

## How Markets React to Corporate Disclosure: An Analysis Using a SEM Model

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**Abstract :** We examined the impact of governance rules on information asymmetry, using the turnover ratio and the bid-ask spread as proxies for the information asymmetry. We used a SEM model and analyzed the indirect relations through the voluntary disclosure of information and the organizational performance. We built a voluntary disclosure index based on the information firms provided in their annual reports and divided the governance characteristics in two constructs: directors' and supervisors' structures and ownership structure. We concluded that the ownership structure exerts a direct influence on share price and share liquidity, Otherwise, the directors' and supervisors' structures exert an indirect influence, through the organizational performance and the voluntary disclosure of information. The results also show that for firms with high levels of disclosure the bid-ask spread is lower. However, in firms with a high ownership concentration investors tend to increase the bid-ask spreads and trade less, which, in this case, reduces the liquidity of the stock. The failure to find the relationship between voluntary disclosure of information and the turnover ratio shows us that the liquidity of shares is more related to the greater or lesser concentration of shareholders, with the performance of their companies than with the access to information. Moreover, it is clear that the role that information disclosure plays is mainly at the level of price formation.

**Keywords :** corporate governance, information asymmetry, voluntary disclosure, structural equation modelling, SEM

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