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The Effect of Corporate Disclosure Regulation on Managers' Private Communications

Finance Working Paper N° 635/2019
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Abstract

The SEC adopted Regulation FD (Reg FD) to address the selective disclosure by issuers of material nonpublic information. Selective disclosure results in information asymmetries that undermine investor confidence in the capital markets. At the same time, Reg FD can chill information disclosure in private meetings between corporate officials and analysts and result in less informed market pricing. Maintaining the balance between effective enforcement and adequate issuer disclosure presents a distinctive regulatory challenge. In the SEC's first high-profile lawsuit seeking to enforce Reg FD, it failed to persuade the court that Reg FD had been violated in private meetings between managers and analysts. We examine the impact of the court's ruling on information disclosure and provide empirical evidence suggesting that selective disclosure from managers to financial analysts increased significantly after the decision. We also find that our evidence is likely to be driven by both increased selective disclosure of material information in violation of Reg FD and increased selective disclosure of non-material information within the bounds of Reg FD. In exploratory analyses, we investigate the mechanism responsible for this change by surveying and interviewing law firm partners who advise corporate officials regarding Reg FD compliance. Collectively, our results highlight how the anticipated costs of regulatory enforcement affect information flow in the private meeting context.

Keywords: Corporate Disclosure Regulation, Managers' Private Communications, SEC Enforcement Threat, Siebel Systems Case, Regulation Fair Disclosure

JEL Classifications: M40, M48, K22, K42

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Abstract: The SEC adopted Regulation FD (Reg FD) to address the selective disclosure by issuers of material nonpublic information. Selective disclosure results in information asymmetries that undermine investor confidence in the capital markets. At the same time, Reg FD can chill information disclosure in private meetings between corporate officials and analysts and result in less informed market pricing. Maintaining the balance between effective enforcement and adequate issuer disclosure presents a distinctive regulatory challenge. In the SEC's first high-profile lawsuit seeking to enforce Reg FD, it failed to persuade the court that Reg FD had been violated in private meetings between managers and analysts. We examine the impact of the court's ruling on information disclosure and provide empirical evidence suggesting that selective disclosure from managers to financial analysts increased significantly after the decision. We also find that our evidence is likely to be driven by both increased selective disclosure of material information in violation of Reg FD and increased selective disclosure of non-material information within the bounds of Reg FD. In exploratory analyses, we investigate the mechanism responsible for this change by surveying and interviewing law firm partners who advise corporate officials regarding Reg FD compliance. Collectively, our results highlight how the anticipated costs of regulatory enforcement affect information flow in the private meeting context.

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The Effect of Corporate Disclosure Regulation on Managers' Private Communications

1. Introduction

Disclosure regulation and enforcement focus primarily on public disclosures through securities filings, press releases, and public statements by corporate officials. Corporations and corporate officials also disclose extensive information privately, however, through communications between officials and analysts in private meetings. Private meetings offer companies expansive opportunities to communicate because their specific disclosures often are not directly observable and because only a select few market participants are invited (Bowen et al. 2020; Durney 2021). A number of studies emphasize the importance of private meetings for conveying significant market-sensitive information (see, e.g., Soltes and Solomon 2015; Bengtzen 2017; Bowen et al. 2020; Cai and Qi 2020). At the same time, private meetings can cause investors to lose confidence in the integrity of the markets as "a privileged few gain an informational edge -- and the ability to use that edge to profit -- from their superior access to corporate insiders, rather than from their skill, acumen, or diligence." (SEC 2000). These findings underscore the importance of examining the impact on information flow to the capital markets of enforcing corporate disclosure regulations that affect communication in private meetings.

The Securities & Exchange Commission (SEC) adopted Regulation Fair Disclosure (Reg FD) to police disclosure in the private meeting context. Reg FD does so by prohibiting corporations and corporate officials from engaging in selective disclosure, thereby privileging communications that are made publicly. Despite its intended application, private meetings between corporate officials and analysts continue. Moreover, the enforcement of Reg FD has been challenged, most specifically by the high-profile 2005 Siebel Systems decision, in which a federal judge rejected the SEC's attempt to impose liability for statements by a corporate official in private meetings with investors that, according to the SEC, contrasted with the company's public statements.

The Siebel Systems case presented a critical test for the impact of Reg FD on information flow. Using the Siebel Systems case as our empirical setting, we examine the flow of information

from corporations to analysts. We do so by examining changes in the informativeness of analyst earnings forecasts and stock recommendations (hereafter, analyst outputs) after the Siebel decision. We use a sample of analyst outputs issued from September 1, 2004, to August 31, 2006, the two-year period around the court's ruling. Using Gintschel and Markov's (2004) approach, we find that the effect on absolute daily stock returns due to analyst outputs is significantly greater in the one-year period after the court's ruling than that in the one-year period before the court's ruling. The magnitude of the effect is a 0.09 percent absolute daily stock return, which is economically meaningful given that our sample firms' public disclosures (earnings announcements, management forecasts, and 8-Ks) generate 0.76 percent absolute daily stock returns.

To mitigate the concern that our results are driven by an unspecified time trend, we perform a pseudo-event test (e.g., Kross and Suk 2012). We divide the sample period into three non-overlapping eight-month sub-periods (Sept. 1, 2004 – April 30, 2005; May 1, 2005 – December 31, 2005; and January 1, 2006 – August 31, 2006), and use January 1, 2005 and May 1, 2006 as pseudo-event dates for the first and third sub-periods, respectively. As expected, for the pseudo-event dates, we do not observe a significant change in the informativeness of analyst outputs. However, for the second sub-period with the actual date of the court's ruling, September 1, 2005, as the event date, we find results similar to that for the full sample.

To rule out an alternative explanation that the observed change in the informativeness of analyst outputs around the court's ruling is due to other contemporaneous macroeconomic events, we use ADR firms as controls (Francis, Nanda, and Wang 2006; Koch, Lefanowicz, and Robinson 2013). ADR firms are not subject to Reg FD and as expected, we find an insignificant increase in market response to analyst outputs of ADR firms after the court's ruling. Further, using a difference-in-differences research design, we find that the increase in the informativeness of analyst outputs after the court's ruling is significantly greater for U.S. firms than for ADR firms,

We then show that the increase in the informativeness of analysts' outputs after Siebel is greater when analysts mention in their report that they recently met with management (Brochet et

al. 2014). The evidence suggests that analyst reports are more informative after Siebel, at least in part, due to increased selective disclosure in private meetings between management and analysts.

Next, we examine whether the increased selective disclosure to analysts after the Siebel decision contains material information using the following three cross-sectional tests. First, selective disclosures made to analysts prior to Reg FD 8-K filings are likely to be material, given that Reg FD 8-K filings must be furnished within 24 hours following managers' unintentional selective disclosure of *material* non-public information (Campbell et al. 2021). Second, firms with higher litigation risk are more likely to provide voluntary disclosure (especially of bad news), and are therefore less likely to have material non-public information (e.g., Brown, Hillegeist, and Lo 2005; Cao and Narayanamoorthy 2011) to selectively disclose to analysts. Third, firms with better governance are likely to be more careful in complying with Reg FD (i.e., not disclosing material information privately) and thus are less likely to be affected by a weaker threat of enforcement from the SEC after Siebel. Consistent with the notion that the Siebel decision resulted in an increase in selective disclosure of *material* non-public information to analysts, we find that the increase in the informativeness of analyst outputs is greater when made within two days prior to Reg FD 8-K filings and is smaller for firms with higher litigation risk and for firms with better governance.

We also provide evidence suggesting that the increased selective disclosure to analysts after the Siebel decision could contain non-material information as well, consistent with the mosaic theory. This theory states that managers can disclose immaterial information to analysts that may become material when combined with analysts' other information. Thus, our observed increase in the informativeness of analyst outputs does not necessarily indicate that managers are more inclined to violate Reg FD after the Siebel case. Our tests specifically show that the increase in the informativeness of analyst outputs after the Siebel decision is significantly less pronounced for outputs issued by rookie analysts, outputs issued by analysts who recently started covering a firm,

and outputs about relatively new firms. In all these cases, analysts possess limited information about firms to help them piece together a mosaic with non-material private information.

Additional analyses suggest several other characteristics of the increased selective discourse in the post-Siebel period. First, such disclosure made prior to Reg FD 8-K filings most likely contains financial information. Such disclosure also is more likely to contain positive information. Furthermore, such disclosure is more likely to be made to more than just one or two analysts. Also, we do not find significant evidence that the post-Siebel increase in selective disclosure to institutional investors, documented by Allee et al. (2022), is channeled through analysts. Finally, we show that selective disclosure decreased after Reg FD implementation, consistent with the evidence in Gintschel and Markov (2004), and that the increased level of selective disclosure after Siebel is not significantly different than the level during the pre-Reg FD period. Also, the increased level of selective disclosure lasts for about five years after Siebel, but becomes significantly smaller in the subsequent five-year period, perhaps because of SEC enforcement activity, which had dramatically slowed after the Siebel decision, increased significantly after about five years.

To further investigate the mechanism by which this selective disclosure might be occurring, we survey and interview law firm partners who have both specific expertise in Reg FD and familiarity with the Siebel case. Although our archival results suggest an increase in the informativeness of analyst outputs, they do not allow us to clearly show the mechanism for this effect,[1] because the very nature of private meetings prevents us from directly documenting the information disclosed in such settings.[2] Our survey results indicate that securities lawyers perceive

[1] Currently, companies are not required to disclose publicly the discussions in their private meetings with analysts or investors (Soltes 2018). Soltes (2014), Solomon and Soltes (2015), and Park and Soltes (2019) overcome this data limitation to some extent by obtaining proprietary records of private meetings from one or two companies. They are able to address several interesting questions with that data. However, due to potential legal concerns with possessing records of management's responses, they could not obtain permission to analyze information that was disclosed by management (cf. Park and Soltes 2019).

[2]We note that prior studies on the effect of Reg FD also rely on indirect evidence. Studies that address whether Reg FD reduced private disclosure by firms of non-public information to analysts arrive at their conclusions by examining the change in the properties of analysts' forecasts and analysts' workload (Gintschel and Markov 2004; Mohanram and Sunder 2006; Kross and Suk 2012). Studies that address the existence of private disclosures of non-public information under Reg FD by firms to analysts, also rely on indirect evidence. For example, Green et al. (2014)

that the post-Siebel increase in the informativeness of analyst outputs is driven at least in part by increased information flow between managers and analysts in private meetings. Our interviews with the securities lawyers support the notion that the Siebel ruling granted more comfort to managers in private meetings, reducing the chilling effect of Reg FD on corporate communications and increasing overall information flow.

We note that corporate officials may naturally have a preference to communicate at least some information in private meetings because they face greater potential liability for publicly communicating information, particularly optimistic information, under SEC Rule 10b-5, if that information turns out to be incorrect. This liability can be enforced by private litigants through class actions in addition to SEC enforcement actions. Indeed, studies have found that corporate officials' use of optimistic tone in public disclosures can subject them to increased litigation risk (Rogers et al. 2011; Cazier et al. 2019). In contrast, corporate officials are unlikely to be subject to 10b-5 liability for statements made *privately* both because such disclosures are made to a limited audience, rendering them unsuitable for a class-action lawsuit, and because a private claim would require proof by the plaintiffs that the private disclosures materially altered the total mix of information available, proof that would implicitly concede that the plaintiffs had received material non-public information.[3]

Our study contributes to the literature by providing evidence on how case law has affected private disclosure in the post-Reg FD environment. Specifically, our archival evidence suggests that the Siebel decision resulted in a significant increase in the informativeness of analyst outputs, presumably due to an increase in private information leakage to analysts. This is important in understanding the effectiveness of Reg FD in "leveling the playing field." To complement this main contribution, we also investigate a plausible mechanism for this effect. The Siebel decision revealed the inherent difficulty associated with regulating information flow between corporate

examine whether access to management at broker-hosted investor conferences is associated with more informative research output by analysts.

[3] If plaintiffs acknowledged receiving material non-public information and traded on that information, they would face potential liability for illegal insider trading.

officials and analysts in the context of private meetings, because private information leakage is difficult to document and even more difficult to police through enforcement. Our survey results and interviews with securities lawyers indicate that Siebel reduced the chilling effect of Reg FD and reduced the concern of corporate officials that information conveyed in private meetings would be subject to SEC enforcement. Overall, our findings suggest that the informativeness of private communication between managers and analysts increased significantly after the Siebel decision, thereby reducing the effectiveness of Reg FD in reducing information asymmetries.[4]

Our study also has implications for how SEC enforcement threats affect managers' actions. Kedia, Koh, and Rajgopal (2015) show that while firms are more likely to manage earnings following the public announcement of a restatement by peer firms, the contagion is absent when the restating firm is disciplined by the SEC and its shareholders. Also, using a cross-listed foreign firm sample, Silvers (2016) show that SEC enforcement actions against a foreign firm for financial misconduct such as financial misstatements disciplines managers at non-targeted peer foreign firms. We extend this line of research by examining the effect of SEC enforcement threats in the context of private communication and Reg FD. Unlike the SEC's disciplinary actions against financial statement misstatements where the information is publicly disclosed and thus the contagion and disciplining effects take place in each of the specific account levels in financial statements (Kedia et al. 2015), information communicated in private meetings is publicly unobservable and Reg FD enforcement actions rarely include hard evidence. As such, findings in Kedia et al. (2015) from the public disclosure setting may not generalize to SEC enforcement threat in the Reg FD setting. Additionally, our empirical setting is unique because it is an SEC's enforcement failure due to a federal court's decision, thereby capturing both a reduction in the enforcement threat and an increase in uncertainty about SEC's subsequent enforcement actions.

[4] Several recent studies show that private communication with management remains an important source of information for analysts (see, e.g., Green et al. 2014; Solomon and Soltes 2015; Bushee, Gerakos, and Lee 2018; Campbell et al. 2021). These studies typically use sample periods that are post-2005. The significantly greater difficulty faced by SEC in curbing private communication after the 2005 Siebel Systems decision could be an important factor driving the results of these studies.

Thus, our findings can speak to the effect of change in the mean as well as the variance of SEC enforcement threat.

The rest of the paper is organized as follows. Section 2 describes Reg FD and the Siebel decision, Section 3 discusses prior studies, Section 4 presents the results of our empirical analyses, Section 5 presents and discusses our survey and interviews with law firm partners, and Section 6 concludes.

2. Regulation FD and the Siebel Decision

Regulation FD

The SEC adopted Reg FD on August 10, 2000, with the goal of reducing information asymmetry in the market. The regulation was intended to respond to the Supreme Court's decision in *SEC. v. Dirks*, which held that a research analyst who received material non-public information from a corporate insider was not liable for insider trading unless the insider's tip constituted a breach of his fiduciary duty. The rule was highly controversial. Although many commentators believed the rule would level the playing field for small investors, others expressed concern that it would have a chilling effect on the flow of information from issuers to the market (Kobi 2002).

One reason for this concern was uncertainty about the applicable standard of materiality. As adopted, Reg FD prohibits selective disclosure of material information. The rule did not define materiality, however; instead, it incorporated a fairly vague judicially promulgated definition that has been extensively criticized.[5] To assist firms in assessing materiality, the SEC provided detailed interpretive guidelines, which included identifying seven categories of information that "have a higher probability of being considered material" (see, e.g., SEC 1999, 2000; Maco 2000; Walker 2000). Thus, issuers who engage in private communication with analysts and investors after the adoption of Reg FD have the difficult task of determining the extent to which the words and

[5] Disclosure regulations under the U.S. federal securities laws and Reg FD define information as material if "there is a substantial likelihood that the information would have been viewed by a reasonable investor as having significantly altered the total mix of information made available" based on the U.S. case laws, *TSC Industries v. Northway Inc.* (1976) and *Basic, Inc. v. Levinson* (1988).

conduct of corporate officials during those meetings could be interpreted as conveying material non-public information.

The Siebel Decision

Following its adoption of Reg FD and prior to the U.S. federal district court's ruling on *SEC v. Siebel Systems, Inc.* on September 1, 2005, the SEC brought two related enforcement actions (Hanley 2003; Fisch 2013). Notably, these early actions were resolved through settlement, so they did not involve judicial evaluations of the conduct at issue. First, in 2002, the SEC penalized Siebel Systems, Inc. and its CEO for selectively disclosing material non-public information using optimistic statements. Specifically, the SEC charged that during a public earnings call on October 17, 2001, the CEO characterized the IT market as "soft" and stated that "things will be quite tough through the remainder of the year." At an invitation-only technology conference on November 5, 2001, however, the CEO stated to nearly 200 attendees that "we are pretty optimistic about what we're seeing at this time…we're seeing a return to normal behavior in IT buying patterns," without making a simultaneous public disclosure. The SEC deemed the selective disclosure to be material by noting that the CEO's statements affected trading behavior, stock price, and trading volume.[6]

Second, in 2003, the SEC penalized Schering-Plough and its CEO for selectively disclosing negative material non-public information to financial analysts. Specifically, during the week of September 30, 2002, Schering-Plough's CEO and senior vice president of investor relations met privately with analysts and portfolio managers of four investment companies. The SEC charged that at each of the meetings with the investment companies, "through a combination of spoken language, tone, emphasis, and demeanor," Schering-Plough's CEO disclosed negative material non-public information regarding the firm's earnings prospects. As in the Siebel case, the statements by Schering-Plough's CEO resulted in trading by meeting attendees, a stock price

[6] See *SEC v. Siebel Systems, Inc.* (SEC 2002) for more details. The SEC's complaint and administrative proceeding are available here: https://www.sec.gov/litigation/admin/34-46896.htm; https://www.sec.gov/litigation/litreleases/lr17860.htm.

decline of more than 17 percent, and increased trading volume. Through the enforcement action, the SEC reinforced its view about the role that various forms of communication can play in a Reg FD violation (Hanley 2003).

The SEC's approach to addressing selective disclosure was challenged, however, when in 2005, the U.S. Federal District Court for the Southern District of New York dismissed the SEC's (second) lawsuit brought against Siebel Systems.[7] The SEC alleged that the CFO Kenneth Goldman selectively disclosed material non-public information in private investor meetings. The SEC noted that prior to the meetings, the company publicly provided a negative outlook about the company's business activity, whereas, at the meetings, Goldman provided an optimistic outlook, which materially contrasted with the negative tone of the company's public disclosures.

The SEC's allegations were based on two private meetings in New York between officials at Siebel Systems, Inc., Kenneth A. Goldman, Siebel's CFO, and Mark Hanson, a senior executive, and investors. The first was a one-on-one meeting with Alliance Capital Management. The second was an invitation-only dinner hosted by Morgan Stanley. At these private meetings, Goldman made statements that, in the view of the SEC, more positively characterized the company's business activity and sales pipeline.

The investors that attended the meetings promptly purchased the company's stock, and its price increased by 8% (see Figure 1), fueled by trading volume that was nearly double the average daily volume for the preceding 12 months (see Figure 2). Immediately following the CFO's comments, two Alliance portfolio managers who attended the meeting placed orders to purchase 114,200 shares of the company's stock. Prior to the meeting, the portfolio managers had not held the stock for approximately 12 months in the funds that they managed. Within 24 hours after the meeting, Alliance Capital Management's net position on Siebel stock increased by 222,400 shares. At least two of the attendees at the Morgan Stanley dinner bought the company's stock the next morning, and Morgan Stanley disseminated the CFO's positive statements to select investors. For

[7] SEC v. Siebel Sys., Inc., 384 F. Supp. 2d 694 (S.D.N.Y. 2005).

example, a Morgan Stanley institutional sales trader called a client and said that the Morgan Stanley "analyst's take" on the dinner was "the body language was positive…the pipeline is building and expected to grow," and characterized the information as "positive data points." Morgan Stanley also communicated the CFO's positive comments by e-mail to hundreds of investors, many of whom bought Siebel stock the following morning, May 1, 2003.

On September 1, 2005, the court held that the SEC had been too aggressive in charging Siebel with violating Reg FD. The court focused on a close reading of the text of the official's statements to conclude that his private disclosures were "equivalent in substance to the information publicly disclosed [by the company]."[8] Explaining that "The regulation does not prohibit persons speaking on behalf of an issuer, from providing mere positive or negative characterizations, or their optimistic or pessimistic subjective general impressions, based upon or drawn from the material information available to the public," the court concluded that Reg FD required a material difference between the company's public statements and those made in the private meetings, and that there was no material difference in the case before it.

The court's ruling in Siebel Systems revealed the difficulty associated with using enforcement actions pursuant to Reg FD to limit selective disclosures. First, in the context of private meetings, there is typically no transcript or verbatim record of the information conveyed. Second, the court ruled that SEC's approach places an "unreasonable burden" on managers. Third, Siebel conveyed to market participants the message that a significant stock price reaction or trading activity by select investors following a private meeting was not, by itself, sufficient to demonstrate that Regulation FD had been violated. The court specifically held that "Although stock movement is a relevant factor to be considered in making the determination as to materiality, it is not, however, a sufficient factor alone to establish materiality."[9] The decision thus appeared

[8] Siebel at 704.

[9] Siebel at 707.

to recognize that communications through private meetings could result in a level of information asymmetry without being actionable under Reg FD.

Siebel was both a high-profile decision and the first opportunity for a court to weigh in on the scope of behavior covered by Reg FD. As a result, the court case generated national attention even in its preliminary stages (Page and Yang 2005). The Chamber of Commerce of the United States filed an *amicus brief* in support of Siebel's motion to dismiss.[10] A group of 24 securities law professors filed *amicus briefs* in opposition to the motion. The court's ruling was promptly and widely publicized by major news media outlets.[11] In reporting on the decision, the Wall Street Journal described it as "closely watched" and quoted a practitioner as characterizing the decision as "a big warning shot across the bow of the SEC" (Solomon 2005). Subsequent commentary described Siebel as a "landmark" decision and noted that in the two years following the decision, the SEC did not bring another Reg FD enforcement action (Morgan 2007).

3. Related Literature

Reg FD has been the subject of extensive empirical study. Initial studies of its effect found that the regulation succeeded in significantly reducing selective disclosure of non-public information to analysts (see, e.g., SEC 2001; Gintschel and Markov 2004; Mohanram and Sunder 2006; Wang 2007; Kross and Suk 2012). More recent studies show, however, that private communication with management remains an important source of non-public information for analysts (see, e.g., Soltes 2014; Green et al. 2014; Solomon and Soltes 2015; Bushee et al. 2018; Campbell et al. 2021). Brown et al. (2015, 2016, 2019) report survey data documenting the significance of private meetings to investor relations officers, buy-side investors, and sell-side analysts. Additionally, the average investor relations officer participates in more than 230 private meetings per year (Durney 2021). Solomon and Soltes (2015) report that when investors meet

[10] Available here: http://www.uschamber.com/nclc/caselist/briefsrtoz.htm. The Chamber and others argued that Reg FD was an unconstitutional restriction of free speech. See Norris (2005).
[11] The Wall Street Journal (Solomon 2005), the New York Times (Labaton 2005), the Washington Post (Johnson 2005), and the Financial Times (Parker 2005) featured the ruling the next day.

privately with management, they make more informed trading decisions. Recent studies suggest ambiguity concerning the nature of the information that managers may disclose privately (Soltes 2018; Asay, Clor-Proell, and Durney 2022). Our paper builds on these by demonstrating how the Siebel ruling likely affected not just the willingness of managers to meet privately but also the informativeness of those meetings.

A contemporaneous study by Allee, Bushee, Kleppe, and Pierce (2022) corroborates our results. Allee et al. conclude, as do we, that the Siebel decision increased selective disclosure by managers. The Allee et al. (2022) paper relies on a different empirical approach, documenting increased informed trading by transient institutional investors after Siebel.[12] Our findings complement theirs in that we show that informativeness of analysts' reports increased significantly after the Siebel decision, especially in the private meeting context, presumably because of an increase in selective disclosure by managers to financial analysts.

We supplement our findings with exploratory survey and interview results that highlight a potential causal mechanism for this increase – a reduction in the chilling effect of Reg FD that led corporate officials to be less guarded in their communications to analysts. We explore this mechanism more in section 5.

4. Empirical Analyses

Research Design

To address the effect on U.S. firms' selective disclosure behavior due to the Siebel Systems decision, we examine change in the flow of non-public information from managers to analysts, by following an approach that is similar to Gintschel and Markov (2004). Their study examines whether the flow of private information from managers to analysts decreases following the passage

[12] Note that prior studies that examine the effects of Reg FD also tend to focus on the effect on just one type of market participant at a time. The findings of these studies then reinforce each other's conclusions. For example, to document the effectiveness of Reg FD, a set of studies examined changes in financial analyst outputs (e.g., Arya, Glover, Mittendorf, and Narayanamoorthy 2005; Gintschel and Markov 2004; Irani and Karamanou 2003; Mohanram and Sunder 2006) whereas others investigated changes in equity investor behavior (e.g., Ke, Petroni, and Yu 2008; Li, Radhakrishnan, Shin, and Zhang 2011; Sinha and Gadarowski 2010).

of Reg FD by estimating the change in the incremental absolute stock returns around analyst outputs. We estimate the following model to examine the change in the informativeness of analyst outputs following the court's ruling in Siebel:

$$ABS\_RET_{i,t} = \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t + \varepsilon \quad (1)$$

where $ABS\_RET_{i,t}$ is absolute stock returns of firm *i* on day *t*. $FIRM\_PUBLIC\_DISC_{i,t}$ equals one for firm *i* on day *t* if a trading day is within [0, +1] days of one or more public disclosures, specifically, earnings announcements, management earnings guidance, and 8-K filings, and zero otherwise. $ANALY\_OUT_{i,t}$ equals one for firm *i* on day *t* if that day is within the [-1, +1] window of at least one analyst earnings forecast or stock recommendation that is not issued within two days following the firm's earnings announcements, management earnings guidance, and 8-K filings, and $ANALY\_OUT_{i,t}$ equals zero otherwise (Gintschel and Markov 2004). $POST\_RULING_t$ equals one if day t is after the court ruling in Siebel Systems on September 1, 2005, and zero otherwise. Standard errors are two-way clustered at the firm and trading day levels in all regressions.[13]

To determine the window for measuring the information content of analyst outputs, Gintschel and Markov (2004) examine stock market reactions on each of -10 to +5 days around analyst outputs for their two-year sample period around the implementation of Reg FD in 2000. They find that absolute standardized stock returns are significantly positive for each of the -5, -4, -3, -2, -1, 0, and +1 days around analyst information output. Accordingly, they use [-5, +1] days window around each analyst output to measure the information content of analyst outputs. We carry out a similar analysis for the two-year sample period around the U.S. federal district court's ruling in Siebel on September 1, 2005. We find that the absolute standardized stock market reactions are

[13] Results are robust to a two-step estimation process that is used in Gintschel and Markov (2004). Results are also robust to standardizing daily stock returns to a mean of zero and a standard deviation of one of each firm's time-series of daily stock returns over the two-year sample period.

significantly positive for each of the days -1, 0, and +1 around analyst outputs. Thus, we use [-1, +1] days window around analyst outputs to examine the change in the information content of analyst outputs due to the court's ruling.[14]

In Equation (1), α captures absolute daily stock returns for days without public firm disclosures and analyst outputs. β_1 captures the incremental absolute stock returns due to public firm disclosures, and β_2 captures the incremental absolute stock returns due to analyst outputs. The coefficient on POST_RULING, β_3, captures the change from before to after the court's ruling in the absolute stock returns for days without analyst outputs and public firm disclosures. The coefficient on ANALY_OUT x POST_RULING, β_4, captures the change in the incremental absolute stock returns due to analyst outputs following the court's ruling. If the flow of private information from managers to analysts increases after the court's ruling, then we expect β_4 in Equation (1) to be positive.

Data and Sample

Panel A of Table 1 reports the sample selection procedure and Panels B and C of Table 1 provide descriptive statistics. The sample includes stocks traded in U.S. stock markets with analyst earnings forecasts and stock recommendations available from September 1, 2004, to August 31, 2006, in International Brokers' Estimate System (IBES). Following Gintschel and Markov (2004), we require each stock to have at least one analyst earnings forecast and at least one stock recommendation in each of the one-year periods before and after the court's ruling on September 1, 2005. We also require each stock to have a complete series of daily stock returns over the sample period, which includes 505 trading days, available in CRSP. We exclude stocks with missing data in Compustat for net sales, total assets, and market capitalization, for the fiscal year 2003. Our final sample contains 3,065 unique stocks and 1,547,825 (= 3,065 stocks x 505 trading days) daily stock returns observations. Panel B of the table reports that the mean (median) of daily absolute

[14] The three-day window has been commonly used in the literature (e.g., Francis and Soffer 1997; Lin and McNichols 1998; and Park and Stice 2000). In any case, our results are robust to using alternate windows.

stock returns, ABS_RET, is 0.0155 (0.0105). The mean value of FIRM_PUBLIC_DISC is 0.1014, suggesting that 10.14% of the 1,547,825 firm-date observations in our final sample have at least one public firm disclosure within [-1, 0] days. The mean value of ANALY_OUT is 0.1832, suggesting that 18.32% of observations in our final sample have within [-1, +1] days at least one analyst earnings forecast or one stock recommendation that is not issued within two days following a firm's public disclosure.

Main Results

Table 2 reports results for the test of change in the informativeness of analyst outputs after the court's ruling. Panel A reports the regression results of the base model (Equation 1). The coefficients on FIRM_PUBLIC_DISC and ANALY_OUT are positive and significant, consistent with significant stock price reaction to firms' public disclosures and to analysts' outputs. Further, the coefficient on ANALY_OUT x POST_RULING is positive and significant, 0.09 (t-statistic = 5.36), suggesting that the information content of analyst outputs increased after the court's ruling. Moreover, the magnitude of the effect is economically meaningful given that for our sample, firms' public disclosures (earnings announcements, management forecasts, and 8-Ks) generate absolute daily stock returns of 0.76 percent. This finding is consistent with managers significantly increasing selective disclosure to analysts after the court's ruling.[15] This change in managers' disclosure behavior implies that the ruling revised market participants' beliefs about the difficulty the SEC would face in the future in policing private communication.[16]

Panel B of Table 2 reports the results of robustness tests. Column (1) presents regression results of Equation (1) after including FIRM_PUBLIC_DISC x POST_RULING. This term controls for any change in the informativeness of public disclosures following the court's ruling.

[15] Brown et al. (2015) note based on their survey of analysts that "*private* communication with management is a more useful input to analysts' earnings forecasts and stock recommendations than their own primary research, recent earnings performance, and recent 10-K and 10-Q reports."

[16] These results stand in contrast to the conclusion offered by Bushee, Jung, and Miller (2011) that managers do not disclose new information in private meetings.

We find that the coefficient on FIRM_PUBLIC_DISC x POST_RULING is insignificant, and the coefficient on ANALY_OUT x POST_RULING remains positive and significant, 0.0009 (t-statistic = 5.51), and is very similar to that in Table 2.[17]

Column (2) reports the results of the model that defines the dependent variable, ABS_RET, as the absolute value of stock market returns on the date of analyst output issuance, instead of the [-1,+1] window used in Panel A. The results are robust to the alternate definition of ABS_RET.[18] Because analysts may take more than just two days to issue analyst outputs following a firm's public disclosure (e.g., earnings announcements), we check the sensitivity of our results to defining ANALY_OUT as taking the value of 1 only when there are no earnings announcements, management earnings guidance, and 8-K filings within five days (instead of 2 days used previously) prior to analyst outputs. Column (3) shows that our results are robust to this alternate definition of ANALY_OUT.

Tests of Time Trend and Contemporaneous Events Unrelated to Siebel Decision

Time Trend

To mitigate the concern that our main results may be driven by a time trend, we perform a pseudo-event test and report the results in Panel A of Table 3. We divide our two-year sample period into three non-overlapping eight-month sub-periods: i) the first sub-period is from September 1, 2004 to April 30, 2005, and is entirely before the court's ruling; ii) the second sub-period straddles the court's ruling, and is from May 1, 2005 to December 31, 2005; and iii) the third sub-period is from January 1, 2006 to August 31, 2006, and is entirely after the court's ruling. Column (2) reports results for the second sub-period, with the actual date of the court's ruling, i.e., September 1, 2005, as the event date. The coefficient on ANALY_OUT x POST_RULING is

[17] Our results are robust to the inclusion of FIRM_PUBLIC_DISC x POST_RULING in all the other models in the paper, and the coefficient on this term is always insignifant. Thus, for brevity, we do not include this term when we report other models in the paper.

[18] Our results are also robust to using the [-5,+1] window to measure ABS_RET. This window is used in Gintschel and Markov (2004).

0.0008 (t-statistic = 3.57), suggesting a significant increase in the information content of analyst outputs from the four-month period before to the four-month period after the court's ruling. This result is similar to that for the full sample period. Columns (1) and (3) of Table 3 report results for the first and third sub-periods, with January 1, 2005, and May 1, 2006, as pseudo-event dates, respectively. We find an insignificant change in the information content of analyst outputs from the period before to the period after the pseudo-event dates. These results suggest that the increase in the informativeness of analyst outputs after the Siebel decision is unlikely to be driven by a time trend.[19]

ADR Firms as Controls

To address the concern that our results may be driven by contemporaneous macroeconomic events or a systemic change in disclosure practices unrelated to the Siebel decision, we use ADR firms as controls. ADR firms are not subject to Reg FD, so their disclosure practices should be unaffected by the Siebel decision (Francis et al. 2006).[20] In Column (1) of Panel B of Table 3, we present results from estimating Equation (1) for ADR firms. The coefficient on ANALY_OUT x POST_RULING is insignificant. This finding mitigates the concern that the change in the informativeness of analyst output after the Siebel decision is driven by other contemporaneous macroeconomic events.[21]

In Column (2) of Panel B of Table 3, we use a difference-in-differences (DiD) research design to corroborate our above conclusion. The sample includes both U.S. and ADR firms. The coefficient on ANALY_OUT x POST RULING x TREAT is positive and significant, 0.0010 (t-statistic = 2.02), where TREAT equals one for U.S. firms, and zero otherwise. This result suggests

[19] In untabulated tests, we find that our results are robust to using even shorter sample periods – i.e., three months and two months before and after the court's ruling.

[20] Koch et al. (2013) discuss whether ADR firms are effective controls to examine the effects of Reg FD, particularly since ADR firms may voluntarily adopt Reg FD-like policies. However, this concern is less relevant in our setting because we focus on the weakening of the threat of enforcement due to the Siebel Systems case and the same threat of enforcement does not exist for ADR firms to begin with.

[21] The results are similar to that in Table 2 when we restrict our sample to only U.S. firms.

that the increase in the informativeness of analyst outputs after the court's ruling is significantly greater for U.S. firms than for ADR firms. Thus, our results for US firms are unlikely to be driven by other macroeconomic events concurrent to the court's ruling.

Analyst Outputs Explicit about Management Meetings

To further investigate whether the increase in the informativeness of analyst outputs after the court's ruling is due to selective disclosure, we examine whether the increase is greater when analysts indicate in their reports that they recently met with management (Brochet et al. 2014). We hand collect this data by following the procedure in Brochet et al. (2014). Specifically, from the Thomson ONE database, we retrieve all analyst reports that were issued between September 1, 2004 and August 31, 2006 and that include one of the following words subsequent to an instance of "company" or "management": "meeting," "visit," or "tour." We manually check whether these reports mention any recent meeting with management prior to their issuance. We then use the corporate names in the analyst reports and Compustat to merge the hand-collected data with our main sample. Using the merged sample, we estimate the following equation:

$$\begin{aligned} ABS\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times MGMT\_MEETING_{i,t} \\ & + \beta_6 ANALY\_OUT_{i,t} \times MGMT\_MEETING_{i,t} \times POST\_RULING_t + \varepsilon \end{aligned} \quad (2)$$

For firm-date observations with $ANALY\_OUT_{i,t}$ equal to one, $MGMT\_MEETING_{i,t}$ equals one for firm *i* on date *t* if at least one analyst report issued in the [-1,+1] window indicates a meeting with management. The mean value for MGMT_MEETING is 0.003, and it is around 2% (=0.003/0.1832) of the mean value for ANALY_OUT.[22] Table 4 shows that the coefficient on

[22] This descriptive statistic is consistent with that for the *Meeting with Management* variable in Table 5 of Brochet et al. (2014). They also report that around 2% of analyst reports are explicit about meeting with management.

ANALY_OUT x MGMT_MEETING x POST_RULING is significantly positive, 0.0012 (t-statistic = 1.99), suggesting that the increase in the informativeness of analyst outputs following the court's ruling is more pronounced when analyst reports include a reference to a recent meeting with management. This result further supports the notion that the increase in the informativeness of analyst outputs after the court's ruling is due to managers' selective disclosure to analysts in private meetings.

We also note that the coefficient on ANALY_OUT x MGMT_MEETING is significantly negative, -0.0023 (t-statistic = -5.76), indicating that in the pre-Siebel period, analyst reports that mention management meetings are less informative. This finding suggests that in the pre-Siebel period, when it was presumably easier for the SEC to bring Reg FD violation charges for selective disclosures, managers might have discouraged analysts from mentioning private meetings in their reports, especially if management disclosed non-public information in the meeting. Moreover, in the pre-Siebel period, analysts are more likely to have mentioned in their reports their meetings with management when non-public information was not disclosed. Consequently, the informativeness of analyst reports that mention meetings with management in the pre-Siebel period would be relatively less. However, after the Siebel ruling, managers were presumably less concerned about analysts' mentioning in their reports the private meetings in which they made selective disclosure. Thus, the increase in the informativeness of analyst outputs after the Siebel ruling is greater when analysts mention their private meetings with management in their reports.

Materiality of Increased Selective Disclosure after Siebel

Increased Selective Disclosure of Material Information

Campbell et al. (2021) show that managers tend to disclose information selectively prior to public disclosure through Reg FD 8-K filings. Reg FD 8-K filings have to be furnished within 24 hours following managers' selective disclosure of *material* non-public information. Thus, selective disclosures made to analysts prior to Reg FD 8-K filings are likely to be material (Campbell et al.

2021).[23] To test whether the increase in the informativeness of analyst outputs following the court's ruling is due to increase in selective disclosure of material non-public information, we examine whether the increase is more pronounced for analyst outputs issued just prior to Reg FD 8-K filings. Specifically, we estimate the following equation:

$$\begin{aligned} ABS\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times BEFORE\_FD8K_{i,t} \\ & + \beta_6 ANALYT\_OUT_{i,t} \times BEFORE\_FD8K_{i,t} \times POST\_RULING_t + \varepsilon \end{aligned} \quad (3)$$

For firm-date observations with $ANALY\_OUT_{i,t}$ equal to one, $BEFORE\_FD8K_{i,t}$ equals one if the analyst output(s) is issued prior to Reg FD 8-K filings, and equals zero otherwise.[24] Thus, the coefficient on ANALY_OUT x BEFORE_FD8K x POST_RULING in Equation (3) captures the effect of the court's ruling on private disclosure to analysts prior to Reg FD 8-K filings. The mean value for BEFORE_FD8K is 0.005, which is 3% (=0.0005/0.1832) of the mean value for ANALY_OUT. Column (1) in Panel A of Table 5 shows that the coefficient on ANALY_OUT x BEFORE_FD8K x POST RULING is positive and significant, 0.0017 (t-statistic = 2.17), indicating that the increase in the informativeness of analyst outputs after the court's ruling is more pronounced for analyst outputs that are issued when managers are more likely to selectively disclose material non-public information (Campbell et al. 2021).[25] Thus, we conclude that the

[23] Campbell et al. (2021) incorporate press releases in addition to Reg FD 8-K filings because managers can disclose material information in other ways. However, Campbell et al. note that 33 percent of their sample firms do not issue any press releases during the nine trading-day window surrounding the 8-K filing date, and another 41 percent of their sample firms issue a press release on the same day as the 8-K filing. Thus, we believe that our assumption that Reg FD 8-K filings publicly disclose material information and selective disclosures made to analysts prior to Reg FD 8-K filings are likely to be material is reasonable.

[24] For this particular test, we define ANALY_OUT slightly differently. $ANALY\_OUT_{i,t}$ equals one for firm i on day t if that day is within the [-1, +1] window of at least one analyst earnings forecast or stock recommendation that is not issued within two days following the firm's earnings announcements and management earnings guidance.

[25] Table 4 also shows that the coefficient on ANALY_OUT x BEFORE_8K is not significant. This finding is not inconsistent with that in Campbell et al. (2021) because their sample starts from 2005, and is thus primarily in the post-Siebel period.

increase in the informativeness of analyst outputs following the court's ruling is at least in part due to increase in selective disclosure of material non-public information.

Firms in litigious industries and firms with higher litigation risk are more likely to provide voluntary disclosure (especially of bad news) and are therefore less likely to withhold material non-public information (e.g., Brown, Hillegeist and Lo 2005; Cao and Narayanamoorthy 2011). Thus, these firms will have less non-public material information to selectively disclose to analysts. We find that the increase in the informativeness of analyst outputs after the court's ruling is less pronounced for firms in litigious industries and for firms with higher litigation risk. Specifically, in Columns (2) and (3) of Panel A of Table 5, the coefficients on ANALY_OUT x POST_RULING x PARTITION are negative and significant, -0.0007 (t-statistic = -2.30) and -0.0007 (t-statistic = -3.20), respectively. In Column (2), PARTITION represents LITIGIOUS INDUSTRY, which equals one if a firm belongs to high litigation industries identified by Francis et al. (1994) and in Column (3), it represents HIGH_LITIGATION_RISK, which equals one if a firm's litigation risk estimated for fiscal year 2003 using the litigation risk model in Kim and Skinner (2012) is in the top quartile of our sample distribution.[26] The mean values for LITIGIOUS_INDUSTRY and HIGH_LITIGATION are 0.228 and 0.250, respectively. The above results are consistent with the notion that the increase in the informativeness of analyst outputs following the court's ruling is at least in part due to increase in selective disclosure of material non-public information, especially in firms with low litigation risk.

Firms with better governance are likely to be more careful in complying with Reg FD (i.e., not disclosing material information privately) and thus are less likely to be affected by a weaker threat of enforcement from the SEC. We find that the increase in the informativeness of analyst outputs after the court's ruling is less pronounced for firms with better governance. Specifically, in Column (4) of Panel A of Table 5, the coefficient on ANALY_OUT x POST_RULING x

[26] Litigious industries identified by Francis et al. (1994) includes 2833-2836, 3570-3577, 3600-3674, 5200-5961 and 7370. Following prior studies, we use equation (3) in Kim and Skinner (2012) to estimate the firm-level litigation risk. The mean value of litigation risk estimated for our sample is 0.023, which is consistent with the level reported in Kim and Skinner (2012).

PARTITION is negative and significant, -0.0005 (t-statistic = -1.80), where PARTITION represents BETTER_GOVERNANCE, which is coded as one if a firm's governance quality is in the top quartile of the sample distribution. We measure governance quality using the GOVERNANCE INDEX from Gompers, Ishii, and Metrick (2003). The mean values for BETTER_GOVERNANCE and GOVERNANCE_INDEX are 0.271 and 9.091, respectively.[27] The above results are consistent with the notion that the increase in the informativeness of analyst outputs following the court's ruling is at least in part due to increase in selective disclosure of material non-public information, especially in firms with poor governance.

Increased Selective Disclosure of Non-material Information

Table 5 Panel A suggests that the increase in analyst output informativeness following the court's ruling is at least partly due to an increase in selective disclosure of material non-public information to analysts. In this section, we examine whether the increase in the informativeness of analyst outputs after Siebel could be due to selective disclosure of non-material information as well. An affirmative answer would suggest that analysts develop their outputs (forecasts and stock recommendations) with a mosaic of information, and non-material information from increased selective disclosure after Siebel is one component of this mosaic (e.g., Dirk v. SEC; Fisch 2013; Solomon and Soltes 2015). We note that the mosaic theory would be less plausible for analysts with less overall experience, for analysts who just started covering a particular firm, and for relatively new firms. Thus, if the increased selective disclosure contains non-material information, we expect the increase in analyst output informativeness following the court's ruling to be less pronounced for these cases.

[27] We thank Professor Andrew Metrick for the governance data (https://faculty.som.yale.edu/andrewmetrick/data/). We measure governance quality of a firm using GOVERNANCE INDEX published in January 2004. The index adds one point for every provision that restricts shareholder rights (increases managerial power). Firms with Governance Index in the bottom quartile are classified as having better governance quality. The sample size in Column (4) of Panel A of Table 5 is smaller than that in the other columns because of missing data for GOVERNANCE_INDEX.

We find that the increase in the informativeness of analyst outputs after the court's ruling is less pronounced for analysts with less overall experience, for analysts who recently started covering a particular firm, and for relatively new firms. Specifically, in Columns (1), (2), and (3) of Panel B of Table 5, the coefficients on ANALY_OUT x POST_RULING x PARTITION are negative and significant, -0.0009 (t-statistic = -3.20), -0.0010 (t-statistic = -2.22), and -0.0009 (t-statistic = -2.62) respectively. In Column (1), PARTITION represents $NEW\_COVERAGE_{i,t}$, which for firm-date observations with $ANALY\_OUT_{i,t}$ equal to one, equals one if analyst output(s) for firm i on date t is issued only by analyst(s) who started covering the firm in the calendar year of date t, i.e., the first year of coverage. In Column (2), PARTITION represents $NEW\_ANALYST_{i,t}$, which equals one if the analyst output(s) issued for firm i on date t is issued only by analysts with 3 or fewer years of appearance in IBES. In Column (3), PARTITION represents NEW_FIRM, which equals one if the firm first appeared in the Compustat data in 1998 (i.e., 5 years before 2003, the start of our sample period) or later, and zero otherwise. The mean values for NEW_COVERAGE, NEW_ANALYST, and NEW_FIRM are 0.034, 0.010, and 0.178, respectively. The above results are consistent with the notion that the increase in analyst output informativeness following the court's ruling is at least in part due to an increase in selective disclosure of non-material information.

Types of Information Contained in Increased Selective Disclosure Post Siebel

Reg FD 8-K Item Paired with Other 8-K Items

In the previous section, we show that the increase in the informativeness of analyst outputs following Siebel was more pronounced for outputs made just prior to Reg FD 8-K filings. In this section, we consider other 8-K items that are cross-listed with Reg FD items to understand what type of information managers are more inclined to selectively disclose in the post-Siebel period. Campbell et al. (2021, Table 6) list 8-K items and provide examples of types of events for which information is provided in each item. For example, Item 1 contains business and operations related

information, and an example of the type of event that would fall under this item is announcement of merger agreement.

To examine the above issue, we estimate the following model:

$$\begin{aligned} ABS\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times BEFORE\_FD8KS_{i,t} \\ & + \beta_6 ANALYT\_OUT_{i,t} \times BEFORE\_FD8KS_{i,t} \times POST\_RULING_t + \varepsilon \end{aligned} \quad (4)$$

For firm-date observations with $ANALY\_OUT_{i,t}$ equal to one, $BEFORE\_FD8KS_{i,t}$ equals one if the analyst output(s) is issued prior to a Reg FD 8-K filing that is cross-filed with the focal 8-K item number, and equals zero otherwise. In Columns (1) to (5) of Panel A of Table 6, we report results separately for each of the cross-listed 8-K item for which we have a reasonable number of observations.[28] The coefficient on ANALY_OUT x BEFORE_FD8KS x POST_RULING is positive and significant in Column (2), 0.0029 (t-statistic = 1.74), for Reg FD 8-K filings cross-filed with Section 2 items "Financial Information" These results suggest that the increased selective disclosure after Siebel contains material information related to financial events, such as, announce revenue estimates, issuance of preferred securities, and material impairments (Campbell et al. 2021).

Positive versus Negative Information

[28] In Table 6 of Campbell et al. (2021), information content of selective disclosure before Reg FD 8-K filings is examined when cross-listed with other 8-K filing items numbers. Note that while Reg FD 8-K filings in Campbell et al. (2021) includes all 8-K Reg FD filings, our sample is limited to a subset of Reg FD 8-K filings filed within 2 days following analyst output announcements. About 19% of the trading days have analyst outputs, about 3% of such days are within two days prior to Reg FD 8-K, and for our analysis, we consider those cross-listed 8-K items which constitute at least 0.1% of the trading days with analyst outputs.

In this section, we investigate whether the effect of the court's ruling is different for selective disclosures to analysts of positive versus negative information. For this purpose, we estimate the following equation:

$$\begin{aligned} SIGNED\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times POSITIVE_{i,t} \\ & + \beta_6 ANALY\_OUT_{i,t} \times POSITIVE_{i,t} \times POST\_RULING_t \\ & + \beta_7 ANALY\_OUT_{i,t} \times NEGATIVE_{i,t} \\ & + \beta_8 ANALY\_OUT_{i,t} \times NEGATIVE_{i,t} \times POST\_RULING_t + \varepsilon \end{aligned} \quad (5)$$

where $SIGNED\_RET_{i,t}$ is signed stock return for firm i on date t. $POSITIVE_{i,t}$ equals one if two or more analysts provide earnings forecasts during the [-1, +1] window and all of these forecasts are revisions from below to above the analyst consensus forecast (the most recent mean forecast in IBES), and equals zero otherwise. $NEGATIVE_{i,t}$ equals one if two or more analysts provide earnings forecasts during the [-1, +1] window and all of these forecasts are revisions from above to below the analyst consensus forecast, and equals zero otherwise.[29] Panel B of Table 6 reports the results from estimating Equation (5). The coefficients on ANALY_OUT x POSITIVE and ANALY_OUT x NEGATIVE are significantly positive and negative, respectively, as expected. The coefficient on ANALY_OUT x POSITIVE x POST_RULING is 0.0018 (t-statistic = 2.03) and the coefficient on ANALY_OUT x NEGATIVE x POST_RULING is 0.0008 (t-statistic = 0.85), suggesting that the increase in the informativeness of analyst output following the court's ruling is primarily driven by the increase in selective disclosure of positive information.

[29] When defining *POSITIVE*/*NEGATIVE*, we require two or more analysts to provide unanimous outputs so that we have a higher chance of analyst outputs being driven by private communication with managers rather than idiosyncratic information generated by an analyst. However, our results are similar with and without the requirement to have two or more analyst outputs for the POSITVE/NEGATIVE variables.

Recipients of Post Siebel Increase in Selective Disclosure

Managers Selectively Disclose to Multiple Analysts at a Time

In this section, we explore whether the increase in the informativeness of analyst outputs after the Siebel decision is more or less pronounced when several analysts provide their outputs on the same day. This examination sheds light on whether managers make selective disclosures to several analysts at a time. We estimate the following equation:

$$\begin{aligned} ABS\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RULING_t + \beta_4 ANALY\_OUT_{i,t} \times POST\_RULING_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times MANY\_ANALYST_{i,t} \\ & + \beta_6 ANALYT\_OUT_{i,t} \times MANY\_ANALYST_{i,t} \times POST\_RULING_t + \varepsilon \end{aligned} \quad (6)$$

For firm-date observations with $ANALY\_OUT_{i,t}$ equals to one, $MANY\_ANALYST_{i,t}$ equals one if three or more analysts revise their EPS forecasts and/or stock recommendation during [-1,+1] days around trading day t. For firm-date observations where ANALY_OUT = 1, the mean (median) number of analysts announcing analyst outputs during the [-1,+1] window is 1.64 (1.00) analysts, and the 90th percentile is 3 analysts. The mean value for MANY_ANALYST is 0.0234. Table 7 reports the results from estimating Equation (6). The coefficient on ANALY_OUT x MANY_ANALYST is significant and positive, suggesting that the informativeness of analyst outputs is greater when more analysts provide outputs at the same time. The coefficient on ANALY_OUT x MANY_ANALYST x POST_RULING is also positive and significant, 0.0007 (t-statistic = 1.92), indicating that following the court's ruling, increased selective disclosure of non-public information is likely to be more pronounced when managers privately communicate with multiple analysts. This finding is consistent with the survey evidence and anecdotal evidence

from Reg FD enforcement that managers tend to privately communicate material non-public information to multiple analysts and investors on a given day.[30]

Managers Selectively Disclose to Analysts vis-à-vis Institutional Investors

Consistent with our findings indicating an increase in selective disclosure to analysts following the court's ruling on Siebel, a concurrent study, Allee et al. (2022), documents an increase in selective disclosure to transient institutional investors following the court's ruling. We explore whether their result is driven by an increase in private information disclosure from managers to analysts and then from analysts to transient investors. Specifically, we test whether our results are more pronounced for firms with higher transient institutional ownership. We use the institutional investor classification in Bushee (1998; 2001) and obtain the related data from Thomson/Refinitiv 13-F filing database.[31] The average transient institutional ownership in our sample is 7.4%, similar to the level reported in prior studies.[32] The results of our analysis are reported in Panel B of Table 7. The variable of interest is ANALY_OUT x POST_RULING x HIGH_TRANSIENT, where HIGH_TRANSIENT equals one if the transient institutional ownership is above the sample median. In Columns (1), (2), and (3), we alternatively define HIGH_TRANSIENT as equal to one when the transient ownership is above the median, the top quartile, and the top decile, and zero otherwise, respectively. In all three columns, the coefficient

[30] In the SEC press release about SEC vs. Schering-Plough , the SEC noted that "during the week of September 30, 2002, Kogan and Schering's senior vice president of investor relations met privately in Boston with analysts and portfolio managers of four institutional investors" and also that "on October 3, 2002, in the midst of this sell-off, Kogan held a previously scheduled private meeting with approximately 25 analysts and portfolio managers." Also, in the case against Office Depot and Motorola, the SEC notes that "Office Depot then made a series of one-on-one calls to analysts" and "The Division of Enforcement has conducted an investigation into whether Motorola, Inc. ("Motorola") violated the federal securities laws when one of its senior officials selectively disclosed information about the company's quarterly sales and orders during private telephone calls with sell-side analysts in March 2001." Additionally, survey evidence from Durney (2021) indicate that meetings with more than one participant are not uncommon. As such, selective disclosure through private in-person meetings and even phone calls on a given day are made to multiple attendees.

[31] We thank Professor Brian Bushee for making the institutional investor classification data available (https://accounting-faculty.wharton.upenn.edu/bushee/).

[32] For example, the mean value for TRA, i.e., percentage of shared held by transient institutions, reported in Bushee (2001) is 7.2%.

on the triple interaction term is insignificant. Thus, we cannot reliably conclude that the private communication of non-public information to transient institutional investors reported in Allee et al. (2022) is channeled through analysts.

Time-Series Variation in Regulation/Enforcement and Selective Disclosure

Pre-Reg FD versus Post-Siebel Periods

To understand the extent to which the Siebel decision reverted selective disclosure to the pre-Reg FD levels, we compare analyst outputs informativeness during the post-Reg FD pre-Siebel period and during the post-Siebel period with analyst outputs informativeness in the pre-Reg FD period. Specifically, we estimate the following equation:

$$\begin{aligned} ABS\_RET_{i,t} = {} & \alpha + \beta_1 FIRM\_PUBLIC\_DISC_{i,t} + \beta_2 ANALY\_OUT_{i,t} \\ & + \beta_3 POST\_RFD\_PRE\_SIEBEL_t + \beta_4 POST\_SIEBEL_t \\ & + \beta_5 ANALY\_OUT_{i,t} \times POST\_RFD\_PRE\_SIEBEL_t \\ & + \beta_6 ANALY\_OUT_{i,t} \times POST\_SIEBEL_t \end{aligned} \quad (7)$$

where POST_RFD_PRE_SIEBEL equals one if the trading day is between the Reg FD implementation date and the court's decision date, i.e., 10/23/2000 – 8/31/2005, and zero otherwise. POST_SIEBEL equals one if the trading day is after the court's decision date, i.e., 9/1/2005 – 8/31/2006, and zero otherwise. The sample period starts from 10/23/1999. In Column (1) of Table 8, the coefficient on ANALY_OUT x POST_RFD_PRE_SIEBEL is negative and significant, -0.0005 (t-statistic = -1.80), consistent with the negative effect of Reg FD on analyst output informativeness documented in prior studies (e.g., Gintschel and Markov 2004). However, the estimated coefficient on ANALY_OUT x POST_SIEBEL is insignificant, -0.0002 (t-statistic = -0.57), indicating that the analyst output informativeness in the post-Siebel period is no longer significantly different from the level in the pre-Reg FD period. These results shed some light on

the extent to which the Siebel decision led to selective disclosure to analysts reverting back to the pre-Reg FD levels.

Longer Post-Siebel Periods

Confounding effects of unspecified macro events make it difficult to assess the long-term effect of the Siebel decision properly. Nevertheless, we repeat our analysis after extending the post-Siebel period from one year to five and ten years and report the results in Columns (2) and (3) of Table 8, respectively. In Column (2), the coefficient on ANALY_OUT x POST_RULING is 0.0010 (t-statistic = 3.59), which is comparable to the effect observed for the first year after the Siebel decision (see Table 2). In Column (3), the coefficient on ANALY_OUT x POST_RULING is 0.0004 (t-statistic = 1.97), indicating that the average effect of the court's ruling on the informativeness of analyst outputs over a ten-year period is significantly lower than that for the five-year period.[33]

It is difficult to provide reliable reasons for the findings related to such long periods, but we conjecture that the timing of the SEC's subsequent Reg FD enforcement efforts may be a factor. The first Reg FD enforcement action brought by the SEC after the Siebel decision in September 2005 was after a long gap of four years.[34] In September 2009, the SEC filed the first post-Siebel enforcement action against the CFO of American Commercial Airlines. Soon thereafter, in March 2010, SEC brought an enforcement action against Presstek Inc. and its CEO. Then, enforcement action against Office Depot in October 2010 was the third one in a short period of slightly more than a year. In sum, during most of the first five-year period after Siebel, SEC's enforcement activity slowed down, presumably due to the Siebel decision. After 2009, however, the SEC

[33] In an untabulated test, we find that the estimated coefficients on ANALY_OUT x POST_RULING in the two columns are significantly different (p-value < 0.001).

[34] In the three years prior to Siebel, SEC had brought Reg FD enforcement action against six companies. After Siebel, the SEC did bring a cease-and-desist action against Electronic Data Systems in September 2007, but the case was brought as an administrative proceeding rather than as an enforcement action, presumably a way for SEC to avoid the risk of litigation in federal court (see Fisch 2013). This implies that the Siebel decision was continuing to affect SEC behavior in 2007.

renewed its enforcement efforts. These efforts likely increased the attention of corporate officials to the prospect of Reg FD liability and reduced the scope of information conveyed during private meetings. Our results in Table 8 Column (3) likely reflect this process.

5. Exploratory Analyses: Survey and Interviews with Law Firm Partners

Motivation

The prior sections provide evidence that our results are likely driven by increases in selective disclosure in private meetings due to the Siebel decision. However, due to the unobservability of actual private disclosures, we lack data about how selective disclosure occurs. The nuances are important as the SEC increases Reg FD-related enforcement (Feldman et al. 2021; Spencer, Gauthier, and Kimbal 2021) amid calls to end private meetings altogether (Sorkin 2021). If the goal of Reg FD is to "level the playing field," then any changes to enforcement or regulation can be more effectively tailored if the mechanism by which selective disclosure is occurring is better understood. Thus, to explore this mechanism, we survey and interview law firm partners with expertise in Reg FD.

According to these securities lawyers, they are uniquely positioned to provide perspective on this mechanism for three reasons. First, the lawyers often attend private meetings, as recommended by the SEC (2010). Second, the lawyers train managers on Reg FD compliance, including related case law, and learn about managers' private disclosure experiences in these trainings. Finally, the lawyers are consulted by companies after incidences of private meetings to ascertain whether any Reg FD-violating disclosures occurred.

In surveying and interviewing the securities lawyers, we focus on how private meetings might contain selective disclosure (i.e., different information than public disclosures) in two ways: first, the information disclosed in private meetings might consist of explicitly different facts; second, the same facts might be implicitly communicated differently through different words, characterizations, tone, and/or nonverbal cues such as body language, facial expressions, etc. We

focus on this distinction between explicit and implicit communication for two reasons. First, private meetings inherently offer attendees a better opportunity to observe not just what is said, but how it is said (Solomon and Soltes 2015; Soltes 2014). As one hedge fund manager explains, "You can pick up clues if you are looking people in the eye."[35] Second, lawyers, the Siebel ruling, and the SEC have all highlighted this distinction. One law firm memo published just after the Siebel ruling concludes: "The court's decision seems to say that issuers who speak privately to analysts and other stock market insiders should not be penalized for inconsistencies in tone and mood, so long as the hard facts imparted to the private audience do not depart from the hard facts imparted to the public audience." (Ericson 2005). The Siebel opinion itself largely ignored arguments from the SEC about management's implicit communication and instead focused on explicit statements and the extent to which those statements "add, contradict or significantly alter the material information available to the general public." The ruling also says that "to require a more demanding standard, in the context of Reg FD, could compel companies to discontinue any spontaneous communications so that the content of any intended communication may be examined by a lexicologist to ensure that the proposed statement discloses the exact information in the same form as was publicly disclosed." Even since the early years after the adoption of Reg FD, the SEC expressed concern about the broader range of communication in private meetings, and this view was reflected in compliance guidance provided by the SEC and its staff members: "the adopting release [of Reg FD] makes clear that selective disclosure of earnings information cannot come in the form of indirect guidance, the meaning of which is apparent though implied" (Walker 2000).

Methods and Results

To identify lawyers with expertise in Reg FD, we compile a hand-collected database of authors of publicly available law firm memos written about Reg FD. We interview three of these

[35] Ng and Troianovski (2015) quoting a hedge fund manager about the role of body language, emphasis, and tone in conveying information to investors in private meetings.

lawyers, each with more than two decades of experience, and send a survey to the final pool of potential survey respondents totaling 307 lawyers from 74 different law firms. We email a Qualtrics survey link to potential participants, followed by a reminder email one week later. The survey is open from 6/22/2020 to 7/20/2020 and receives 76 completed responses for a 24.8 percent response rate. Of the 76 completed responses, 16 participants do not progress beyond the screening questions, leaving 60 responses for analysis.[36]

Interview responses indicate that the Siebel ruling removed a chilling effect on private disclosure brought by Reg FD. This sentiment is embodied in the following comment: "*Before Siebel, there was such a fear of enforcement that there was a chilling effect and Siebel removed that chilling effect … the takeaway from Siebel is that people felt a little more comfortable."* Another spoke about personal experience advising clients as a result of the Siebel case: "*In light of the Siebel case, I tell them to, you know, kind of relax. Because I don't want them to feel like communications are chilled. That was the whole point of the case that communication should not be chilled. You should be allowed to talk without fear that, you know, people are going to take all kinds of things out of the tone of your voice.*" And a third said: "*they are not going to get hung by the body language*."

Yet, interviewees also note that corporate officials were still careful to explicitly communicate the same information in private as in public. One lawyer said, "*I don't think IR people take any solace that, say oh look there is this court case that says I can go out on a limb*." Another noted, "*In terms of the substance, I think, you should've been careful before, you should be careful afterwards that your substantive message is the same both publicly and privately. You don't want to be giving different numbers or that sort of thing*." In sum, the interviews suggest that the selective disclosure increase we observe as a result of the Siebel ruling might be at least partly due to an increase in implicit communication rather than explicit communication, as corporate

[36] We received and incorporated feedback from three law firm partners before administering the survey.

officials were advised by their lawyers to relax, thereby opening the door for implicit communication, while still keeping substance consistent between public and private disclosures.

The survey consists of two screening questions (referenced previously) followed by the main survey question, which has five parts, and then two questions about participants' experience practicing law. The two screening questions prevent the lawyers from proceeding if they report having no (1) Reg FD-related experience or (2) familiarity with the *SEC v. Siebel Systems, Inc.* case. The main survey question then asks participants to rate the likelihood of five potential explanations (which are shown in random order) for the effect we observe archivally around the Siebel ruling (see Figure 3b). [37] The explanations for the increase in disclosure after the Siebel ruling in private meetings differ on two dimensions -- whether managers increase selective disclosure after Siebel (1) using explicit or implicit communication and (2) intentionally or unintentionally.[38]

Table 9 Panel C reports the potential explanations and corresponding survey results, which are consistent with the interview results in that lawyers perceive the effect of Siebel to be concentrated in increases in implicit communication, though explicit communication may have also played a role. These results are consistent with the notion that, after the Siebel decision, managers may have become more relaxed and less concerned about communicating non-public information in private meetings.[39]

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[37] In the survey question (Figure 3b), we indicate that analyst outputs issued after the Siebel decision induce a significantly greater price reaction and that "in the one-year and one-month periods" around the decision." However, upon using two-way clustering of standard errors by firms and trading days, per helpful review comments, the one-month result becomes statistically insignificant. As such, the survey results should be viewed with a little caution. Yet, because we show that the corresponding results are significant when using slightly longer periods of two and three months (see footnote 19), we do not believe that the tenor of the survey results would change if the survey question stated "one-year and *two-month* periods" instead of "one year and *one-month* periods."

[38] We include a focus on intentional versus unintentional disclosures because Reg FD refers to this distinction and explicitly applies to both intentional and unintentional disclosures, although an issuer is required to address intentional disclosures more rapidly. See 17 CFR § 243.100(a)(1) & (2).

[39] The averages of explanation likelihood shown in Table 9 Panel C indicate that the lawyers were, true to form, generally skeptical (Richard 2002) of rating any explanation very high, including "another explanation". Thus, relative statistical differences, rather than absolute averages, are especially informative. An alternative question, which we did not ask, could have assessed whether the lawyers believe selective disclosure did, in fact, increase after the Siebel

6. Conclusion

This study examines the effectiveness of Reg FD in policing private information leakage from managers to analysts. In a unique federal court case, *SEC v. Siebel Systems, Inc.* (2005), the court took a narrow approach to Reg FD, concluding that corporate officials' private disclosures were equivalent in substance to the company's public statements. We posit that the Siebel decision operated as a signal that the ability of the SEC to use Reg FD to police disclosures in private meetings was more limited than market participants had previously believed. Using a variety of tests, we provide evidence that the information content of analyst reports increased after the Siebel decision and that this increase was associated with participation in private meetings. We also show that our findings are unlikely to be driven by a time trend or a contemporaneous macroeconomic event. Our cross-sectional tests suggest that the increase in the informativeness of analyst outputs following the Siebel decision is consistent with increases in selective disclosure of both material and non-material information. Furthermore, we find that such disclosures are more likely to contain positive information and are more likely to be simultaneously made to multiple analysts. These findings are consistent with the conclusion that the court's ruling led to an increase in managers' selective disclosure to financial analysts. Our survey and interview results from lawyers provide exploratory evidence reinforcing this conclusion. By documenting the effect of the Siebel decision on the behavior of market participants, our study sheds light on how managers respond in the private meeting context to perceived enforcement threats related to corporate disclosure regulation.

case. However, we wanted to focus on lawyers' knowledge about how the disclosure might have changed as opposed to if it changed since these lawyers are not capital market experts.

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Appendix: Variable Definitions

Variable	Definition
ABS_RET	Absolute value of daily stock returns
ANALY_OUT	Indicator variable that equals one if a trading day is within [-1,+1] days of at least one analyst earnings forecast or one stock recommendation that is not issued within two days following the firm's earnings announcements, management earnings guidance, and 8-K filings, and zero otherwise.
BEFORE_FD8K	Indicator variable that equals one for analyst outputs issued [-3,-1] days of the firm's Reg FD 8-K filings, and zero otherwise.
BEFORE_FD8KS	Indicator variable that equals one for analyst outputs issued [-3,-1] days of the firm's Reg FD 8-K filings (Section 7, item 7.01) that are cross-filed with other 8-K items, and zero otherwise. Other items considered include Section 1 "Registrant's Business and Operations" filings (items 1.01-1.04), Section 2 "Financial Information" filings (items 2.01-2.06), Section 5 "Corporate Governance and Management" filings (items 5.01-5.08), and Section 8 "Other Events" filings (item 8.01).
BETTER_GOVERNANCE	Indicator variable that equals one for firms with better governance quality, and zero otherwise. Firm-level governance quality is measured as of 1/1/2004 using the Governance Index developed in Gompers, Ishii, and Metrick (2003). The index adds one point for every provision that restricts shareholder rights (increases managerial power). Firms with Governance Index in the bottom quartile are classified as having better governance quality.
HIGH_LITIGATION_RISK	Indicator variable that equals one for firms with high litigation risk (top quartile), and equals zero otherwise. Firm-level litigation risk is estimated for the fiscal year 2003 using the approach in Kim and Skinner (2012, Equation (3)).
HIGH_TRANSIENT	Indicator variable that equals one if the transient institutional investor ownership is above the median (quartile or decile) of the sample distribution. We use the institutional investor classification in Bushee (1998; 2001).
NEGATIVE	Indicator variable that equals one if two or more analysts provide earnings forecasts during the [-1, +1] window and all of these forecasts are revisions from above to below the analyst consensus forecast, and equals zero otherwise.
POSITIVE	Indicator variable that equals one if two or more analysts provide earnings forecasts during the [-1, +1] window, and all of these forecasts are revisions from below to above the analyst consensus

	forecast (the most recent mean forecast in IBES), and equals zero otherwise.
POST_RFD_PRE_SIEBEL	Indicator variable that equals one if the trading day is between the Reg FD implementation and the court's decision dates, i.e., 10/23/2000 – 8/31/2005, and zero otherwise.
POST_RULING	Indicator variable that equals one if the trading day is after the U.S. federal district court's ruling on *SEC v. Siebel Systems, Inc* (2005) on September 1, 2005, and zero otherwise.
POST_PSEUDO1	Indicator variable that equals one if the trading day is after the first pseudo event date, i.e., January 1, 2005, and zero otherwise.
POST_PSEUDO2	Indicator variable that equals one if the trading day is after the second pseudo event date, i.e., May 1, 2006, and zero otherwise.
LITIGIOUS_INDUSTRY	Indicator variable that equals one if a firm operates in litigious industries (2833-2836, 3570-3577, 3600-3674, 5200-5961 and 7370), and equals zero otherwise.
MANY_ANALYST	Indicator variable that equals one for firm-date observations with *ANALY_OUT* equals one and with three or more analysts revising their EPS forecasts and/or stock recommendations during the [-1,+1] window, and zero otherwise.
MGMT_MEETING	Indicator variable that equals one if at least one analyst report issued in the [-1,+1] window indicates a meeting with management, and zero otherwise.
NEW_ANALYST	Indicator variable that equals one if the analyst output(s) issued on the trading days only includes outputs made by analysts with 3 years or less on IBES (no outputs issued by other analysts), and equals zero otherwise.
NEW_COVERAGE	Indicator variable that equals one if the analyst output(s) issued on the trading days only includes outputs made by analysts who start covering the firm in the same year (no outputs issued by other analysts), and equals zero otherwise.
NEW_FIRM	Indicator variable that equals one if a firm first appeared in Compustat in 1998 (i.e., 5 years before 2003) or later, and zero otherwise.
FIRM_PUBLIC_DISC	Indicator variable that equals one if a trading day is within [0, +1] days of one or more public disclosures, i.e., earnings announcements, management earnings guidance, and 8-K filings, and zero otherwise.
SIGNED_RET	Signed daily stock returns

TREAT	Indicator variable that equals one for U.S. firms, and zero otherwise. The control sample includes ADR firms that are exempt from Reg FD.

Figure 1

Siebel's stock price around private meetings on April 30

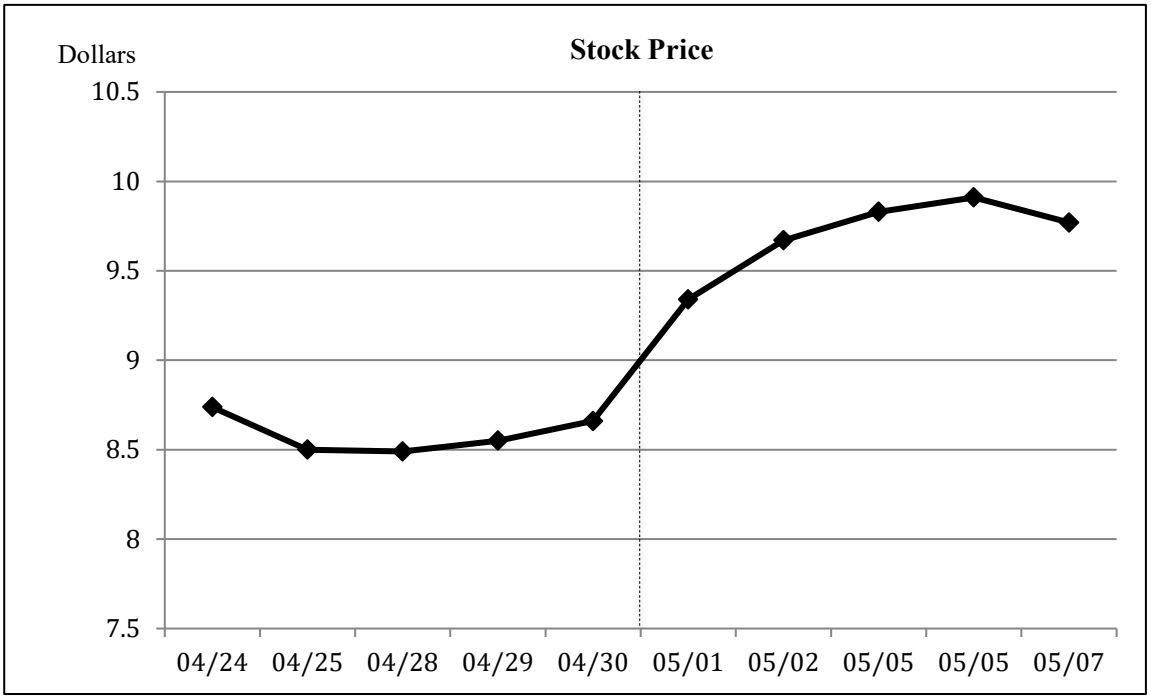


Figure 2

Siebel's trading volume around private meetings on April 30

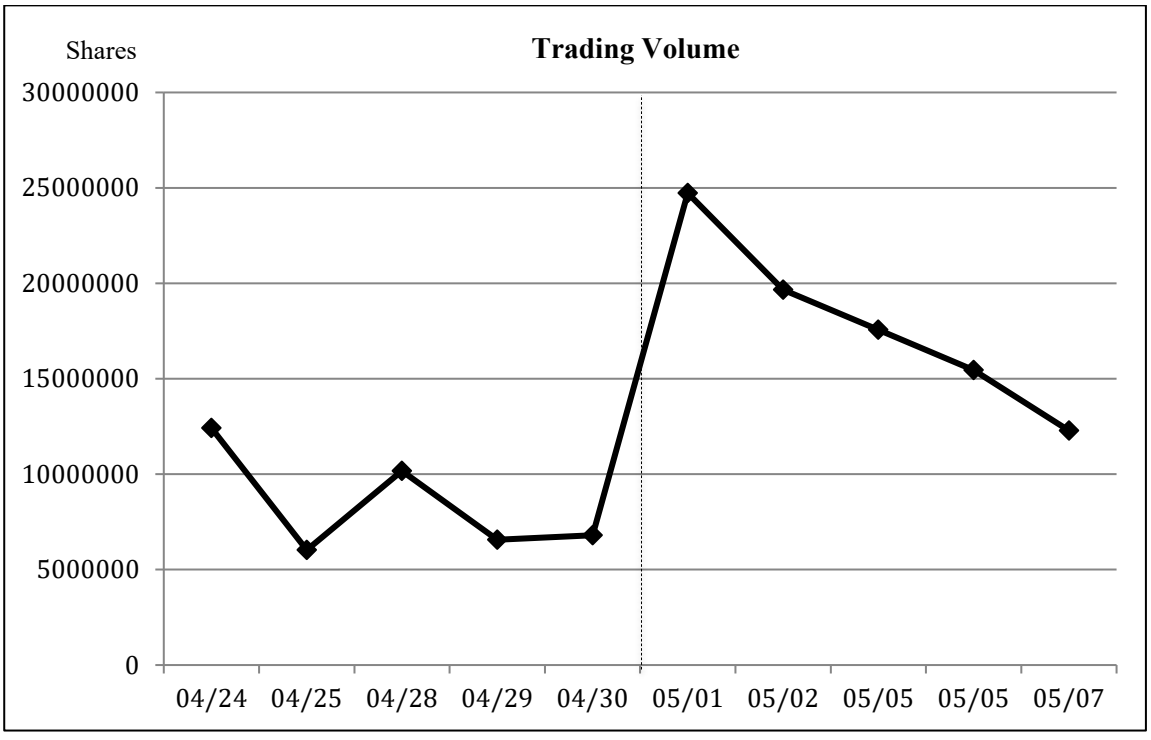


Figure 3a

Definitions of explicit and implicit communication

Private meetings occur between company officials and investors/analysts and include in-person meetings, phone calls and any other communications that are not simultaneously disseminated to the general public via a website, press release, or SEC filing.

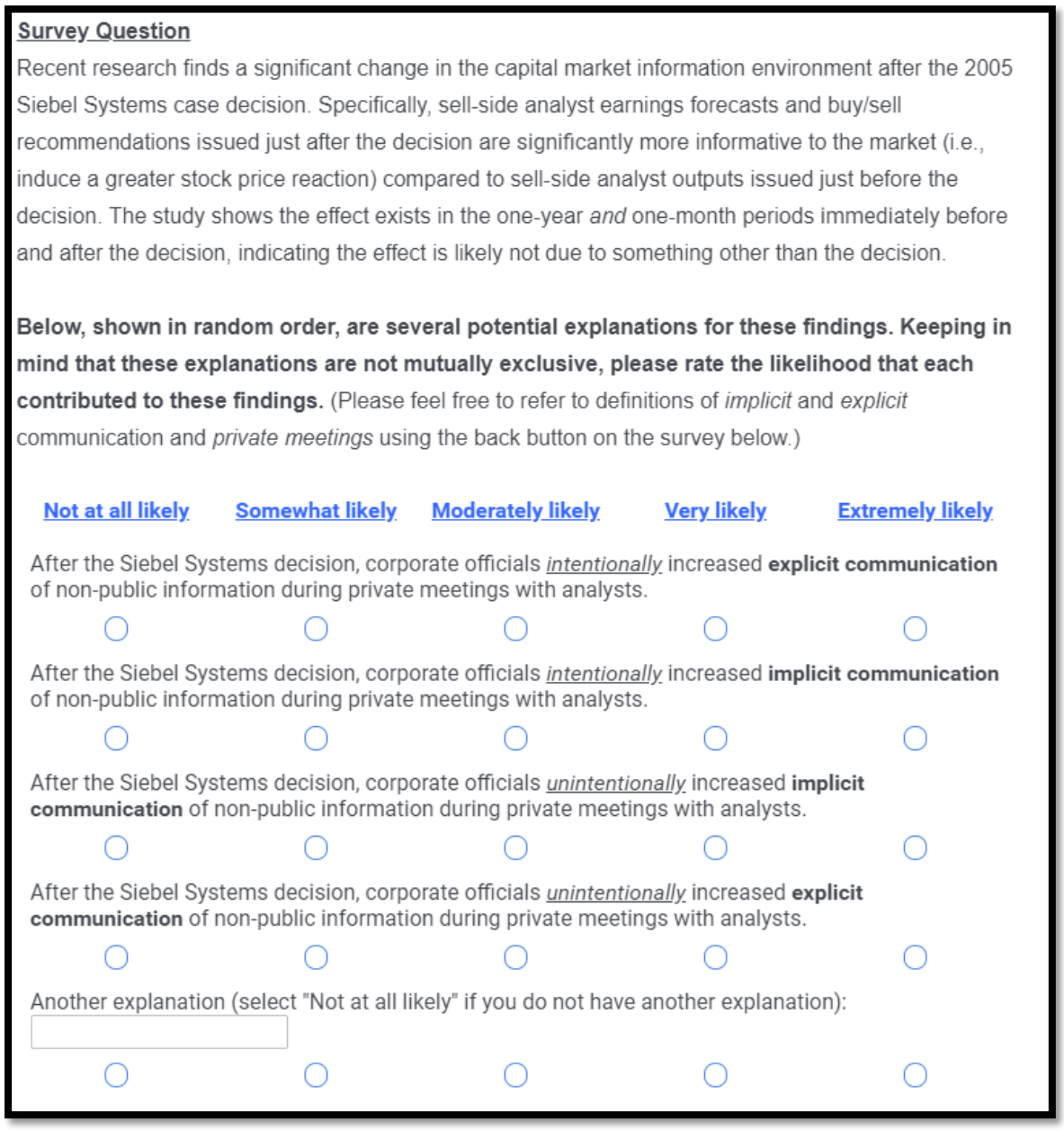
Information disclosed by company officials in **private meetings** can differ from a company's **public statements** in several ways. The information disclosed in **private meetings** might:

1. Contain different facts than those contained in the company's **public statements**.
2. Not contain facts different than those contained in the company's **public statements**, but the same facts are delivered
    - using different words or characterizations,
    - using a different tone – more upbeat, etc., or
    - using different body language, facial expressions, etc.

We refer to the first type (1) as **explicit communication** of non-public information and the second type (2) as **implicit communication** of non-public information.

Figure 3b

Main survey question



Survey Question

Recent research finds a significant change in the capital market information environment after the 2005 Siebel Systems case decision. Specifically, sell-side analyst earnings forecasts and buy/sell recommendations issued just after the decision are significantly more informative to the market (i.e., induce a greater stock price reaction) compared to sell-side analyst outputs issued just before the decision. The study shows the effect exists in the one-year *and* one-month periods immediately before and after the decision, indicating the effect is likely not due to something other than the decision.

Below, shown in random order, are several potential explanations for these findings. Keeping in mind that these explanations are not mutually exclusive, please rate the likelihood that each contributed to these findings. (Please feel free to refer to definitions of *implicit* and *explicit* communication and *private meetings* using the back button on the survey below.)

	Not at all likely	Somewhat likely	Moderately likely	Very likely	Extremely likely
After the Siebel Systems decision, corporate officials *intentionally* increased **explicit communication** of non-public information during private meetings with analysts.	○	○	○	○	○
After the Siebel Systems decision, corporate officials *intentionally* increased **implicit communication** of non-public information during private meetings with analysts.	○	○	○	○	○
After the Siebel Systems decision, corporate officials *unintentionally* increased **implicit communication** of non-public information during private meetings with analysts.	○	○	○	○	○
After the Siebel Systems decision, corporate officials *unintentionally* increased **explicit communication** of non-public information during private meetings with analysts.	○	○	○	○	○
Another explanation (select "Not at all likely" if you do not have another explanation):	○	○	○	○	○

Table 1 Sample selection and summary statistics

Panel A: Sample selection

Filter	Number of Obs.	Data Source
U.S. stocks with at least one stock recommendation or analyst earnings forecast from 9/1/2004 to 8/31/2005 and from 9/1/2005 to 8/31/2006, the one-year period before and the one-year period after the court's ruling on 9/1/2005, respectively.	3,841	IBES
Stocks with complete stock return series during the sample period from 9/1/2004 to 8/31/2006 (505 trading days).	3,297	CRSP
Stocks with non-missing and non-negative sales, assets, and market capitalization at the beginning of the fiscal year 2004.	3,065	Compustat
The final sample includes 1,547,825 daily stock returns observations		

Panel B: Summary statistics for the full sample

	N	Mean	25th percentile	Median	75th percentile	St. Dev.
ABS_RET	1,547,825	0.0155	0.0045	0.0105	0.0203	0.0189
FIRM_PUBLIC_DISC	1,547,825	0.1014	0.0000	0.0000	0.0000	0.3019
ANALY_OUT	1,547,825	0.1832	0.0000	0.0000	0.0000	0.3868
POST_RULING	1,547,825	0.4990	0.0000	0.0000	1.0000	0.5000

Panel C: Summary statistics for U.S. firm and ADR firm subsamples

	U.S. Firms			ADR Firms		
	N	Mean	St. Dev.	N	Mean	St. Dev.
ABS_RET	1,452,380	0.0157	0.0191	95,445	0.0134	0.0140
FIRM_PUBLIC_DISC	1,452,380	0.1061	0.3080	95,445	0.0304	0.1716
ANALY_OUT	1,452,380	0.1839	0.3874	95,445	0.1734	0.3786
POST_RULING	1,452,380	0.4990	0.5000	95,445	0.4990	0.5000

Panel A reports the sample selection procedure. The sample period is from September 1, 2004, to August 31, 2006, the two-year period around the U.S. federal district court's ruling on *SEC v. Siebel Systems, Inc* (2005) on September 1, 2005. Panel B reports summary statistics for the sample. Panel C reports summary statistics separately for U.S. and ADR firms. We follow prior studies to identify ADRs (https://wrds-www.wharton.upenn.edu/pages/support/research-wrds/research-guides/guide-adrs-and-research). Variable definitions are in the Appendix.

Table 2 Effect of Siebel decision on the informativeness of analyst outputs

Panel A: Base model

VARIABLES	ABS_RET
Constant	0.0145***
	(74.95)
FIRM_PUBLIC_DISC	0.0076***
	(33.50)
ANALY_OUT	0.0004***
	(2.95)
POST_RULING	0.0002
	(0.87)
ANALY_OUT x POST_RULING	0.0009***
	(5.36)
Observations	1,547,825
Adjusted R-squared	0.0152

Panel B: Alternate specifications

	(1)	(2)	(3)
VARIABLES	ABS_RET	ABS_RET	ABS_RET
Constant	0.0145***	0.0144***	0.0144***
	(75.49)	(76.16)	(74.17)
FIRM_PUBLIC_DISC	0.0075***	0.0077***	0.0048***
	(26.97)	(33.92)	(28.02)
ANALY_OUT	0.0004***	0.0015***	0.0003**
	(2.89)	(8.92)	(2.19)
POST_RULING	0.0002	0.0003	0.0003
	(0.72)	(1.17)	(0.95)
ANALY_OUT x POST_RULING	0.0009***	0.0009***	0.0008***
	(5.51)	(4.44)	(4.76)
FIRM_PUBLIC_DISC x POST_RULING	0.0004		
	(0.92)		
Observations	1,547,825	1,547,825	1,547,825
Adjusted R-squared	0.0152	0.0156	0.0094

This table reports changes in the information content of analyst outputs following the U.S. federal district court's ruling on *SEC v. Siebel Systems, Inc.* (2005) on September 1, 2005. Panel A reports results from our base model. *ABS_RET* is the absolute value of a firm's daily stock returns. *FIRM_PUBLIC_DISC* equals one if a trading day is within two days following the firm's earnings announcements, management earnings guidance, and 8-K filings, and zero otherwise. *ANALY_OUT* equals one if a trading day is within [-1,+1] days of at least one analyst earnings forecast or one stock recommendation that is not issued within two

days following the firm's earnings announcements, management earnings guidance, and 8-K filings, and zero otherwise. *POST_RULING* quals one if a trading day is after the U.S. federal district court's ruling on 9/1/2005, and zero otherwise. Panel B reports results for alternative specifications. In Column (1), we include FIRM_PUBLIC_DISC x POST_RULING. In Column (2), we define the dependent variable, ABS_RET, as the absolute value of stock market returns on the date of analyst output issuance. In column (3), we define the variable of interest, ANALY_OUT, as taking the value of one only when there are no earnings announcements, management earnings guidance, and 8-K filings within five days (instead of 2 days used previously) prior to analyst outputs. The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Table 3 Tests of time trend and contemporaneous events unrelated to Siebel decision

Panel A: Pseudo-event dates

VARIABLES	(1) ABS_RET	(2) ABS_RET	(3) ABS_RET
Constant	0.0147***	0.0138***	0.0136***
	(51.68)	(50.74)	(55.90)
FIRM_PUBLIC_DISC	0.0072***	0.0077***	0.0081***
	(22.06)	(21.25)	(21.68)
ANALY_OUT	0.0004**	0.0005***	0.0015***
	(2.14)	(2.62)	(7.67)
POST_PSEUDO_1	0.0004		
	(1.07)		
POST_RULING		0.0004	
		(1.03)	
POST_PSEUDO_2			0.0024***
			(4.77)
ANALY_OUT x POST_PSEUDO_1	-0.0002		
	(-0.96)		
ANALY_OUT x POST_RULING		0.0008***	
		(3.57)	
ANALY_OUT x POST_PSEUDO_2			-0.0002
			(-0.69)
Observations	511,855	521,050	514,920
Adjusted R-squared	0.0131	0.0160	0.0201

Panel B: ADR firms

VARIABLES	ADR only subsample (1) ABS_RET	Diff-in-Diff ADR as control (2) ABS_RET
Constant	0.0120***	0.0120***
	(36.35)	(36.42)
FIRM_PUBLIC_DISC	0.0076***	0.0076***
	(7.73)	(7.75)
ANALY_OUT	0.0019***	0.0019***
	(3.83)	(3.84)
POST_RULING	0.0018***	0.0018***
	(4.86)	(4.86)
ANALY_OUT x POST_RULING	-0.0001	-0.0001
	(-0.21)	(-0.21)

TREAT		0.0027***
		(7.71)
FIRM_PUBLIC_DISC x TREAT		-0.0000
		(-0.04)
ANALY_OUT x TREAT		-0.0016***
		(-3.12)
POST_RULING x TREAT		-0.0016***
		(-5.41)
ANALY_OUT x POST_RULING x TREAT		0.0010**
		(2.02)
Observations	95,445	1,547,825
Adjusted R-squared	0.0148	0.0157

This table addresses time trend and other contemporaneous events as alternate explanations. In Panel A, we break our two-year sample period into three non-overlapping eight-month sub-periods: 9/1/2004-4/30/2005 in Column (1), 5/1/2005-12/31/2005 in Column (2), and 1/1/2006-8/31/2006 in Column (3). In Column (1), *POST_PSEUDO_1* equals one if the trading day is after the first pseudo-event date, i.e., 1/1/2005, and zero otherwise. In Columns (3), *POST_PSEUDO_2* equals one if the trading day is after the second pseudo-event date, i.e., 5/1/2006, and after, and zero otherwise. Panel B reports changes in the information content of analyst outputs following the court's ruling on *SEC v. Siebel Systems, Inc.* (2005) for ADR firms, which are exempted from Reg FD. In Column (1), we restrict the sample to ADR firms. In Column (2), we adopt a difference-in-differences (DiD) regression design, where *TREAT* equals one for U.S. firms. The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for other variable definitions.

Table 4 Analyst outputs explicit about management meetings

VARIABLES	ABS_RET
Constant	0.0145***
	(74.94)
FIRM_PUBLIC_DISC	0.0076***
	(33.52)
ANALY_OUT	0.0004***
	(3.04)
POST_RULING	0.0002
	(0.86)
ANALY_OUT x POST_RULING	0.0008***
	(5.32)
ANALY_OUT x MGMT_MEETING	-0.0023***
	(-5.76)
ANALY_OUT x MGMT_MEETING x POST_RULING	0.0012**
	(1.99)
Observations	1,547,825
Adjusted R-squared	0.0152

This table reports the effect of the court's ruling on *SEC v. Siebel Systems, Inc.* (2005) on the informativeness of analyst outputs in reports that explicitly indicates that analysts met with the management. *MGMT_MEETING* equals one for firm-date observations with *ANALY_OUT* equals one and with one or more analyst reports explicitly indicating that the report is prepared based on analysts' meetings with management, and zero otherwise. The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for other variable definitions.

Table 5 Materiality of information in increased selective disclosure after Siebel decision

Panel A: Increased selective disclosure of material information

Partitioning Variables:	Before FD8K	Litigious Industry	High Litigation Risk	Better Governance
	(1)	(2)	(3)	(4)
VARIABLES	ABS_RET	ABS_RET	ABS_RET	ABS_RET
Constant	0.0145***	0.0135***	0.0159***	0.0118***
	(74.86)	(69.27)	(75.81)	(47.86)
FIRM_PUBLIC_DISC	0.0076***	0.0076***	0.0078***	0.0068***
	(33.28)	(33.02)	(35.13)	(24.41)
ANALY_OUT	0.0004***	0.0005***	0.0016***	0.0008***
	(2.78)	(3.29)	(10.53)	(4.46)
POST_RULING	0.0002	0.0003	0.0001	0.0005
	(0.84)	(1.10)	(0.31)	(1.59)
PARTITION		0.0045***	-0.0064***	0.0008**
		(14.06)	(-31.53)	(2.49)
POST_RULING x PARTITION		-0.0003	0.0007***	-0.0001
		(-1.21)	(4.59)	(-0.55)
ANALY_OUT x POST_RULING	0.0008***	0.0010***	0.0009***	0.0008***
	(5.20)	(6.00)	(4.64)	(4.28)
ANALY_OUT x PARTITION	-0.0001	-0.0005	-0.0001	0.0004
	(-0.20)	(-1.47)	(-0.65)	(1.42)
ANALY_OUT x PARTITION x POST_RULING	0.0017**	-0.0007**	-0.0007***	-0.0005*
	(2.17)	(-2.30)	(-3.20)	(-1.80)
Observations	1,547,825	1,547,825	1,547,825	562,570
Adjusted R-squared	0.0152	0.0239	0.0348	0.0226

Panel B: Increased selective disclosure of non-material information

Partitioning Variables:	New Coverage	New Analyst	New Firm
	(1)	(2)	(3)
VARIABLES	ABS_RET	ABS_RET	ABS_RET
Constant	0.0145***	0.0145***	0.0140***
	(74.96)	(74.95)	(69.63)
FIRM_PUBLIC_DISC	0.0076***	0.0076***	0.0077***
	(33.51)	(33.50)	(33.87)
ANALY_OUT	0.0001	0.0003**	0.0003**
	(0.89)	(2.19)	(2.19)
POST_RULING	0.0002	0.0002	0.0003

	(0.87)	(0.87)	(1.11)
PARTITION			0.0024***
			(6.94)
POST_RULING x PARTITION			-0.0004*
			(-1.72)
ANALY_OUT x POST_RULING	0.0010***	0.0009***	0.0010***
	(6.06)	(5.62)	(5.85)
ANALY_OUT x PARTITION	0.0014***	0.0019***	0.0014***
	(6.64)	(5.79)	(4.18)
ANALY_OUT x PARTITION x POST_RULING	-0.0009***	-0.0010**	-0.0009***
	(-3.20)	(-2.22)	(-2.62)
Observations	1,547,825	1,547,825	1,547,825
Adjusted R-squared	0.0152	0.0152	0.0176

This table reports cross-sectional tests to examine the materiality of increased selective disclosure. Panel A reports results for whether increased selective disclosure contains material information. Column (1) reports the effect of the court's ruling on *SEC v. Siebel Systems, Inc.* (2005) on the informativeness of analyst outputs released prior to Reg FD 8-K filings. For firm-date observations with $ANALY\_OUT_{i,t}$ equals one, $BEFORE\_FD8K_{i,t}$ equals one if the analyst output(s) is issued prior to Reg FD 8-K filings (Section 7, item 7.01), and equals zero otherwise. For this test, we define $ANALY\_OUT_{i,t}$ slightly differently than in the Appendix. $ANALY\_OUT_{i,t}$ equals one for firm i on day t if that day is within the [-1, +1] window of at least one analyst earnings forecast or stock recommendation that is not issued within two days following the firm's earnings announcements and management earnings guidance. Column (2) reports the results using $LITIGIOUS\_INDUSTRY_i$ as the partitioning variable. $LITIGIOUS\_INDUSTRY_i$ equals one if the firm operates in litigious industries, i.e., 2833-2836, 3570-3577, 3600-3674, 5200-5961 and 7370, and equals zero otherwise. Column (3) reports results for $HIGH\_LITIGATION\_RISK_i$ as the partitioning variable. $HIGH\_LITIGATION\_RISK_i$ equals one for firms with higher litigation risk (top quartile), and equals zero otherwise. Firm-level litigation risk is estimated for the fiscal year 2003 using the approach in Kim and Skinner (2012). Column (4) reports the results from using $BETTER\_GOVERNANCE_i$ as the partitioning variable. $BETTER\_GOVERNANCE_i$ equals one for firms with better governance quality, and zero otherwise. Firm-level governance quality is measured as of 1/1/2004 using the Governance Index in Gompers, Ishii, and Metrick (2003). The index adds one point for every provision that restricts shareholder rights (increases managerial power). Firms with Governance Index in the bottom quartile are classified as having better governance quality. The sample size is smaller in Column (4) because of missing data for Governance Index. Panel B reports results for whether increased selective disclosure contains non-material information. Column (1) reports the results for $NEW\_COVERAGE_{i,t}$ as the partitioning variable. For firm-date observations with $ANALY\_OUT_{i,t}$ equals one, $NEW\_COVERAGE_{i,t}$ equals one if the analyst output(s) issued on the trading days only includes outputs made by analysts who start covering the firm in the same year (no outputs issued by other analysts), and equals zero otherwise. Column (2) reports the results for $NEW\_ANALYST_{i,t}$ as the partitioning variable. For firm-date observations with $ANALY\_OUT_{i,t}$ equals one, $NEW\_ANALYST_{i,t}$ equals one if the analyst output(s) issued on the trading days only includes outputs made by analysts with 3 years or less on IBES (no outputs issued by other analysts), and equals zero otherwise. Column (3) reports results for NEW_FIRM_i as the partitioning variable. NEW_FIRM_i equals one if the firm first appeared in Compustat in 1998 (i.e., 5 years before 2003) or later, and zero otherwise. The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for other variable definitions.

Table 6 Types of information contained in increased selective disclosure after Siebel decision

Panel A: Reg FD 8-K item paired with other 8-K items

8-K Filing Types:	Section 1	Section 2	Section 5	Only Section 7	Section 8
	(1)	(2)	(3)	(4)	(5)
VARIABLES	ABS_RET	ABS_RET	ABS_RET	ABS_RET	ABS_RET
Constant	0.0145***	0.0145***	0.0145***	0.0145***	0.0145***
	(74.83)	(74.83)	(74.83)	(74.84)	(74.83)
FIRM_PUBLIC_DISC	0.0076***	0.0076***	0.0076***	0.0076***	0.0076***
	(33.30)	(33.35)	(33.28)	(33.27)	(33.32)
ANALY_OUT	0.0004***	0.0004***	0.0004***	0.0004***	0.0004***
	(2.79)	(2.79)	(2.79)	(2.79)	(2.79)
POST_RULING	0.0002	0.0002	0.0002	0.0002	0.0002
	(0.84)	(0.84)	(0.84)	(0.84)	(0.84)
ANALY_OUT x POST_RULING	0.0008***	0.0008***	0.0008***	0.0008***	0.0008***
	(5.20)	(5.20)	(5.20)	(5.20)	(5.20)
ANALY_OUT x BEFORE_FD8KS	0.0004	-0.0009	-0.0017	-0.0009	0.0038**
	(0.42)	(-1.44)	(-1.63)	(-0.84)	(2.10)
ANALY_OUT x BEFORE_FD8KS x POST_RULING	0.0011	0.0029*	0.0086	-0.0011	-0.0032
	(0.73)	(1.74)	(1.55)	(-0.82)	(-1.36)
Observations	1,541,396	1,542,438	1,540,814	1,541,475	1,540,973
Adjusted R-squared	0.0152	0.0152	0.0152	0.0152	0.0152

Panel B: Positive versus negative information

VARIABLES	SIGNED_RET
Constant	0.0010**
	(2.06)
FIRM_PUBLIC_DISC	-0.0000
	(-0.16)
ANALY_OUT	0.0003**
	(2.16)
POST_RULING	-0.0006
	(-0.83)
ANALY_OUT x POST_RULING	0.0001
	(0.53)
ANALY_OUT x POSITIVE	0.0043***
	(7.36)
ANALY_OUT x POSITIVE x POST_RULING	0.0018**
	(2.03)
ANALY_OUT x NEGATIVE	-0.0063***
	(-8.60)
ANALY_OUT x NEGATIVE x POST_RULING	0.0008
	(0.85)
Observations	1,547,825
Adjusted R-squared	0.0007

This table reports the results of cross-sectional tests to examine what type of information is contained in increased selective disclosure after the Siebel decision. Panel A expands the analysis reported in Column (1) of Panel A of Table 5 by examining whether the informativeness of analyst output(s) announced prior to a Reg FD 8-K filing varies with other 8-K items that are included in the filing. For firm-date observations with $ANALY\_OUT_{i,t}$ equals one, $BEFORE\_FD8KS_{i,t}$ equals one if the analyst output(s) is issued within 2 days prior to a Reg FD 8-K filing (Section 7, item 7.01) that includes another 8-K item (belonging to 8-K Sections 1, 2, 5, or 8), and equals zero otherwise. For this test, we define $ANALY\_OUT_{i,t}$ slightly differently than in the Appendix. $ANALY\_OUT_{i,t}$ equals one for firm i on day t if that day is within the [-1, +1] window of at least one analyst earnings forecast or stock recommendation that is not issued within two days following the firm's earnings announcements or management earnings guidance. Results for Reg FD 8-K filings (Section 7, item 7.01) paired with Section 1 "Registrant's Business and Operations" (items 1.01-1.04) are in Column (1), with Section 2 "Financial Information" (items 2.01-2.06) are in Column (2), with Section 5 "Corporate Governance and Management" (items 5.01-5.08) are in Column (3), without any other Section are in Column (4), and with Section 8 "Other Events" (item 8.01) are in Column (5). The sample size is different across the 5 columns, because we exclude from the sample Reg FD 8K filings that are not paired with the focal section. This approach makes analyst outputs not issued prior to Reg FD 8-K filings the benchmark in each column. However, results are similar upon using the full sample for all the columns. Panel B reports the effect of the Siebel decision on the informativeness of analyst outputs containing positive versus negative information. *SIGNED_RET* is daily signed stock returns. $POSITIVE_{i,t}$ equals one if two or more analysts provide earnings forecasts during the [-1, +1] window and all of these forecasts are revisions from below to above the analyst consensus forecast (the most recent mean forecast in IBES), and

equals zero otherwise. $NEGATIVE_{i,t}$ equals one if two or more analysts provide earnings forecasts during the [-1, +1] window and all of these forecasts are revisions from above to below the analyst consensus forecast, and equals zero otherwise. The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for other variable definitions

Table 7 Recipients of post-Siebel increase in selective disclosure

Panel A: Managers selectively disclose to multiple analysts

VARIABLES	ABS_RET
Constant	0.0145***
	(74.95)
FIRM_PUBLIC_DISC	0.0077***
	(33.56)
ANALY_OUT	0.0001
	(0.85)
POST_RULING	0.0002
	(0.87)
ANALY_OUT x POST_RULING	0.0008***
	(5.10)
ANALY_OUT x MANY_ANALYST	0.0024***
	(8.98)
ANALY_OUT x MANY_ANALYST x POST_RULING	0.0007*
	(1.92)
Observations	1,547,825
Adjusted R-squared	0.0156

Panel B: Managers selectively disclose to analysts vis-à-vis institutional investors

Institutional Ownership Level:	Above median	Top quartile	Top decile
	(1)	(2)	(3)
VARIABLES	ABS_RET	ABS_RET	ABS_RET
Constant	0.0143***	0.0142***	0.0143***
	(63.92)	(70.28)	(73.14)
FIRM_PUBLIC_DISC	0.0076***	0.0076***	0.0076***
	(33.48)	(33.46)	(33.49)
HIGH_TRANSIENT	0.0003	0.0015***	0.0020***
	(1.47)	(6.50)	(6.97)
ANALY_OUT	-0.0001	-0.0000	0.0002*
	(-0.57)	(-0.21)	(1.67)
POST_RULING	0.0004	0.0001	0.0001
	(1.45)	(0.39)	(0.50)
ANALY_OUT x POST_RULING	0.0009***	0.0008***	0.0008***
	(4.38)	(4.62)	(5.05)
ANALY_OUT x HIGH_TRANSIENT	0.0010***	0.0019***	0.0020***
	(4.72)	(8.09)	(6.49)
POST RULING x HIGH_TRANSIENT	-0.0003	0.0002	0.0004

	(-1.61)	(0.96)	(1.33)
ANALY_OUT x POST_RULING x HIGH_TRANSIENT	-0.0002	-0.0002	-0.0003
	(-0.78)	(-0.91)	(-0.67)
Observations	1,547,825	1,547,825	1,547,825
Adjusted R-squared	0.0154	0.0173	0.0170

This table examines the recipients of increased selective disclosure following the court's ruling on *SEC v. Siebel Systems, Inc.* (2005). In Panel A, *MANY_ANALYST* equals one for firm-date observations with *ANALY_OUT* equals one and with three or more analysts revising their EPS forecasts and/or stock recommendations during the [-1,+1] window, and zero otherwise. Panel B reports the effect of the court's ruling on the informativeness of analyst outputs conditioning on the level of transient institutional investor ownership. *HIGH_ TRANSIENT* equals one if the transient institutional investor ownership is above the median of the sample distribution in Column (1), above the top 25 percentile of the sample distribution in Column (2), and above the 10 percentile of the sample distribution in Column (3). The sample period is from 9/1/2004 to 8/31/2006. Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for other variable definitions.

Table 8 Selective disclosure before Reg FD, after Reg FD, and after Siebel

VARIABLES	(1) ABS_RET	(2) ABS_RET	(3) ABS_RET
Constant	0.0271***	0.0142***	0.0138***
	(59.40)	(69.30)	(63.12)
FIRM_PUBLIC_DISC	0.0085***	0.0084***	0.0075***
	(36.69)	(32.56)	(35.66)
ANALY_OUT	0.0014***	0.0003**	0.0002
	(4.49)	(2.14)	(0.97)
POST_RFD_PRE_SIEBEL	-0.0076***		
	(-17.31)		
POST_SIEBEL	-0.0132***		
	(-27.29)		
ANALY_OUT x POST_RFD_PRE_SIEBEL	-0.0005*		
	(-1.80)		
ANALY_OUT x POST_SIEBEL	-0.0002		
	(-0.57)		
POST_RULING_5Y		0.0070***	
		(17.36)	
ANALY_OUT x POST_RULING_5Y		0.0010***	
		(3.59)	
POST_RULING_10Y			0.0038***
			(13.27)
ANALY_OUT x POST_RULING_10Y			0.0004**
			(1.97)
Observations	3,335,940	3,632,444	5,194,644
Adjusted R-squared	0.0254	0.0173	0.0108

This table reports how time-series variation in regulation/enforcement affects selective disclosure. In Column (1), the sample period starts from 10/23/1999 (one year before Reg FD implementation) to 8/31/2006 (one year after the court's ruling on *SEC v. Siebel Systems, Inc.*). *POST_RFD_PRE_SIEBEL* equals one if the trading day is between the Reg FD implementation date and the court's decision date, i.e., 10/23/2000 – 8/31/2005, and zero otherwise. *POST_SIEBEL* equals one for trading days after the court's decision, i.e., 9/1/2005 – 8/31/2006, and zero otherwise. We also repeat the analysis in Panel A of Table 2 after extending the post court ruling period from one year to five years, from 9/1/2005 to 8/31/2010 (Column 2), and to ten years, from 9/1/2005 to 8/31/2015 (Column 3). Test statistics (two-sided) based on robust standard errors two-way clustered at the firm and trading day levels are reported in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively. See Appendix for variable definitions.

Table 9 Effect of Siebel decision on the informativeness of analyst outputs - Survey results

Panel A: Job titles of survey participants

Job Title	Percent of Participants
Partner/Law Firm Partner/Managing Partner	75.0
Counsel/Of Counsel/Senior Counsel	11.7
Other/Blank	13.3

Panel B: Survey participants' years of law practice

Years of Law Practice	Percent of Participants
More than 20 years	81.7
Between 15 and 20 years	8.3
Between 10 and 15 years	6.7
Between 5 and 10 years	1.7
Less than 5 years	1.7

Panel C: Main survey question results

Explanation	Average (SD) likelihood rating	Significantly greater than explanation #
(1) *Unintentional* increase in *implicit* communication	1.4	2,3,4,5
(2) *Intentional* increase in *implicit* communication	0.9	3,4
(3) *Unintentional* increase in *explicit* communication	0.8	4
(4) *Intentional* increase in *explicit* communication	0.5	-
(5) Another explanation	0.7	-

Column 1 reports the average likelihood ratings on 5-pt scales ranging from 0 = "Not at all likely" to 4 = "Extremely likely" for five explanations of the effect we observe in our archival analyses, namely, analyst outputs issued after the 2005 Siebel decision are significantly more informative to the market compared to analyst outputs issued just before the decision. Column 2 reports the results of pairwise t-tests testing the null hypothesis that the average likelihood ratings are equivalent for each set of two explanations. We report the explanations for which the likelihood of a given explanation is significantly greater at the 10% level using the Bonferroni-Holm method to adjust for multiple comparisons. For example, the likelihood of explanation 1 is significantly greater than that of explanations 2, 3, 4, and 5.

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