

Accounting Research Seminar

“ Disclosure Regulation and Corporate Acquisitions ”

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Thursday, April 5th, 2018 – 2:30 pm – 4:30 pm

Abstract:

This paper examines the effect of disclosure regulation on the market for corporate control. We exploit the implementation of the Transparency Directive of 2004, which imposed on European public firms tighter disclosure requirements in periodic financial reports and major shareholdings notifications. We find a substantial drop in the number of control acquisitions after the introduction of the regulation, a decrease that is concentrated in countries with lower pre-levels of acquisition costs. We also find that takeover premiums are higher and acquirers' stock returns at the acquisition announcement are lower under the new disclosure regime. Additional analyses show that the documented patterns appear to be driven by the tightening of the disclosure requirements for major shareholdings. Overall, our evidence suggests that tighter disclosure requirements can impose significant acquisition costs on bidders and thus slow down the market for corporate control.

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Keywords: Disclosure regulation, market for corporate control, takeover laws, proprietary costs, merger and acquisitions.

JEL Classifications: G34, G38, K22

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