paper*. Available at SSRN 316824.

Securities Industry Association (2001) "Costs and Benefits of Regulation Fair Disclosure", mimeo.

Securities and Exchange Commission (2000 a) "Selective Disclosure and Insider Trading", Release Nos. 33-7881, 34-43154.

Securities and Exchange Commission (2000b) "Opening statement of Chairman Arthur Levitt. Open meeting on Regulation Fair Disclosure", 10 August.

Seligman, J. (1983) "The Historical Need for a Mandatory Corporate Disclosure System", *Journal of Corporation Law,* 9: 1.

Sengupta, P. (1998) "Corporate Disclosure Quality and the Cost of Debt", *Accounting Review,* 73: 459-474.

Shane, P. B., Soderstrom, N. S., and Yoon, S. W. (2001) "Earnings and price discovery in the post-Reg. FD information environment: A preliminary analysis" in *FD Information Environment: A Preliminary Analysis*.

Shleifer, A. (2005) "Understanding Regulation", *European Financial Management,* 11: 439–451.

Shleifer, A. and Wolfenzon, D. (2002) "Investor protection and equity markets", *Journal of Financial Economics,* 66: 3-27.

Sidak, J. (2003) "The Failure of Good Intentions: the World-com Fraud and the Collapse of American Telecommunications After Deregulation", *Yale Journal of Regulation* 20: 207-267.

Sidhu, B., Smith, T., Whaley, R. E., and Willis, R. H. (2008) "Regulation fair disclosure and the cost of adverse selection", *Journal of Accounting Research*, 46(3): 697-728.

Simon, C., (1989) "The Effect of the 1933 Securities Act on Investor Information and the Performance of New Issues", *The American Economic Review,* 79: 295-318.

Skinner, D. (1993) "The investment opportunity set and accounting procedure choice: preliminary evidence", *Journal of Accounting and Economics,* 17: 407–446.

Skinner, D. (1997) "Earnings disclosures and stockholder lawsuits", *Journal of Accounting and Economics,* 23: 249–283.

Sletten, E. (2012) "The effect of stock price on discretionary disclosure", *Review of Accounting Studies*, 17(1): 96-133.

Smith, C., and Warner, J. (1979) "On financial contracting: an analysis of bond covenants", *Journal of Financial Economics,* 7: 117–161.

Solomon, J. F., Solomon, A., Norton, S. D., and Joseph, N. L. (2000) "A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform", *The British Accounting Review,* 32(4): 447–478.

Srinidhi, B., Leung, S., and Jaggi, B. (2009) "Differential effects of regulation FD on short-and long-term analyst forecasts", *Journal of Accounting and Public Policy*, 28(5): 401-418.

Stocken, P. C. (2000) "Credibility of voluntary disclosure", *The RAND Journal of Economics*: 359-374.

Stoll, H. (1989) "Inferring the components of the bid-ask spread: theory and empirical tests", *Journal of Finance,* 44: 115-134.

Straser, V. (2002) "Regulation Fair Disclosure and Information Asymmetry," *University of Notre Dame, Working paper.*

Suijs, J. (2005) "Voluntary disclosure of bad news", *Journal of Business Finance and Accounting*, 32: 1423-1435.

Suijs, J. (2007) "Voluntary disclosure of information when firms are uncertain of investor response", *Journal of Accounting and Economics*, 43: 391-410.

Talosig III, P. (2003) "Regulation FD-Fairly Disruptive-An Increase in Capital Market Inefficiency", *Fordham Journal of Corporate & Financial Law*, 9: 637.

Tasker, S. C. (1998) "Bridging the information gap: Quarterly conference calls as a medium for voluntary disclosure", *Review of Accounting Studies*, 3(1-2): 137-167.

Thompson, R. B., and King, R. (2001) "Credibility and information in securities markets after Regulation FD". *Washington University of Law Quarterly*, 79: 615.

Verdi, R. (2006) "Information Environment and the Cost of Equity Capital", *MIT Sloan School of Management Working Paper*.

Verrecchia, R. E. (1983) "Discretionary disclosure", *Journal of Accounting and Economics*, 5: 179-194.

Verrecchia, R. (2001) "Essays on Disclosure", *Journal of Accounting and Economics*, 32: 97-180.

Wagenhofer, A. (1990) "Voluntary disclosure with a strategic opponent", *Journal of Accounting and Economics*, 12: 341–364.

Vives, X. (1984) "Duopoly information equilibrium: Cournot and Bertrand", *Journal of Economic Theory*, 34: 71-94.

Wang, I. (2007) "Private earnings guidance and its implications for disclosure regulation", *The Accounting Review*, 82: 1299-1332.

Watts, R., and Zimmerman, J. (1986) *Positive Accounting Theory*. Prentice-Hall, Englewood Cliffs, New Jersey.

Waymire, G. (1984) "Additional evidence on the information content of management earnings Forecasts", *Journal of Accounting Research*, 22: 703–719.

Waymire, G. (1986) "Additional evidence on the accuracy of analyst forecasts before and after voluntary management earnings forecasts", *The Accounting Review*, 61: 129–143.

Welker, M. (1995) "Disclosure policy, information asymmetry and liquidity in equity markets", *Contemporary Accounting Research*, 11: 801–828.

Xu, T., Najand, M., and Ziegenfuss, D. (2006) "Intra-Industry Effects of Earnings Restatements Due to Accounting Irregularities", *Journal of Business Finance & Accounting*, 33: 696-714.

Yang, R., and Mensah, Y. M. (2006) "The effect of the SEC's regulation fair disclosure on analyst forecast attributes", *Journal of Financial Regulation and Compliance*, 14(2): 192-209.

Zitzewitz, E. (2002) "Regulation Fair Disclosure and the private information of analysts", *Available at SSRN 305219*.

# Normas para publicar en Análisis Financiero

La revista “Análisis Financiero” editada por el Instituto Español de Analistas Financieros es una referencia fundamental para los profesionales del análisis financiero y para los investigadores de los departamentos de finanzas de las Universidades a quienes va dirigido. Además, se ha convertido en punto de encuentro entre la experiencia y la visión que del mercado tienen destacados profesionales del mundo financiero y la investigación generada por profesores y catedráticos de economía financiera. La línea editorial que se ha seguido en estos años ha sido la de aunar el rigor técnico con la utilidad práctica, camino por el que se va a profundizar en los próximos números.

## TRABAJOS QUE PUBLICA ANÁLISIS FINANCIERO

Análisis Financiero publica trabajos teóricos, empíricos y ensayos que tengan una aplicación dentro del ámbito de las finanzas corporativas, los mercados financieros y sus instituciones, el gobierno corporativo, y otros temas que enriquezcan el conocimiento del análisis financiero. Por tanto, admite originales con aportaciones teóricas bien fundamentadas; trabajos empíricos bien motivados desde un punto de vista teórico; avances en la aplicación práctica de los anteriores; y ensayos que muestren ideas, enfoques o métodos de análisis novedosos. Todos los anteriores deben referirse al objeto de la revista y deberán tener una utilidad para la mejora del análisis y la valoración en el ámbito financiero y corporativo. Todos los trabajos recibidos, que cumplan las condiciones mencionadas, serán previamente revisados de forma anónima por dos evaluadores externos especialistas en el tema tratado.

## REMISIÓN DE LOS TRABAJOS Y EVALUACIÓN ANÓNIMA POR PARES

Los trabajos enviados para su eventual publicación podrán estar redactados en idioma español o en inglés, deberán ser inéditos, y no estarán sometidos a proceso de aceptación o publicación en otro medio.
Los originales deberán ser enviados en Word a la dirección de correo electrónico analisisfinanciero@ieaf.es siguiendo las instrucciones que se indican más abajo y que también se pueden consultar en la página web de la revista. Las fases del proceso de publicación son las siguientes:

1. El autor recibirá una confirmación de la recepción de su trabajo.
2. El Comité de Redacción analizará si el trabajo cumple los aspectos formales. Si no los cumple se devolverá al autor para que lo adapte.
3. El Comité de Redacción enviará el trabajo a dos evaluadores anónimos escogidos de entre los expertos conocedores del tema del trabajo. Este proceso de evaluación tendrá un plazo máximo de tres meses. La respuesta puede ser: Aceptado, Aceptado con modificaciones de forma, Aceptado con modificaciones de fondo y Rechazado. Si hay una fuerte discrepancia entre los evaluadores se recurrirá a un tercero (que emitirá su juicio en el plazo de un mes).
4. Se comunicará el resultado de la evaluación al autor para que, en su caso, modifique el trabajo y lo reenvíe a la Revista para su comprobación (deberá adjuntar un documento explicativo de los cambios). Si el Comité de Redacción lo considera necesario se volverá a enviar a los mismos evaluadores para que emitan un nuevo informe.
5. Una vez cumplidos los requisitos de fondo y forma del trabajo se comunicará a su autor el número de la Revista en el que será publicado.

## REGLAS DE PRESENTACIÓN Y ESTILO

Los originales remitidos no deberán exceder de 30 páginas mecanografiadas a doble espacio, incluyendo el texto, cuadros, gráficos, notas y referencias bibliográficas.
La primera página debe contener la siguiente información: a) el título del trabajo; b) el nombre y apellidos del autor o autores; c) la Universidad, institución o empresa, y el país al que ella pertenece; d) la dirección de correo electrónico de cada autor; e) en el caso de trabajos con más de un autor, se incluirá el nombre, dirección, teléfono y mail del autor de contacto; y f) a píe de página se incluirán los agradecimientos.
La segunda página incluirá el título del trabajo, un resumen con un máximo de 150 palabras y las palabras clave (entre tres y cinco). Todos ellos deberán estar en español e inglés. Así como los códigos JEL a los que se adscribe el trabajo.
Los manuscritos se escribirán a doble espacio, con márgenes de 2,5 centímetros y tipo de letra Arial 12. Todas las páginas deberán estar numeradas correlativamente a excepción de las dos primeras. Las referencias bibliográficas, tablas y gráficos deben escribirse en páginas separadas al final del texto. Las tablas y gráficos deberán estar numerados y hacer referencia a ellos en el texto (si no fuesen originales, deberá figurar obligatoriamente la fuente de la que proceden). Las notas deberán colocarse a pie de página, numeradas correlativamente en números arábigos.
Las referencias se citarán con el sistema Harvard. Cuando aparece el nombre de un autor en el texto la fecha se inserta ente paréntesis inmediatamente después del nombre. Por ejemplo: Myers (1984), o bien si son dos autores: Jensen y Meckling (1976). Si son más de dos: Cox et al. (1979).
Las referencias se incluirán al final del texto bajo el nombre de Referencias bibliográficas. Sólo podrán aparecer aquellas referencias previamente citadas en el texto. Deberán estar ordenadas alfabéticamente por autores de la siguiente forma:

– Para libros o monografías:
  Fama, E. and Merton, M., 1972: *The Theory of Finance*. Dryden Press. Hinsdale (IL.).

- Para artículos:
  Jensen, M. y Meckling, W., 1976: Theory of the firm: Managerial behavior, agency costs and ownership structure, *Journal of Financial Economics* 3, 305-360.
- Capítulo de libro:
  Arnot, R., 1998: Investment Strategy, en: Bernstein, p. y Damodaran, A., eds. Investment Management, John Wiley. Nueva York 230-250.
- Documento en Internet:
  Vélez-Pareja, I., 2003: Optimal Portfolio Selection: A Note, Working Paper, Disponible en http://papers.ssrn.com/sol3/papers.cfm?abstract_id=234883 [consultado 5 de noviembre de 2009].

Es importante que el lenguaje en el que se escribe el artículo sea comprensible para facilitar la difusión de las ideas expuestas entre el público al que va dirigida esta revista. Por ello, en la medida de lo posible, los autores deben evitar en el texto las expresiones matemáticas y cuando se incluyan deben ir numeradas y acompañadas de una explicación de las mismas. Las demostraciones necesarias se incluirán en un Apéndice.

A efectos de normalizar los trabajos y facilitar su comprensión se recomienda que haya un epígrafe inicial de Introducción, donde se expliquen los antecedentes y el propósito del trabajo y uno final de Conclusiones, donde se resuman claramente las aportaciones del trabajo para el análisis financiero (objeto de la revista). Después aparecerán las Referencias bibliográficas y los Apéndices.

La decisión de publicar los originales recibidos corresponde al Consejo de Redacción después de analizar los informes de los evaluadores (dos, al menos) y de que el trabajo se ciña a los temas que trata la revista.

## ÉTICA DE LA PUBLICACIÓN Y DECLARACIÓN DE MALAS PRÁCTICAS

Los autores deben remitir una carta de presentación dirigida al Comité de Redacción indicando:

a) **Originalidad del material.** Declaración de que el contenido del artículo es original y que no ha sido publicado previamente ni está enviado ni sometido a consideración a cualquier otra publicación, en su totalidad o en alguna de sus partes. Análisis Financiero no considerará para su publicación manuscritos que estén remitidos simultáneamente a otras revistas, ni publicaciones redundantes o duplicadas, esto es, artículos que se sobrepongan sustancialmente a otro ya publicado, impreso o en medios electrónicos. En este sentido, es obligación de los autores dar información sobre cualquier publicación previa o duplicada o la presentación de cualquier parte del trabajo en otra revista o medio de difusión. Estas restricciones no son aplicables a los resúmenes publicados de comunicaciones, ponencias o conferencias presentados en reuniones científicas nacionales o internacionales. Los autores deben ser conscientes que no revelar que el material sometido a publicación ha sido ya total o parcialmente publicado constituye un grave quebranto de la ética científica. Del mismo modo, los autores que reproduzcan en su artículo materiales publicados previamente (texto, tablas o figuras) son los responsables de obtener los oportunos permisos para reproducir en Análisis Financiero dichos materiales. Los autores deberán haber obtenido autorización escrita tanto del autor como de la editorial que ha publicado este material y remitir copia de las mismas a Análisis Financiero.

b) **Responsabilidades de los autores.** Los autores están obligados a participar en el proceso de revisión por pares. Los autores están obligados a mostrar una lista de referencias en sus trabajos (el plagio está en contra de la ética científica). Los autores deben decir si el trabajo ha tenido algún tipo de apoyo financiero, que implique algún tipo de conflicto de intereses. Asegurarán que los datos utilizados en la investigación son reales y auténticos (no fraudulentos). Están obligados a proporcionar retracciones o correcciones de errores.

c) **La revisión por pares / responsabilidad de los revisores.** Sus juicios deben ser objetivos y totalmente confidenciales. Los revisores no deben tener ningún conflicto de intereses con respecto a la investigación. Los revisores deben destacar los trabajos pertinentes publicados, que no aparezcan citados en el trabajo que han revisado.

d) **Responsabilidades de los editores.** Los editores de Análisis Financiero tienen completa responsabilidad y la autoridad para rechazar / aceptar un artículo. No tendrán ningún conflicto de intereses con respecto a los artículos que se rechazan / aceptan. Los editores sólo aceptarán un trabajo cuando estén razonablemente seguros de que los errores encontrados se han eliminado o corregido; si no, promoverán la publicación de la corrección o retracción. El anonimato de los evaluadores está garantizada.

## ACEPTACIÓN DE LAS NORMAS Y PROPIEDAD INTELECTUAL

La remisión de trabajos a la dirección de la Revista supone explícitamente la aceptación de las presentes bases de selección y evaluación, así como los resultados de la misma. Los artículos publicados quedan en propiedad del Instituto Español de Analistas Financieros (IEAF), que administra los derechos de reproducción y copia de los mismos.

**IDENTIFICACIÓN BIBLIOGRÁFICA:** – Título: Análisis Financiero – ISSN: 0210-2358 – Años comienzo publicación: 1973 – Periodicidad: Cuatrimestral – Editor: Instituto Español de Analistas Financieros – Dirección postal del Editor: Avda. del Brasil, 17 - 3ºA-B. 28020-Madrid – Bases de datos que la indexan: EconLit, Latindex, EBSCO, ISOC, Dice, In-Recs, Dialnet. Compludoc – Clasificación Unesco: 531102 Gestión Financiera – Clasificación JEL: G-Financial Economics – Clasificación Decimal Universal: 336, 336.7 – Área de conocimiento: Economía Financiera y Contabilidad

Envío de trabajos

Los trabajos se enviarán por correo electrónico en formato Word a la dirección: analisisfinanciero@ieaf.es
La decisión de publicar los originales recibidos corresponde a los Directores de la revista y, en su caso, al Consejo Editorial.

# Rules for publication in Análisis Financiero

The magazine "Análisis Financiero" published by the Spanish Institute of Financial Analysts is an essential reference for professionals of the financial analysis and for researchers of financial economics departments in universities to whom it may concern. In addition, it has become a meeting point between the experience and the vision of the market that the outstanding professionals of the financial world have, as well the research generated by teachers and professors of financial economics. The editorial line that has been followed in recent years has been the one to combine the technical precision with practicality, in a way that is to deepen in future issues.

### WORKS THAT ANALISIS FINANCIERO PUBLISHES

Análisis Financiero publishes theoretical and empirical works as well as essays that have an application inside the field of corporate finance, financial markets and its institutions, corporate governance and other issues that enrich the knowledge of financial analysis. Therefore, it admits originals with well-founded theoretical contributions, empirical works that are well motivated from a theoretical point of view, advances in the practical application of the foregoing and essays that show ideas, approaches or novel methods of analysis. All of the above mentioned, should relate to the subject of the magazine and they must have utility for improving the analysis and valuation in the financial and corporate scope. All received works that meet the conditions previously mentioned will be reviewed anonymously by two external experts in the topic.

### SUBMISSION OF WORKS

Papers submitted for possible publication can be drafted in Spanish or English language, they must be unpublished, and not subject to process of acceptance or publication elsewhere.
The originals should be sent in Word or PDF, to the email address analisisfinanciero@ieaf.es , following the instructions below that are also available on the website of the magazine. The phases of the publishing process are the following:

1. The author will receive a confirmation of receipt of their work.
2. The Drafting Committee will consider whether the work meets the formal aspects. If not it will be returned to the author to adapt.
3. The Drafting Committee will send the work to two anonymous referees chosen among experts on the subject of work. This evaluation process will have a maximum of three months. The answer may be Approved, Approved with modifications of form, Approved with substantive changes, and Rejected. If there is a strong discrepancy between the reviewers will use a third blind peer reviewer (who shall deliver its judgment within one month).
4. The result of the evaluation will be send to the author, if applicable, modify the work and forward it to the Journal for verification (must attach a document explaining the changes). If the Drafting Committee deems necessary, it will be resubmitted to the same evaluators to issue a new report.
5. After satisfying the requirements of form and substance of the work the number of the Journal in which it will be published will be communicated to the author.

### RULES OF PRESENTATION AND STYLE

Manuscripts submitted should not exceed 30 double-spaced typewritten pages, including text, tables, graphs, notes and bibliographic references.
The first page should contain the following information: a) the title of the paper, b) the complete name of the author/s, c) the university, institution or corporation, and the country it belongs, d) the e-mail of the authors, e) for papers with more than one author, it must be included the name, address, telephone and mail of the contact author, and f) a footnote will be included with the acknowledgments.
The second page will include the title, an abstract with a maximum of 150 words and keywords (three to five). All of them should be in Spanish and English. JEL codes.
The manuscripts will be written double-spaced, with margins of 2.5 cm and font Arial 12. All pages should be correlatively numbered except for the first two. The bibliographical references, tables and graphs should be typed on separate pages at the end of the text. Tables and figures should be numbered and refer to them in the text (if they were not original, be provided the source from which they come). The notes shall be placed as footnotes, numbered consecutively in Arabic numerals.
References will be quoted in the Harvard system. When the name of an author appears in the text, the date is inserted in parentheses immediately after the name. For example, Myers (1984), or if there are two authors: Jensen and Meckling (1976). If more than two: Cox et al. (1979).
References will be included at the end of the text, under the name of Bibliographic References. Only those references previously quoted in the text may appear. They should be alphabetically arranged by authors as follows:

– For books or monographs:
  Fama, E. and Merton, M. 1972: *The Theory of Finance*. Dryden Press. Hinsdale (ill.).
– For articles:
  Jensen, M. and Meckling, W., 1976: Theory of the Firm: Managerial behavior, agency costs and ownership structure, *Journal of Financial Economics* 3, 305-360.

– Book chapters:
  Arnot, R., 1998: Investment Strategy, in: Bernstein, P. and Damodaran, A. eds. Investment Management, John Wiley. New York 230-250.
– Internet document:
  Vélez-Pareja, I., 2003: Optimal Portfolio Selection: A Note, Working Paper, available at http://papers.ssrn.com/sol3/ papers.cfm?abstract_id=234883 [accessed November 5, 2009].

It is important that the language in which you write the article is understandable to facilitate the dissemination of the exposed ideas among the audience addressed by this journal. Therefore, as far as possible, authors should avoid mathematical expressions in the text and when included they should be numbered and accompanied by an explanation of them. The demonstrations shall be included in an Appendix.

In order to standardize the works and facilitate the understanding it is recommended that there is an initial section of introduction, which explains the background and purpose of the work, and a last one with the conclusions, which clearly summarizes the contributions of the work for financial analysis (purpose of the magazine). The References and Appendices will appear later.

The decision to publish the manuscripts received corresponds to the Editorial Board after considering the reports of the evaluators (two, at least) and checking that the work sticks to the topics covered in the magazine.

## PUBLICATION ETHICS AND MALPRACTICE STATEMENT

The authors must send an introduction letter to the Editing Committee of the journal indicating the following:

a) **Publication and Authorship.** A declaration that the content of the article is original and that it has not been published previously nor has it been submitted for consideration to any other publication, in whole or in part. Análisis Financiero does not consider manuscripts that have been simultaneously submitted to other journals, redundant or duplicate publications for publication; that is, articles that substantially coincide with another work that is already published, printed, or in electronic media. In this regard, it is the authors' responsibility to provide information on any previous or duplicated publication or the presentation of any part of the work in another journal or means of communication. These restrictions are not applicable to summaries published in reports, papers, or domestic or international scientific meetings. The authors must be aware of the fact that failure to reveal that the material submitted for publication has already been completely or partially published constitutes a serious violation of scientific ethics. In the same manner, authors who reproduce previously published materials in their article (text, tables, or images) are responsible for obtaining the necessary permission to reproduce these materials in Análisis Financiero. The authors must have obtained written authorization from both the author as well as the editorial staff that has published this material and supply a copy of these authorizations to Análisis Financiero.
b) **Author's responsibilities**. Authors are obliged to participate in peer review process. Authors are obliged to show a list of references in their papers (plagiarism is against the scientific ethics). Authors must say if the paper has had any financial support showing no conflict of interests exist about it. They will assure the data used in the research are real and authentic (not fraudulent). They are obliged to provide retractions or corrections of mistakes.
c) **Peer review / responsibility for the reviewers**. Judgments should be objective and fully confidential. Reviewers should have no conflict of interest with respect to the research. Reviewers should point out relevant published work, which is not yet cited.
d) **Editorial responsibilities.** Editors of Análisis Financiero have complete responsibility and authority to reject/accept an article. They will not have conflict of interest with respect to articles they reject/accept. Editors will only accept a paper when they are reasonably certain that errors found have been removed or corrected, and if not they will promote publication of correction or retraction. Anonymity of reviewers is guaranteed.

## ACCEPTANCE OF RULES AND INTELLECTUAL PROPERTY

The referral of works to the direction of the Journal provides explicit acceptance of these rules of selection and evaluation, and the results thereof. The articles published are property of the Spanish Institute of Financial Analysts (IEAF), which administers copyrights and copies of them.?

**BIBLIOGRAPHIC IDENTIFICATION:** – Title: Financial Analysis – ISSN: 0210-2358 – Years beginning publication: 1973 – Frequency: Quarterly – Editor: Spanish Institute of Financial Analysts – Editor's Address: Avenida del Brasil, 17 to 3 º A-B. 28020-Madrid – Databases that index: EconLit, Latindex, EBSCO, ISOC, Dice, In-Recs, Dialnet. Compludoc – Unesco Classification: 531,102 Financial Management – JEL Classification: GFinancial Economics – Universal Decimal Classification: 336, 336.7 – Area of expertise: Financial Economics and Accounting

Submission of works

The works will be sent by e-mail in Word to the following address: analisisfinanciero@ieaf.es

The decision to publish the originals corresponds to the Director and, where appropriate, to the Editorial Board