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Continuous Disclosure

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Certificate of Authorship / Originality

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student

Mark Russell

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Abstract

This thesis evaluates the operation of Continuous Disclosure Regulation (CDR) in Australia and considers whether it is effective in reducing uncertainty about the value of the firm. A feature of the CDR is that it adopts a principles-based approach to prescribing disclosure, and in general terms it requires that listed companies disclose price sensitive information to the market on a timely basis. A consequence of adopting this approach is that firms must exercise considerable discretion in applying the regulation. Those judgments relating to whether information is price sensitive are addressed in chapter 2, while those relating to when the information should be disclosed are addressed in chapter 3. Evidence is provided in Chapter 2 that disclosures made under the regulation are generally associated with a reduction in information asymmetry. Although, there is some evidence that when firms disclose bad news this may actually increase information asymmetry. In chapter 3 there is evidence that disclosures under CDR result in timelier price discovery, with this result strongest for loss firms and firms reporting high returns. Accordingly, this is supportive of the CDR meeting at least some of its objectives. However, there is evidence of cross sectional variation in the application of the regulation which suggests that firm disclosure practices are still influenced by firm characteristics such as size, the nature of the news, and managerial incentives.