



SECURITIES REGULATION
LGST 223 / 807

SPRING 2016

Prof. Peter Conti-Brown

Legal Studies & Business Ethics Department
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Class Meetings Mondays & Wednesdays, 1:30 – 3:00, Room TBD

Office Hours Tuesdays, 3:00-5:00pm, or email to arrange a meeting.

Course Description:

The subtitle of this course might conceivably be “How to make money in public securities markets without going to jail.” We’ll do much more than cover securities fraud, but the course is built around an exploration of recent (and some not so recent) scandals in securities markets. These will include fraud leading up to the Great Depression, after which our main securities laws were written; Wharton alum Michael Milken’s spectacular rise and even greater fall as the junk bond king of the 1980s; the Enron scandal, brought to you by MBAs from Harvard and Northwestern; the 2008 financial crisis; the Goldman Sachs/John Paulson Abacus deal at the heart of mortgage-backed securities; the Madoff Ponzi scheme; and insider trading cases from the relatively minor (like Martha Stewart) to the major (the Galleon insider trading scandal).

In the process, we will delve deeply into the law, politics, ethics, and history of securities regulation. While we will spend much of our time on scandals, we will also cover the structure of regulatory institutions, principally the Securities Exchange Commission; the rules governing the issuance of securities in public markets, with a focus on the initial public offering; and insider trading and market manipulation.

One note on the course’s approach: Although a degree of engagement with specific rules and some judicial opinions is inevitable, this is a course for future managers and market participants, not for lawyers. The course should be particularly useful for students pursuing a career in entrepreneurship, corporate management, corporate finance, investment banking, sales and trading, venture capital, or private equity.

Grading:

Your grade is divided into four equal parts: 25% class participation, 25% in-class exam at midterm, 25% in-class exam at the end of the term, and 25% final projects to be done in groups of 1-3 students, as you prefer.

Class participation is mandatory. I will alternate between soliciting volunteer comments on the reading material/class discussion and “cold calling” students. Inadequate preparation will be noted and held against you. Emergencies occur, of course, and I recognize that every student will not complete every part of the reading every week. To that end, you can email me **no more than four times** at least one hour ahead of class to note that you are unprepared to discuss the day’s readings. I will not call on you during those four days, and will not hold them against you.

The in-class exams will consist of twenty questions. The questions will be a mix of multiple choice, short answer, and brief essays. You will be expected to complete the exam during the 80-minute session.

The final project will be an analysis of an enforcement decision **not discussed in class**. The project will give discuss the background, legal context, political context, and resolution of the specific decision or scandal. It must also include your original analysis and discuss whether you think the SEC’s resolution of the case was justified, and how you would have done differently if you were in charge of the decision. **Note: I will be running each report through anti-plagiarism software. Plagiarized work will result in severe consequences for the student, consistent with the University of Pennsylvania’s rules.**

The final project is due to me via email on the day assigned to our course for final exams.

Required Texts:

1. There will be a coursepack available for purchase at the usual time before the beginning of the semester.
2. I will also supplement material through Canvas.

Class Format and Policies:

This course will involve some lecture, some group discussion, some “Socratic” questioning, and some guest speakers. To better ensure class participation, electronic devices will only be permitted for pedagogical reasons. Email, online shopping, newspapers, etc. will not be tolerated.

Readings:

Reading assignments will be posted to the course's Canvas website. Additionally, at the end of each class session I will preview the material assigned for the next session.

Course Thumbnail (tentative and subject to revision):

1. Wednesday, January 13, 2016
 - Introduction to the Securities Markets
2. Monday, January 18, 2016—No class (MLK Day)
3. Wednesday, January 20, 2016
 - Raising money, part I: Venture Capital and Private Markets
4. Monday, January 25, 2016
 - Raising money, part II: The Initial Public Offering
5. Wednesday, January 27, 2016
 - Raising money, part III: The Investment Act and Mutual Funds
6. Monday, February 01, 2016
 - The Government's Role, part I: The Structure of Securities Regulation
7. Wednesday, February 03, 2016
 - The Government's Role, part II: Making Rules (Cost-Benefit Analysis)
8. Monday, February 08, 2016
 - The Government's Role, part III: Global Markets, National Governments: The Problem of Extraterritoriality
9. Wednesday, February 10, 2016
 - The Government's Role, part IV: Dark Pools and Shadow Banking
10. Monday, February 15, 2016
 - The Government's Role, part V: Enforcing Securities Laws
11. Wednesday, February 17, 2016
 - Insider Information, part I: Insider Trading and Tipper Liability
12. Monday, February 22, 2016
 - Insider Information, part II: Insider Trading and M&A transactions

13. Wednesday, February 24, 2016
 - Insider Information, part III: Regulation Fair Disclosure
14. Monday, February 29, 2016
 - The Guts of Securities: Mortgage-Backed Securities
15. Wednesday, March 02, 2016—In class midterm
16. Monday, March 07, 2016—No class (Spring Break)
17. Wednesday, March 09, 2016—No class (Spring Break)
18. Monday, March 14, 2016
 - The Guts of Securities: Derivatives
19. Wednesday, March 16, 2016
 - The Guts of Securities: CDOs, CDSs, and the Global Financial Crisis of 2008
20. Monday, March 21, 2016
 - The Guts of Securities: Money Market Funds
21. Wednesday, March 23, 2016
 - Fraud: Fraud on the Market
22. Monday, March 28, 2016
 - Fraud: Private Enforcement through Securities Litigation
23. Wednesday, March 30, 2016
 - Scandal: Sunshine Charlie and the Great Depression
24. Monday, April 04, 2016
 - Scandal: Ivan Boesky and Michael Milken
25. Wednesday, April 06, 2016
 - Scandal: Enron
26. Monday, April 11, 2016
 - Scandal: Martha Stewart
27. Wednesday, April 13, 2016
 - Scandal: Bernie Madoff and Ponzi Schemes
28. Monday, April 18, 2016
 - Scandal: Abacus and the Global Financial Crisis
29. Wednesday, April 20, 2016

- Scandal: Galleon Group
- 30.** Monday, April 25, 2016
- Wrap up: How Will You Measure Your Life?
- 31.** Wednesday, April 27, 2016—In class exam