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Disclosure regulations during crisis: The case of TASE after October 7th

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Disclosure Regulations During Crisis: The Case of TASE after October 7th

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Abstract:

Following the outbreak of a regional war, the Israeli capital markets regulator, ISA, introduced a temporary regulatory exception allowing reporting corporations traded on the Tel Aviv Stock Exchange (TASE) to postpone the filing of their quarterly reports at will. This intervention raises questions at the intersection of law and finance concerning the value of information, responses to withheld information, and opportunistic behaviors by market participants. By utilizing empirical methods, I find that even corporations unaffected by the war used the regulatory relief, and that market response was limited, raising doubts regarding the efficiency of the market under these circumstances. This paper aims to inform decision makers who consider how to provide regulatory response to external shocks such as wars or other catastrophes.

Keyword: Disclosure Regulations, Law and Finance, Securities Law, Conflict Economics, Financial Regulation, Behavioral Finance, Information Processing

JEL classification: G14, G18, D53, K22, H12, F51, G01

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I. Introduction

On October 7, 2023, Palestinian militants from Hamas and other armed groups launched a surprise attack against Israeli towns and cities in the south of the country, which coincided with a powerful rocket barrages. This event, which captured global attention, escalated into the first full scale ground war in Israel since the Second Lebanon War of 2006, with Israeli casualties already exceeding those of any war since the 1973 Yom Kippur War. Since then, the conflict became a multifront regional war.

The economic effects of this war, which is still ongoing, on Israel and the wider Middle East region will undoubtedly be studied in the future. In Israel, with much of the workforce being drafted to the front, and property damaged in the billions, estimates regarding the costs of the war vary but are thought to reach tens of billions of dollars (Bank of Israel, 2024). The effects of the war, particularly with regards to its impact on consumers confidence, investors trust, population dynamic in border areas, and the regional diplomatic and economic normalization process between Israel and its neighbors, will only be revealed after its conclusion.

One aspect that can be studied immediately, however, is the capital markets response to the beginning of the war, and the regulatory responses to the volatility. In this paper, I will explore how Israeli regulators responded to the outbreak of the war, providing a unique regulatory relief. I will utilize market data to find what are the predictors for utilization of such relief and what were the investors' reactions to such steps.

To provide detect correlation, I will use both OLS and Logistic probability regressions to compare these companies who have not utilized the relief with those who did. I will also analyze the determinants of investors reactions using OLS methodology, based on both companies' characteristics and the timing of their announcements, with abnormal returns (calculated based on sector) as the dependent variable. These will be supplemented by textual disclosures, statistics on timing and reactions to disclosures, and narrative-based analysis of individual case studies.

The structure of the paper is as follows: It begins with an overview of Israeli capital markets, the economic reactions to the war and the regulatory relief. It then reviews literature focusing on the interaction between capital markets and wars as well as various aspects of disclosure regulations, processing of information by investors, and the timing of disclosures by traded issuers. The empirical section presents results of regressions and their interpretation, followed by statistics on disclosure dates and abnormal returns associated with the decision to postpone. As a supplementary analysis, the paper examines six case studies of firms who chose to postpone their reports. It will conclude with policy recommendations for regulators facing similar dilemmas, arguing in essence that any disclosure regulatory relief should be targeted, narrow, and well defined.

II. Background

1. Institutional and Capital Markets setting

The Tel Aviv Stock Exchange (TASE) is a mid-sized stock exchange, representing the only capital market within the state of Israel. Established in 1953 with only a few trading hours per week. Today, TASE is a significant financing avenue both for Israeli firms and the Israeli government itself. It has more than 600 companies and trades in thousands of securities, indices, and derivatives. Approximately half of the traded market cap are represented by equity securities and the other half – corporate bonds with a total value of approximately USD 500 billion, making TASE one of the largest Middle Eastern stock exchanges.

TASE became regulated in 1968 with the establishment of the Israeli Securities Agency (ISA), pursuant to the Securities Law 5728-1968. The law authorized the Israeli minister of finance, with the approval of the Israeli parliament's (Knesset) Finance Committee to implement regulations regarding the implementation of the law. These include the Securities Regulations (Immediate and Periodical Reports) 5730-1970, which determine that quarterly reports will be filed up to two months following the applicable period. In addition to the periodic obligations, abovementioned rules also require firms to report material information within 24 hours, unless the release of such information may risk a strategic transaction.

However, ISA retains significant latitude with regards to the implementation of the law and regulations, and it authorized to postpone reports' filings, provide blanket exceptions, and implement fines and other administrative sanctions for delinquency.

ISA also often releases documents which are “quasi legal” or “soft law” such as Q&A documents, legal position papers, and case studies. As such, ISA also often communicates informally with companies, counsels, accountants and other regulators, providing around-the-clock engagement and responding to current events.

2. The immediate economic reaction

Immediately after the first reports regarding armed clashes taking place within the territory of Israel began to surface, key Tel Aviv Stock Exchange (TASE) indices fell. In the week following the attacks, the flagship index TA-35 fell by around 7%, and the banking index dropped 9%. However, bonds indices have remained roughly steady and even registered small increases, with the TL-Bond index rising by 0.5% (TASE Weekly Bulletin, 2023).

The share indices rallied since October 8, with experts pointing out that investors' initial fears decreased as the fighting did not rapidly spread to other fronts. The Banking sector index, however, fell by additional 5% by the beginning of November, with reports suggesting that the regulator, the Bank of Israel, plans to block or restrict dividend payments in the near future. However, in both 2023 and 2024, the Supervisor of Banks merely sent a letter to banks urging for "caution and restraint", leading banks to cut

dividend rates by approximately half, from 40% of net profits to 20%, signaling a cautious return normalcy (Avishar, 2024).

Selected Israeli companies, however, enjoyed significant share price increases. Unsurprisingly, most of those are companies affiliated with the defense sector or companies providing services competing with international firms which have cut back operations in Israel during the war. Examples include HUB Information Security Ltd, an Israeli cybersecurity company registered on Nasdaq, which tripled in value on October 8, and EL AL Ltd., the national airline, which saw its share price drop on October 8 but since then has significantly increased its value compared to the pre-war levels, due to its temporary near-monopoly status on flights to and from Israel.

The Tel Aviv Stock Exchange has remained operational throughout the war, resisting calls for a closure similar to the stock exchanges closures in the United States following the September 11 attacks. The deputy CEO of the Tel Aviv Stock Exchange noted in an op-ed the importance of the continued operation of TASE in order to preserve investors' trust, portfolio liquidity, and allow the state to raise capital and recycle debts. He also noted that trading volume following the October 7 was much higher than regular days on TASE (Pagot, 2023). This continued operation, as described below, also helps isolate the impact of the October 7 attacks on share prices and market reactions.

3. The Regulatory Relief by ISA

The Israeli securities Authority, the country's main capital markets regulator, recognized the importance of maintaining a predictable regulatory environment for reporting companies fairly quickly and issued on October 16 an announcement regarding reporting exceptions. The most notable regulatory relief, from stakeholders' perspective, was that ISA provided, based on its authority in the Israeli Securities Law (1968), a one-month blanket extension to the Q3 quarterly financial reporting, from November 30 to December 31. During the postponement period and until the eventual publication of the Q3 reports, no new capital raises were allowed for the applicable companies. In order to utilize the extension, Companies had to announce the decision before the original Q3 filing deadline. This exception and its results are the centerpiece of this article. This emergency relief will be the focus of this paper.

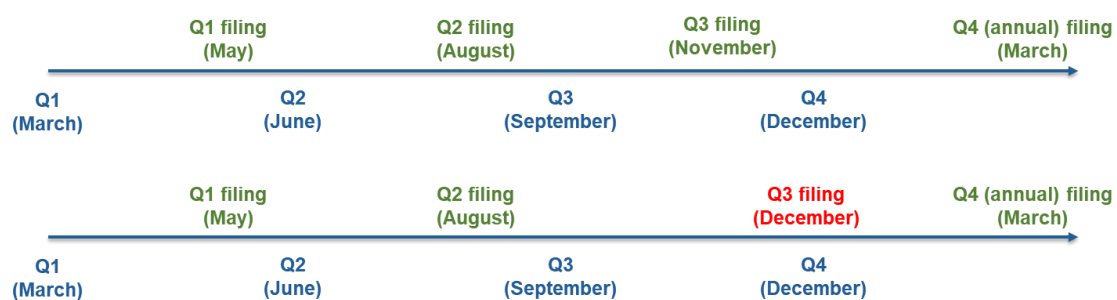


Figure 1: Reporting timelines (normal timeline above, deferred timeline below)

Further, the Israeli parliament (Knesset) approved a bill which automatically prolonged all existing regulatory approvals by three months, including shelf prospectuses approved by the ISA. The Israeli ministry of Justice, together with ISA, has also proposed a bill which would allow companies to postpone the holding of Annual General Meetings (AGM), prolong the service of existing independent directors, and the validity of company decisions requiring shareholders' approval (such as related party transactions or join CEO/Chair positions), all by three months.

In addition, ISA has issued several public letters asking traded companies to provide disclosures on the impact of the "Iron Swords" war on their businesses, similar to other risks. Companies have chosen to disclose risks both to their own business as well as general market-wide risks due to the deterioration of Israel's diplomatic position, warning of possible impacts of further national credit downgrades and ongoing legal procedures against the state of Israel (ISA, 2023).

III. Literature Review

1. Capital Markets and Wars

War affects the national economy and national capital markets, with ripple global effects, but are often anticipated before they actually begin. In fact, capital markets' volatility can serve as a litmus test to recognize historical events in retro-perspective, as the participants within capital markets all have an inherent interest in maximizing profits, without as much national and ideological bias as the regular political discourse. Thus, it was theorized that the price of German government bonds reflects investors assessment regarding the probability of Germany winning the Second World War. Similarly, the fact that government bonds generally drastically fell in February 1939, after the German invasion of Czechoslovakia but before the official beginning of the war, reflects a broad assessment that a major war was on the horizon (Frey and Kucher, 2000). Similar patterns were noted before the outbreak of the Second Gulf War (Rigobon and Sack, 2005, Amihud and Wohl, 2003). Therefore, it can be hard to isolate war as a variable in economic volatility and policy, as its effects and indications are felt before and after official declarations are made. Further, there is a risk of endogeneity, as the outbreaks of wars themselves are often associated with preexisting increases to commodity prices heightened costs of borrowing and general declining economic conditions (Chapman & Reinhardt, 2013).

Nevertheless, in the case of the 2023 Gaza War, distinguishing the effects of the war on the Israeli capital markets should be easier. The war began as a surprise attack, and there were no clear indications before then. Even assumptions regarding the possibility of future clashes with Gaza militants seem to have been overtaken by events, as the scale of the current war far exceeds such expectations. This stands in stark difference from other major modern wars, such as the Ukraine-Russia War and the Second Gulf War, which were both preceded by threats, tensions, and mobilization.

2. Information and Investors' Reactions

Information is a critical component of investors' decision-making, and markets with low-quality information may result in extortionate terms and interest rates, lowering the overall market efficiency (Akerlof, 1970). Further, the nature of disclosures is such that those in possession of positive information regarding their businesses or products have an incentive to disclose it (Grossman, 1981), while the other party to the contract is incentivized to adopt an approach of 'extreme skepticism' regarding any information which is not disclosed, assuming the worst outcome regarding any piece of undisclosed information (Milgrom, 2018). As information is considered a public good with low dissemination costs but relatively high production costs, especially when produced by outsiders, government agencies tend to intervene in forcing public companies to optimize disclosures (North, 2014). Generally, both additional textual and numerical information items are associated with efficient price discovery, providing a benefit to investors (Chung et al., 2019). Shareholders' activism is another prominent way of reacting to information and address perceived deficiencies, but its limited impact has led to calls to limit support for shareholders' proposals only to cases where they have clear financial benefits (Romano, 2001).

Empirical evidence suggests that there is indeed a positive measurable impact for detailed disclosures, improving market liquidity and capital cost reduction for issuers (Botosan & Plumlee, 2000) this is also applicable for the German market (Grüning, 2011), highlighting the incentive to provide high-quality corporate disclosures, when possible. However, to date, no empirical research on the Israeli market on this topic.

Financial statements are considered the most basic, important and reliable piece of information of investors in securities markets (Hand, 2014), their form is often relatively regulated, constrained within specific formats, which allows investors to develop ways to read, compare, analyze, and take decisions based on them (Elliot & Elliot, 2015). In many markets, in recent years, there is also a move towards machine readable formats of financial reports. In short, financial reports are necessary to understand the factors affecting the financial performance of public companies, towards both investors, employees, and other third-party actors (Osadchy et al, 2018).

That suggests that investors are capable of pricing the lack of information, when applicable, creating an inherent incentive for issuers to disclose information as it becomes available and avoid negative assumptions. However, in practice, there are also serious doubts about whether institutional investors can always process all available information, especially non-financial information without any quantification (Bauch, 2019). Further, it is hard to implement a clear standard for good level of qualitative reporting, and mandating such disclosures may not always lead to real public and investors scrutiny (Bilicka et al., 2021). Risk disclosure, for example, is often provided in boiler plate language, distributed through various sections of reports, and thus preventing shareholders from adequately assessing the possible risks and taking informed investment decisions, according to regulators and stakeholders (Johnson 2010; IRRC 2016). Such practices remain persistent despite being associated with

higher volatility (Kravet and Muslu 2013), and negative market reactions (Hope, Hu, and Lu 2016), possible because boilerplate language also helps avoid unwanted regulatory attention (Cazier et al., 2019).

Monitoring costs play a significant role in shareholders' reactions to disclosures. Even when meaningful textual information is disclosed, non-monitoring or partial monitoring of disclosures may be a rationale decision if monitoring is unnecessary or inefficient, (He & Ho, 2011). The level of monitoring and activism are affected by such costs, which may depend on various factors, such as the development of specialized monitoring and engagement capabilities (Nartin & Nisar, 2007). In one case, an analysis of natural experiment has shown that when analyst coverage of portfolio companies was reduced, the financial reporting quality has decreased as well, and that the effect was more pronounced on companies with weaker corporate governance (Irani & Oesch, 2013). The impact of processing costs has been proven to be significant within the Israeli market, with heterogeneous processing costs for different traders impacting price discovery within TASE listed dual-listed firms (Mitts & Ofir, 2025).

Voluntary disclosures, which are completely discretionary, also show that the incentives to provide detailed information are not uniform among all issuers. Historically, even periodical reports were discretionary, with significant frequency variations between different American Stock Exchanges (Leftwich et al., 1981). In modern times, identified drivers of such disclosures include size, industry/business complexity and prior engagement with shareholders (Boesso & Kumar, 2006). A possible factor deterring some companies from providing voluntary disclosures may be concerns regarding establishing expectations for future disclosures, this effect may be larger among companies which are well established and risk-averse (Einhorn & Ziv, 2008). Strong corporate governance indicators, such as board independence and a reputable auditing firm, are also associated with enhanced voluntary disclosures (Boateng et al., 2022).

These complexities regarding the processing of financial, non-financial, textual, and voluntary disclosures are also associated with the ongoing debate regarding efficient versus inefficient sorting and the efficient market hypothesis (Fama, 1970), being challenged by certain inefficient behavioral patterns. Albeit one should also note that such patterns are often not persistent in the long-term (Malkiel, 2003).

3. Capital Markets' Disclosures' Legal Regime

The legal requirements applying a corporation play vital role in the competition of corporate charters (Romano, 1993), with capital markets requirements also impacting choice of incorporation jurisdiction, leading to competition for streamlined regulations (Romano, 1985; Romano, 2002). Traded corporations tend in general to attempt to maximize market access while limiting legal exposure and regulatory burden, including by engaging in managerial opportunism (Licht, 2001)

Further, clarity of rules and standardization of disclosure systems are needed to make capital markets more streamlined and accessible, especially to international investors, and ease price discovery, motivating European efforts to apply uniform standards with

the introduction of Directive 109 in 2004, which imposes strict reporting schedules based on annual and semi-annual filings, with no mandated quarterly filings (Directive 109/2004; Schön, 2006). In the same time, the American system follows a tiered reporting system while also mandating even driven material disclosures (Securities Exchange Act of 1934). Israeli disclosure regime combines elements from both systems such as mandating quarterly filings and disclosure exceptions common in the US but following strict schedules like the EU. In the same time, the Israeli regulators also adopted flexible approach towards companies listed in foreign capital markets, allowing them to report and follow foreign regulations, with flexible adjustments as needed to “protect investors” (Israeli Securities Law-1968; Licht, 2022)

4. Late, Delayed and Clustered Capital Markets Filings

Because reported information impacts the valuation investors ascribe to a firm, managers can and do time filings strategically to impact valuation and trades, utilizing after-hour announcements to limit market returns (DellaVigna and Polet, 2009). This can also lead to significant disparities in the release of negative versus positive information (Patell and Wolfson, 1982). Intentional late releases can also be illicitly utilized by insiders to achieve personal abnormal returns (Cline and Houston, 2023). Another tool used by firms to limit attention to filing is clustering of announcements together with negative market conditions (Acharya et al, 2011). This opportunistic discretion is also present, perhaps even more significantly, in cases of voluntary disclosures (Aboody & Kasznik, 2000).

Even though capital markets ostensibly have strict deadlines regarding the time of filings of financial reports, there are violators. Companies who file after the legal deadline are associated with lower quality internal controls (Impink et al, 2012). Further, research shows significant association between late filings and lower quality of reporting, including misstatements (Cao et al., 2016). An analysis from Belgium has shown that late filing of reports is concentrated within small firms, and is associated with negative results, and younger and less established firms (Luypaert et al., 2015).

5. Legal Elasticity and Regulatory Relief

Legal elasticity is a term referring to dynamic changes in the legal order in response to ongoing social, economic, and political events. This stems from the nature of financial markets, which are ever changing, and in time of economic crisis, the full enforcement of norms may damage or even destroy financial systems (Pisor 2013). The degree of elasticity of a particular norm also depends on whether it is a primary norm, or rather secondary or tertiary norms, who is authorized to change or relax it, and how adaptive the decision-making processes of the applicable regulators are.

Indeed, in times of crisis, regulators have often responded with suspension of substantive financial requirements as well as allowed the delay or suspension of disclosures (Chiu et al. 2021). During the Covid-19 pandemic’s first year, for example, various regulators announced extensions to filing deadlines, as relief for public companies. The approach to such relief was nuanced. In the UK, for example, the

extension was provided to all companies who considered the additional time as needed (FCA declaration, 2020), while in the US, extensions were provided only subject to inability to file the report in the original deadline, and subject to thorough explanation of the reasoning (SEC Order, 2020). Decisions to provide relief are supported by evidence of market-wide inability to publish timely high-quality filings during times of crisis. For example, the COVID-19 pandemic might have adversely impacted the quality of reporting and corporate governance indicators in general of listed companies in the UK (Hsu and Yang, 2022).

Such exceptions, while catering to firms affected by shocks, both economic and in terms of personnel, raise questions regarding the correct approach and how to balance firms' needs for flexibility and investors' right to information. It also raises questions regarding reliance on the current regulatory order, at an age when disclosure requirements are generally increasing, not decreasing.

IV. Questions and Motivation

The continued operation of the Tel Aviv Stock Exchange (TASE) throughout the multifront war since October 7, 2023, provides us with a unique opportunity to isolate the impact of this singular, "once in a century" event and market responses. The swift intervention by the Israeli Securities Authority (ISA) will provide conclusion on the impact of regulatory responses, which are assessable by their utilization.

This study aims to represent a first attempt at deciphering the impact of this event, but its findings may also apply to other catastrophic situations, such as natural disasters, geopolitical events or political unrest.

The main empirical questions I will assess are:

- 1) Whether factors established as determinants for late filings also apply in cases of catastrophic events?
- 2) Whether factors established as determinants for late filings also apply in cases of regulatory relief (rather than illegal delays)?
- 3) Whether factors established as determinants for late filings also apply to the Israeli capital markets?
- 4) Whether and how did investors react to such decisions by reporting companies?
- 5) What are the determinants for such investors' reactions?

The answers to these questions could provide guidance for policy makers, not only in cases of war but also in other cases of shocks, geopolitical crisis and natural disasters. As shown below, the dilemmas resulting from such events are not unique to Israel, with similar regulatory relief implemented in several markets during the Covid-19 pandemic. Further, it is an opportunity to test efficient market hypothesis and common theories regarding incentives to produce and disclose information are valid in cases of timeliness (rather than the decision to disclose or not to disclose). It is also an opportunity to test whether existing data regarding the characteristics of companies

prone to publish filings after the legal deadlines also apply to cases where regulatory relief allows an extension of said deadlines.

V. Hypothesis Development

With the regulatory exception allowing reporting companies with complete discretion regarding whether to use the provided exceptions, and without prescribing an obligation to disclose the reason for such postponement of the quarterly report, certain companies will utilize it regardless of the impact of the war on their performance and their reporting capacities.

I expect such companies to be smaller in value, with less set disclosure processes and oversight, allowing management to opportunistically utilize the exception. Further, I accept such postponements to be associated with higher likelihood of distress. That is because financial reports also include data and information from the period between the report date and the filing date. Management of companies which are distressed may be under more pressure to wait with their reports and attempt to secure financing in order to solve the underlying distress-causing issues prior to publishing. Further, such a postponement would allow them more time to discuss with their independent auditors and attempt to alleviate their doubts regarding the going concern assumptions.

This thesis regarding opportunistic use of filing time and dates is also supported by previous patterns recorded within the Israeli market, with the leading financial Israeli newspaper, Globes, commenting on the phenomenon of filing financial reports at the “last minute” and noting both in 2022 and 2023 (Sternlicht, 2022; Sternlicht, 2023). The articles noted that approximately 60% of companies report their results in the last legally permissible week while 20% report on the last legally permissible day, often at night. This is considered one of a variety of “tricks” utilized by companies with disappointing results to limit public and analyst scrutiny, which also include a tendency to report on weekends and during trading hours. In addition, only a minority of companies give advance notice regarding the date of publication which would allow analysts to prepare to process them. These concentration of reports in the specific weeks preceding the legal deadline and lack of advance notice help “flood” the reporting system and prevent analysts employed by institutional investors, especially smaller ones, from deeply researching the results and their economic meanings. The journalistic reports also compared these patterns with the practices in American stock exchanges which are often more transparent and noted an “Israeli mentality” of delays as an additional possible reason. Commentators also noted that companies with positive financial results tend to publish them much earlier, because at that time, the system is less “crowded”, increasing media attention and focus while also strengthening investors’ trust and public reputation. The Tel Aviv Stock Exchange commented that it is attempting, during informal phone calls with CFOs, to address these discrepancies and convince companies to voluntarily publish their reports earlier in the reporting cycle and provide advance notice before publication.

I do not expect investors to systematically “punish” companies utilizing the exception. The reason for that is that without a reason disclosed, processing such information and concluding from it regarding the expected information can be hard. Further, as the companies who utilized such exceptions are expected to be smaller in value, the individual investor’s incentive may be limited in size. This is especially true given the high trading volumes following the attacks, as investors rushed to adjust their portfolios to the new reality, it may be that analysts would not prioritize such complex analysis of decisions in micro-cap portfolio companies. In addition, inherent market limitations such as the fact that the vast majority of disclosures on TASE are in Hebrew, may limit the effective ability of institutional investors based abroad to react.

Based on all the above, it is questionable whether in this specific setting institutional shareholders’ reactions will actually follow economic theory which stipulates that voluntary non-disclosure is associated with negative information, and whether investors would be able to assess when specific companies refrain from disclosing on time based on unwillingness to disclose or objective reasons preventing them from doing so, given that companies were not required to provide reasoning for their decisions. These above factors make the information (or lack thereof) even more subtle than regular qualitative disclosures, which are already hard to process. Thus, a possible market failure may emerge.

VI. Empirical Methods

Our approach is designed to investigate the causal relationship between various economically relevant companies’ characteristics and the likelihood of them deciding to postpone the filing of their Q3 report.

1. Description of variables

Postponement status – a dependent probability dummy variable indicating whether the Company, between the release of the ISA order, announced that it would utilize the regulatory exception to postpone its Q3 quarterly reports.

Distress – a dummy variable indicating whether in the 12 months before or after October 7, 2023, the Company has: (1) entered debt restructuring or (2) had a “going concern” not in its reports, indicating a substantial doubt regarding its capacity to meet its obligations and continue operations or (3) its shares were included in the “conversion list”, indicating a candidacy for deletion due to not meeting market and/or liquidity requirements.

Foreign Company- a dummy variable indicating whether the Company is associated abroad and describes its businesses as located abroad.

Only Bonds Traded – a dummy variable indicating whether the company’s publicly traded securities are fully comprised of bonds, rendering it a “bond company” under Israeli law.

October 7 Returns – a string variable indicating the increase or decrease, in percentage terms, of the Company’s securities on October 8, 2023, the first trading day following October 7, 2023. In the case of companies whose shares are traded, the data regarding the shares is used (Israeli law *de-facto* prohibits multiple classes shares structure). In the case of bond companies, an average of the changes in their traded series is used.

Log Equity – a logarithmic transformation of the equity indicated in a company’s q2 quarterly reports, representing the market cap on June 30, 2023, in NIS thousands.

Log Market Cap – a logarithmic transformation of the market cap of a given company’s shares on June 30, 2023, as extracted from TASE “historical data” engine, in NIS thousands.

Timeliness – a string variable representing the average time before the legal deadline remaining before the deadline of a periodical (quarterly or annual) report, encompassing the last four filings before the Q3 2023 filings (Q3 2022, Q4 2022, Q1 2023, and Q2 2023). In case less than four filing dates are available (for example, due to a recent IPO or previously biannual filing regime), the available filings are used.

Glass Lewis Analysis Impact² - a string variable ranging from 0 (no impact) to 3 (significant impact) of the war on Company’s Business, as collected by the proxy advisory Glass Lewis team based on textual disclosures in the 2023 Annual Reports.

Abnormal announcement returns- a dependent string variable indicating the differential between the company’s returns and its relevant sector of security type index on the postponement date (adjusted market model).

In the case of companies whose shares are traded, the data regarding the shares is used. In the case of bond companies, an average of the differentials between their traded series’ returns and the relevant index is used.

Postponement date – a string variable representing the relevant trading day for the announcement of Q3 quarterly reports’ postponements, presented as the number of trading days before the deadline (31/11/2023). In cases where the announcement occurred after trading hours or in the closing phase of trading (last 15 minutes), the next trading day is used.

Postponed after trading hours – a dummy variable indicating whether the announcement of the postponement of an applicable Q3 quarterly report occurred after trading hours or in the closing phase of trading (last 15 minutes), the next trading day is used.

² **Ethical disclosure:** the author is employed part-time in Glass Lewis Israeli market research team and has been involved in the collection of the some of the datapoints regarding textual disclosures. However, each datapoint was reviewed and approved by a research manager prior to entering Glass Lewis’ internal database. Subsequently, the data was provided free of charge to the author with the approval of Glass Lewis’ Global Academic Research Committee. The author thanks Glass Lewis for their cooperation.

2. Limitations of the dataset

While the list of traded companies was downloaded from the website of TASE on May 12, 2024, it ostensibly does not include any companies traded on October 7 which were deleted from trading afterwards. Furthermore, some of the data concerning companies with only traded bonds (and no equity), is “rough”. With the data, collected during October 2024, not being inclusive of bond series which were repaid or deleted from trading between October 7, 2023 and the data collection. The abnormal returns of such bond companies were calculated based on an average of the various bond series, which may not always take into account their relative changing weights, debt size, or sureties which may impact the value of such debentures.

Nevertheless, given that bonds are much less volatile than shares in capital markets, and that the inclusion of bond companies in the sample mainly serves as a robustness check, these limitations do not profoundly weaken the main arguments.

Lastly, certain datapoints do not exist or do not apply to certain traded companies. Glass Lewis Impact Analysis is available for only a third of subject companies (mostly the larger ones), while equity data is not relevant for “deposit” companies – i.e., companies who only issue bonds to deposit them in associated banks without holding their own equity (resulting in small or negative equity despite large trading volumes). The same is applicable for companies with negative equity, which cannot undergo a logarithmic transformation.

VII. Results and Interpretation

1. Main Results - which companies postponed their filings?

A total of 625 traded entities are included in the database downloaded directly from TASE website on May 12, 2024. 92 trade only in corporate bonds (almost identical in terms of reporting requirements), the rest – only or also equity. 578 of traded entities are incorporated in Israel, the rest are abroad (mostly USA, British Virgin Island).

More than 200 excluded for various reasons (dual listed – not subject to Israeli regulations, "small corporations" not publishing quarterly reports, ‘shell companies’ not publishing reports, IPO after the relevant time, etc.)

Total of 416 Companies in the final sample, of those, various companies were excluded from the regression due to lack of trading data from October 7 or being only a financing vehicle without own equity. 54 postponed publishing of Q3 reports approximately, 13% of applicable companies.

Probability to postpone	(1) Logit full sample	(2) Linear full sample	(3) Logit only shares	(4) Linear only shares
Distress ⁽¹⁾	1.948** (0.621)	0.426*** (0.082)	1.474 ^x (0.793)	0.389*** (0.098)
Foreign Company	0.103 (0.696)	-0.035 (0.071)	-----	-----
Only Bonds Traded	0.987* (0.479)	0.129* (0.052)	-----	-----
October 7 Returns	-0.000 (0.052)	-0.002 (0.005)	-0.033 (0.054)	-0.001 (0.005)
Log_equity/log_cap ⁽²⁾ (value)	-0.554*** (0.130)	-0.050*** (0.011)	-0.902*** (0.195)	-0.045*** (0.011)
Timeliness	-0.112** (0.043)	-0.008** (0.003)	-0.060 (0.048)	-0.006 ^x (0.003)
Constant	5.415*** (1.619)	0.799*** (0.142)	9.385*** (2.333)	0.723*** (0.143)
<i>N</i>	385	385	312	312
Pseudo <i>R</i> ² /adj. <i>R</i> ²	0.2132	0.170	0.2263	0.119

Probability to postpone	(5) Logit only bond	(6) Linear only bond
Distress	1.966 ^x (1.044)	0.427* (0.164)
Foreign Company	0.581 (0.957)	0.024 (0.118)
Only Bonds Traded	-----	-----
October 7 Returns	-0.297 (0.357)	-0.020 (0.050)
Log_equity/log_cap ⁽²⁾ (proxy for value)	-0.681* (0.300)	-0.089* (0.035)
Timeliness	-0.193* (0.095)	-0.021* (0.009)
Constant	7.788* (3.596)	1.470** (0.446)
<i>N</i>	73	73
Pseudo <i>R</i> ² /adj. <i>R</i> ²	0.2566	0.209

Figure 2: Main Results

(1) Separate regressions were done on distress based on when it occurred – before or after October 7, revealing no significant differences.

(2) Market cap is used for regressions containing only equity traded companies (e.g. specifications 3 and 4), while equity (book value) is used for the other specifications.

Standard errors in parentheses ^x $p < 0.1$ * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Robustness Check – Inclusion of Textual Categorical Data

Probability to postpone	(7) Logit with GL Data	(8) Linear with GL data
Distress	-----	-----
Foreign Company	-----	-----
Only Bonds Traded	-----	-----
Glass Lewis Analysis of Impact	1.417* (0.644)	0.044* (0.021)
Log_Cap (proxy for value)	-2.874** (1.033)	-0.060*** (0.015)
Timeliness	-0.358 ^x (0.216)	-0.004 (0.003)
Constant	35.175** (13.026)	0.904*** (0.222)
<i>N</i>	143	143
Pseudo <i>R</i> ² /adj. <i>R</i> ²	0.546	0.136

Figure 3: Robustness Check (inclusion of textual data)

Standard errors in parentheses

^x $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Interpretation

The correlation between changes in securities prices following the outbreak of war on companies' decisions to postpone the filing of their financial reports appears to be small, for the following reasons.

First, in all specifications, the coefficient for price impact is not statistically significant, but there is a visible moderate association with impact, as disclosed textually in companies' annual reports, with the decision to postpone. This may indicate that a subgroup of companies may have indeed decided on deferring filings due to significant changes to their business models in the wake of the October 7 attacks.

However, one can say with a high degree of confidence that the companies who tend to postpone reporting were smaller in value (proxied by market cap and equity) and more often in distress. I also find a moderate positive correlation with being a bond company, which is counterintuitive given the relative stability of their traded securities. The fact that foreign companies are not associated with significant negative coefficient is a significant robustness check which points at an opportunistic behavior.

Second, overall the results point out for a small group of companies, out of the companies deciding to postpone filings, which may have indeed being motivated by changes to their businesses due to the war (two of which have also provided such textual justification) with a larger group of companies who might have engaged in opportunistic withholding of information. The characteristics of these companies match prior traits identified in the literature as determinants of late filings, these are smaller companies, likelier to be in distressed, and likelier to have a history of last-minute filings of financial reports.

Additional regressions conducted revealed no significant correlation between the operating sectors of listed companies and their probability to postpone, with the exception of energy Companies, none of which postponed their reports. This may be due also to their significant size, insensitivity to shocks within their business models, and the need for timely financial information regarding such strategically important firms.

2. When did Companies decide to postpone disclosures?

As noted above, publishing disclosures after trading hours can assist investors in timely data dissemination and price discovery. However, a majority (30 out of 54) of postponing companies issued the announcements during trading hours

Also, I noted above how firms tend to disclose news with possible negative implications late and clustered together. In this case, while the exemption itself was issued on October 16, 2023, only 9 days after the attacks, companies have chosen to announce their utilization of said exemption later and closer to the original deadline for filing Q3 reports. As figure 4 shows, 34 out of 54 companies, almost two thirds, published the announcements in the last two weeks (out of six weeks) possible, and 48 companies out of 54, almost 90%, published the announcement at the last half of the possible period.

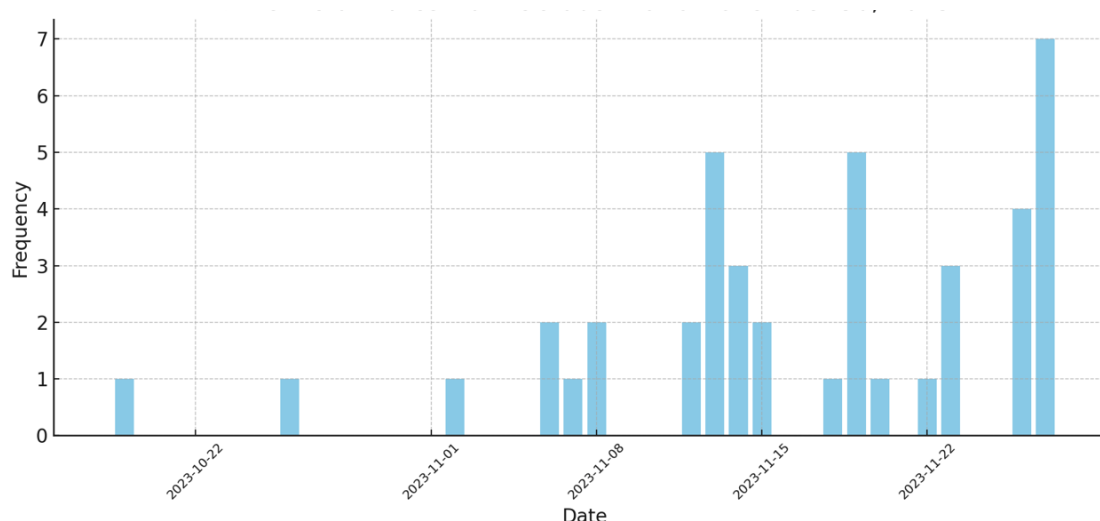


Figure 4: Timeline of postponement announcements

This is especially stark given if one looks at it in trading days terms. Also, this seems to indicate a clustering phenomenon – not only by companies who postpone their

reports with other companies opting for the same decisions, but rather also with all the companies filing their quarterly reports on time and clustering them in the end of the reporting period. Further, in accordance with the regulatory relief, the announcement on postponing the report was not categorized as a business report/strategic decision within the digital disclosure system (MAYA), but rather within the general “periodical report” category in the online reporting system. This technical classification may have inadvertently limited the attention paid by investors to such declarations.

3. Capital Markets Reactions to Postponement

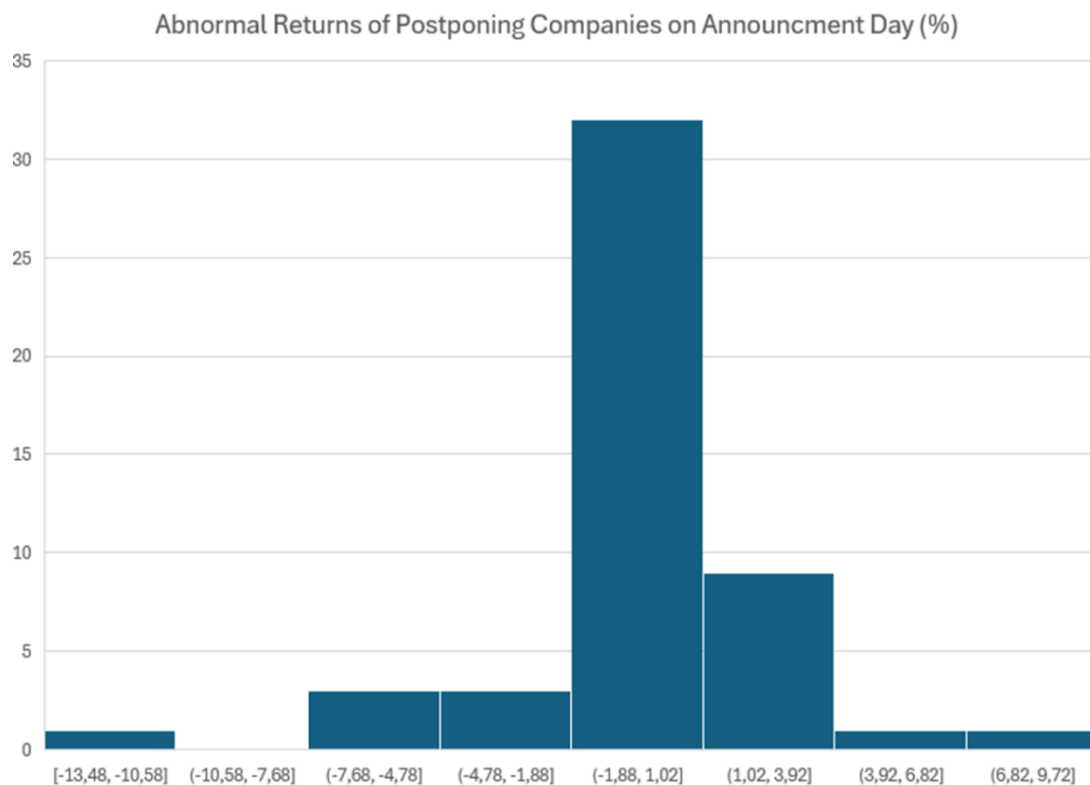


Figure 5: Distribution of abnormal returns among postponing issuers

Figure 5 shows the distribution of abnormal returns on the day of postponement announcement among postponing issues. Out of 54 companies, 4 were dropped out of the impact assessment due to lack of data. From the sample of 50 companies, the abnormal returns in 95% confidence intervals are -1.10% to 0.62%, which suggests that the null hypothesis cannot be excluded. It is relatively balanced, 31 companies saw negative abnormal returns with 19 positive abnormal returns, and the mean impact was -0.24%.

In this subsample of equity traded, there are 12 companies with positive abnormal returns and 21 with negative abnormal returns. The 95% confidence interval is (-1.92, 0.59), with a mean impact of -0.66%.

If one looks at the sub sample of bond traded, it is relatively balanced, with 7 seeing positive abnormal returns and 10 negative abnormal returns, 95% confidence interval is (-0,56, 0.12), this checks out with the lower volatility of corporate bonds pricing.

What determines the investors' reactions? Patterns emerge mostly with regards to the equity traded companies.

	(9) Full Sample	(10) Only Equity Traded	(11) Only Bond
Abnormal Returns			
Postponement date (days before deadline)	-0.113* (0.048)	-0.171** (0.058)	0.029 (0.022)
Postponed after trade hours	-1.851* (0.884)	-3.587** (1.061)	0.493 (0.328)
Log_equity/log_marketcap (proxy for value)	-0.451* (0.185)	-1.770** (0.523)	-0.249 (0.130)
Foreign Company	-1.402 (1.484)	-20.799* (8.392)	
October 7 Returns	0.126 (0.109)	0.262* (0.125)	-0.183 (0.223)
Constant	7.990** (2.659)	26.097*** (6.570)	2.324 (1.561)
<i>N</i>	47	33	14
adj. <i>R</i> ²	0.137	0.435	0.361

Figure 6: Determinants of abnormal returns of postponing issuers

Standard errors in parentheses

^x $p < 0.1$ * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Interpretation

I can mostly derive patterns within the sample of equity traded companies, these indicate that postponing the filing after trading hours was associated with lower returns, perhaps due to increased ability to process the information, while postponing the filing long time before the deadline was likewise associated with lower returns, hinting that clustering of announcements did work.

Further, companies with smaller value saw less investors' negative reactions, which may suggest that investors do not have sufficient incentive, compared to monitoring and transaction costs, to evaluate disclosure decisions in their smallest portfolio companies.

Nevertheless, any casual inference is constrained by the limited size of the sample.

4. Lack of Qualitative Reaction to Postponement

Besides the lack of significant market reaction, there is an apparent lack of qualitative reactions. Such reactions could have been taken by investors, according to one of Israel's major law firms, Gornitzky, warned (Gornitzky and Co., 2023) which cautioned that companies with traded bonds should be aware that most deeds of trust include terms regarding the filing of periodical reports on time may require to receive approval from

bondholders before utilizing the relief, based on the interpretation of the applicable legal document. The firm also warned that similar obligations may be contained in the agreements governing other financing instruments, such as bank and mortgage loans.

Despite the warning, I could find no apparent evidence of actual moves to receive such permissions (such as the convening of bondholders' meetings). Further, there have been no reports regarding lawsuits for breach of terms from bondholders.

It may have been that bondholders would indeed have a contractual right to demand the publication of the reports in the original date, but none have taken action to protect it. This supports the thesis that the utilization of the relief was not high on the agenda of investors.

5. When did Companies Eventually file their Q3 reports

There is significant concentration of filings at the last part of the month, with 3 companies even filing their reports after the end of the postponement period (which represent, *prima facie*, illegal delays), and a total of 22 Companies filing their reports right before, during, or after the last relevant trading day (December 31, 2023). 46 out of 54 (85%) companies filed their reports in the second half of December and 38 out of 54 (70%) in the last week of the month.

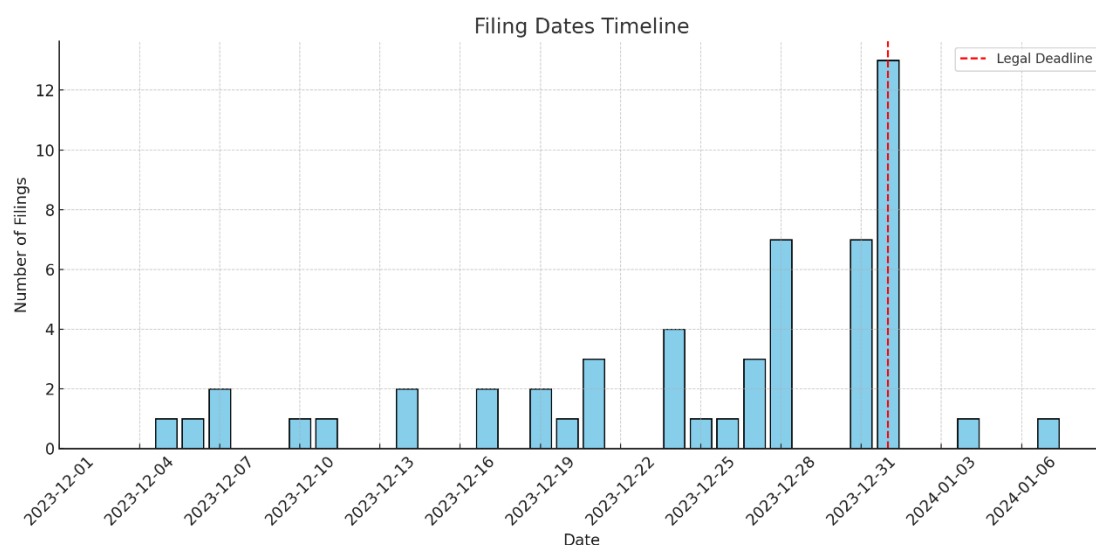


Figure 7: Distribution of eventual filings dates among postponing issuers

It should be noted that regressions on the abnormal returns of postponing companies upon the eventual release of their Q3 report has not revealed a significant deviation from zero, nor any statistically significant correlation with the aforementioned control variables.

VIII. Case Studies

In this part, I will review several concrete case studies of companies who chose to utilize the regulatory relief, and narratively aim to provide insights regarding their decision and shareholders reaction. These case studies were selected based on investors' reactions being pronounced while exhibiting no special traits (such as association or capital structures) compared to other firms who postponed. The selection is diverse, including both bonds companies, public companies, one foreign company, firms which are solvent and insolvent, and aim to represent a cross section of the sample of traded firms on TASE.

1. Levinski Ofer Ltd. – 4.76% abnormal returns

Ofer Levinski is a real-estate public company Working mostly with development real estate assets (which it constructs itself, rather than preexisting projects). The company entered the capital markets through preexisting “corporate shell” companies with limited economic activities, in 2013. As a public company, it had legal issues concerning corporate governance – in 2021, it has allegedly raised NIS 93 million (approximately USD 23 million) from investors to fund a project which has not received the necessary [planning approvals](#). In December 2023, a class action by investors against the Company's executive management has advanced at the Tel Aviv District Court, which has [found](#) that there is a reasonable evidence suggesting that the Company has misled both its bondholders and shareholders. Further, recently, some bondholders have called for immediate repayment of debts, which resulted in proxy fights in bondholders' meetings. The interest on the Company's series D bonds has also increased due to not meeting a financial metric contained within the deed of trust.

While the Company's share price did indeed increase following the announcement, by 3.97% (reflecting 4.76% abnormal returns above the applicable construction sector index), the gains were reverse the following day. It should be noted that on the day of postponement the trading volume was very limited, at NIS 50,000, suggesting a small number of transactions, compared to a triple or larger volume on the day after the postponement announcement.

Analysis – in this case, the Company was within the insolvency process but before disputes regarding fiduciary duties came into light. The increase to the share price may reflect some expectations by investors that the additional time by the Company may allow it to conclude strategic transactions and avoid default.

2. Ybox Real Estate Ltd. – negative 13.48% returns

Ybox Real Estate Ltd. is a real-estate public company Working mostly with development real estate assets (which it constructs itself, rather than investing in built projects). The company entered the capital markets through preexisting “corporate shell” company with limited economic activities, in 2014. As a public company, it was quite successful, [focusing](#) on selling real estate properties to foreign citizens interested

in living part-time in Israel. Probably due to this international focus, the Company saw significant decrease in its share price following October 7th, totalling 9.03%.

Upon announcing the postponement, the share price plunged again. However, it has gradually recovered in the following weeks. It should be noted that the Company's postponement announcement, was the earliest one in the sample, and further that the Company only used four days of the additional period, filing its financial report on December 4th, 2023, the first among postponing companies.

Analysis – while the Company's use of the regulatory relief was very limited and it notified the market regarding its use early within the reporting cycle, it appears that investors were taken aback by it. The reason may be rooted by the lack of familiarity, at this point in time, with the regulatory exception. Furthermore, the initial drop in the share price following the outbreak of war may suggest uncertainty regarding the impact of the war on the Company, which may have been exacerbated by the postponement announcement.

3. Gaon Group Ltd. – negative 6.06% returns

Gaon Group is a longstanding infrastructure company, focusing on piping projects for natural resources exports, it registered in the Tel Aviv Stock Exchange in 1993. In the year 2023, the relationships between the Company's management and its investors and employees frayed. The Company had to [postpone](#) its EGM in order to conduct negotiations with proxy advisors regarding related party transactions. Nevertheless, said negotiations failed and minority shareholders [rejected](#) some of the transactions. However, the board has [overruled shareholders'](#) and approved the transactions, nonetheless. Few months later, in June 2023, the workers union in the Company has [declared a labor dispute and threatened a strike](#), alleging attempts to suppress workers self-organizations.

In parallel, the Company has also declared [that it is considering](#) a merger with its controlling shareholders, which would see the deletion of its shares from trading and transform into a private company, further increasing uncertainty regarding its public company status. The agreement was [controversial](#) with minority shareholders and was cancelled in [April 2024](#).

While the postponement announcement triggered a significant decrease to the share price, in the weeks and months since than the price of the Company's shares increased significantly, by around 50%, buoyed by acquisitions of new subsidiaries and winning various public infrastructure tenders.

Analysis – In this case, the business model of the Company appears to be sound. However, there is lack of trust and even mutual suspicion between the Company's management and its minority shareholders, with management (affiliated with controlling shareholder) working to buy out the minority. The announcement seems to have triggered an increase in such suspicion and negative sentiment, which may have subsided given the actual strong financial performance of the Company.

4. Hertz Properties Group Limited – negative 1.48% returns

Hertz Properties Group Limited is a foreign bond company associated within the British Virgin Islands (BVI). It is a development real estate company conducting business exclusively within the United States, with the BVI company serving as a financing vehicle for TASE-traded bonds. However, its focus on office properties coupled with the move towards remote working in the United States made it difficult for the Company to refinance properties, causing significant doubts regarding its ability to repay its bonds and other debts.

In August 2023, the controlling shareholders offered a debt restructuring which would [see the debts cut by 48%](#). Following bondholders' refusals, it was widely recognised that the [Company is distressed](#). The Company's fiscal situation continued to deteriorate and in September 2024, it [proposed a 75% cut](#) to its debts. Following the inability of the sides to reach an agreement, the bankruptcy proceedings moved to the courts and in December 2024, the Tel Aviv District Court [has ordered](#) the liquidation of the Company and trading in its two series of bonds paused.

The Company's postponement of its reports may have led investors to believe that an additional decrease in its US assets' values is forthcoming. This concern was indeed confirmed as on December 13, 2023, even before the filing of its Q3 report (but after the original deadline), the company [noted](#) a "possible" loss of USD 116 million due decreased valuations of its assets, which materialized in the reports.

Further, the Company exhibited various issues with its financial reports. In September 2024 it had to [conduct a restatement](#) of its 2022-2024 due to lack of disclosure regarding related party transactions and wrong presentation of rights. Besides the postponement of its Q3 2023 Report, its Q3 2024 was filed more than one month after the due date, with management [claiming that](#) its attention were focused on the debt restructuring.

Analysis – this foreign bond company, without any business activities in Israel, was within an insolvency process when the war began. It has significant history with late reports and changes to valuation of assets. The announcement may have depressed bond prices further by suggesting continued issues with the reporting system and undermining trust in the ability of the Company's management to heal its business model.

5. Tnuport Ltd. – 1.53% positive returns

Tnuport (1990) Ltd., is a longstanding real-estate and logistics bond company focusing on improving preexisting real estate projects and cold-chain logistics. It has on series of bonds being traded in the Tel Aviv Stock Exchange. Notably, during 2023 and 2024 its performance was steadily improving and its [value tripled](#) since its acquisition by the current controlling shareholders in 2017.

Analysis - The Company has not disclosed any special information prior or immediately after its postponement announcements, not in its Q3 report. However, general positive sentiment regarding the Company may have impacted their reaction,

and indeed in December 2024, the Company announced a possible merger with a sister Company, which would see it [becoming part](#) of a larger real estate group with high operating income.

6. Bull Trading Ltd. – 9.46% abnormal returns

Bull Trading is a micro-cap, initially in the business of maintenance of buildings and importing of various products. However, it pivoted towards providing private credit lines, using funds achieved by the issuance of two bond series. In June 2023, after struggling to recover unpaid debts, the company [announced](#) that it will not be able to meet its obligations and started a process of debt restructuring. Following the announcement and significant media coverage, in June 2024, a [debt haircut agreement](#) was reached with the creditors. After the collapse of the Company, the value of its equity became negligible. The Company and its management are still [facing lawsuits](#) for alleged misleading or false disclosures, which have misled investors.

While the company has not provided an immediate reason to its postponement, it [did note on November 14](#), two days after the postponement announcement date, that the war is adversely impacting its ability to collect debts from its clients. Despite the large increase in percentage terms, the economic meaning of the abnormal increase was only an addition of approximately USD 20 thousand in value.

Analysis – It may be that an additional time before the result increase uncertainty, which led to a positive attention by investors. Nevertheless, such a significant change to the share price is negligible in terms of economic meaning due to the extremely minimal value of the Company.

IX. Policy Implications

The companies who utilized disclosure exceptions are mostly volatile and vulnerable companies, not necessarily those impacted by October 7. This may raise concerns for market participants as especially when dealing with such fragile companies, it is important for investors to receive timely information on developments and adjust the investments accordingly.

It should be noted that the letter by the Israeli Securities Authority (ISA) providing the blank exception, noted that it comes “*due to the security situation, which has a non-negligible impact on reporting corporations and those in charge of preparing the financial reports*”. Nevertheless, current results show no statistically significant connection between the impact (as reflected by investors responses to October 7) or the reported materiality of the event in the company’s annual reports (as collected by Glass Lewis) and the likelihood of utilizing the regulatory exception.

Especially concerning is the fact that of the 30 foreign companies included in the sample, 7 chose to implement the exception, a higher percentage than that of the sample as a whole. These are companies whose businesses are essentially all outside the State of Israel and thus, by definition, have not been impacted by the October 7 attacks. In fact, 6 out of these 7 companies are bond companies, who have enjoyed a “flight to

safety” by investors following the outbreak of hostilities and have generally not seen their securities drop down in value similarly to equity traded companies.

With regards to the declaration of the postponement itself, it is also noteworthy that approximately half of the companies choosing to utilize the postponement announced it only in the last week before the original deadline to file the financial reports, which reflects a similar dynamic to the general one presented above and a “crowding” of the reporting system.

That would mean that regulators should be cautious when allowing “blanket” or voluntary exemptions, even in such situations. Exceptions should be well tailored and narrowly defined, aimed at rectifying the real impact of geopolitical events and disasters, while barring the door for exploitation by unaffected entities.

Nevertheless, it is probably the case that some Companies who have benefited from this regulatory exception did need it and were indeed affected by the war. 6 of the 50 most affected equity-traded companies have decided to utilize the exceptions. However, given the significant heterogeneity among traded companies, it is unclear why ISA has not decided to simply use its vested authority, in the Israeli Securities Law (1968), clause 36(h), which states *“if the authority or an employee authorized by the authority for that purpose are convinced that a corporation is prevented to file a report or notice before the dates stipulated in the applicable regulations, they may prolong the period for their filings”*, which would allow it to retain flexibility and sensitivity in these circumstances. As a middle alternative, ISA could have required a detailed disclosure regarding the inability to file the reports on time as a precondition for utilizing the exception, a rule which already applies to a variety of board decisions (such as proposals of compensation packages, overruling of shareholders decision, and since recently even regarding reappointment of auditors).

Why did institutional shareholders not act as guardrails against such over utilization of temporary exceptions? Most institutional shareholders rely on proxy advisors to voice dissent with executive decisions, such as this one. While the two main proxy advisors, ISS and Glass Lewis, have Israeli voting policies which warn against late filing or non-timely disclosures, it appears that they have not released specific guidelines regarding this small point. It also appears that cumbersome processes within such companies prevent assessment of whether such decisions were justified. For the institutional shareholders themselves, launching an activist investors’ campaign over a relatively minor matter, especially within smaller companies, is probably not worth it. It should also be noted that in a market environment which is rapidly developing, some information can be “swallowed” by the fast-moving events.

In the future, the above concerns regarding similar emergency regulatory relief may be mitigated by the incorporation of Large Language Models (LLMs) and more AI-based tools into the categorization and processing of corporate disclosures and non-disclosures. For example, flagging utilization of exemptions without reasons being provided or untimely filings of reports. However, in markets which rely on disclosures

in less prevalent languages (such as Hebrew), it may still be many years in the future before full utilization of these tools will help inform investors effectively.

X. Weaknesses and Counter Arguments

Contrary to our thesis regarding opportunistic use of the exception one could argue that companies which are smaller in value and are distressed may have needed the exceptions because if key personnel were mobilized by the armed forces – they were not able to file the reports on time. Response: The mobilization of the armed forces is ongoing and has reached its height before the filing of the 2023 annual reports, yet corporations have not been clamoring for exceptions. Further, the vast majority of companies are relying on “big four” accounting firms with big room for personnel adjustments and thousands of employees. Further, the employees of companies located abroad were not drafted, yet some of them still utilized the exception. Lastly, while the form used to report the postponement allows companies to provide reasoning to their decision, only two companies have done so. If valid reasons to postpone reporting exist, it is unclear why companies have chosen not to disclose them.

In addition, there are data limitations. First, when calculating the initial impact of October 7th on companies, use of returns data from October 8 may not necessarily reflect the long-term impact but rather short term panic, with a lot of uncertainty at the time. Maybe expecting it to be indicative of the company’s decision one month later is not reasonable. I use Glass Lewis data as a robustness check and an alternative to the numerical impact measure. While each specification is imperfect, patterns persisting across them do appear convincing.

Further, bond companies are an important part of the Israeli capital market and thus of the sample, but their data is not as standardized as that of equity traded companies. I used averages of traded series, but the data does not include series that have been since deleted. Further, no sector-level data exists for accurate calculation of abnormal returns. However, the fact that the securities of bond companies are simply not as volatile as those of equity traded companies mitigates this concern.

The calculation of abnormal returns has relied on an adjusted market model, with the relevant index performance serving as the expected return. This simplistic model is imperfect, also resulting from the lack of Farma-French factors models for the Israeli market. However, due to the small sample size, this part should be taken as indicative only and is not central to the analysis of the paper.

XI. Conclusion

While it is understandable that during times of war or other catastrophes, regulators are seeking to provide meaningful relief to ease the burden on traded entities, the data shows that a significant utilization of such relief, in this case, can be described as opportunistic and not resulting from intrinsic inability or difficulty to file on time. Agency problems and lack of sufficient incentives, especially when concerning small portfolio companies, mean that the market's ability to adjust to such use is limited.

Therefore, even in times of turmoil, regulators should seek to adopt a more narrow and tailored approach to regulatory relief, achieving a balance between investors and firms and maintaining trust from all market actors.

This study has shown that the profile of firms filing later than the legal deadline, established in previous research is similar when concerning late filings due to regulatory relief. It also supports existing models for late disclosures and investors' reaction and shows that they are also valid in the context of the Israeli market.

Future research may be needed to fully delaminate the impact of October 7th and the following war on corporate disclosures and practices. Additional tools could be used, such as textual analysis of October 7 focused disclosures, and interviews with policy makers and executives regarding the decisions that have led them to take disclosure-related decisions.

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