

# CYBERSECURITY DISCLOSURE AND CONSERVATIVE REPORTING BEHAVIOR

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## ABSTRACT

As per the Security Exchange Commission's corporate disclosure guidance, firms have obligations to disclose business risks that are related to the increased dependence on technology. Considering potential financial losses resulting from cyber incidents, we investigate whether cybersecurity disclosures will affect corporate financial reporting behavior. Using 25,019 corporate filings, we examine the association between the level of cybersecurity disclosures and accounting reporting practices. We show that the level of cybersecurity disclosure is positively associated with conservative reporting behavior. With more cybersecurity disclosures in corporate filings, managers incorporate the negative impact of cybersecurity risks on firm valuation, leading to conservative reporting decisions.

**Keywords:** cybersecurity risk, corporate disclosure, financial reporting decisions, accounting conservatism