

# MANDATED DISCLOSURE, STOCK RETURNS, AND THE 1964 SECURITIES ACTS AMENDMENTS\*

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## Abstract

We estimate the effects of the last major imposition of mandatory disclosure in US equity markets. The 1964 Securities Act Amendments required a group of firms traded over the counter (OTC) to periodically provide audited balance sheets, audited profit and loss statements, proxy information prior to shareholder meetings, and details on insider holdings and trades to their shareholders for the first time. This legislation left unchanged the disclosure requirements of all NYSE, all AMEX, and some OTC firms. When we use these unaffected groups as a counterfactual for the affected firms, we find that those firms that were newly required to make all types of disclosures required by the 1964 Act had a cumulative abnormal excess return of approximately 13% in the approximately year and a half between the initial calls for legislative action and the law's passage. In that same time period, firms for which proxy and insider information were the only new mandated forms of disclosure had a (marginally statistically significant) cumulative abnormal excess return of 6%-9%. In contrast, there is little evidence of a difference between the adjusted returns of affected and unaffected firms in a two year period subsequent to the law's passage.

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