Does Cybercrime Legislation Affect Stock Price Crash Risk? International Evidence

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We exploit the staggered enactment of cybercrime legislation across countries as a plausibly exogenous shock to the legal deterrence of cybercrime and examine its effect on firm-level stock price crash risk. Using a difference-in-differences regression on a large sample of firms from 81 countries, we find that stock price crash risk significantly decreases following the enactment of cybercrime laws. This effect is stronger where cybercrime laws impose harsher statutory penalties and where investor protection and common-law legal traditions support credible enforcement. Further, the effect is more pronounced among firms in cyber-exposed industries, and financial reporting opacity significantly decreases following cybercrime law adoption. Overall, the findings suggest that cybercrime legislation reduces crash risk by limiting both the generation and concealment of cyber-related adverse firm-specific information, and identify national cybercrime laws as an institutional determinant of downside equity risk in the digital era.