

**UNIVERSITY OF PENNSYLVANIA
WHARTON SCHOOL
DEPARTMENT OF LEGAL STUDIES AND BUSINESS ETHICS
FALL TERM 2019
SECURITIES REGULATION SYLLABUS
MW 3:00-4:20 PM, JMHH F 45**

Professor: David Zaring

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Office Hours: Tuesday, 1:30-3:30, or by appointment

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Subject:

This course on securities regulation will primarily focus on two fundamental features of the federal securities laws, although other topics will be addressed as well: first, the process by which capital is raised to fund a business and its operations; and second, the disclosure regime to which issuers of securities are subject. As for the disclosure regime, particular attention will be placed on the prohibition against fraud, including insider trading. Throughout, the course will also discuss the structure and dynamics of the Securities and Exchange Commission as an independent agency.

Instructor:

I am an Associate Professor at the Wharton School, and have taught at the Penn, Cambridge, Washington & Lee, Bucerius, and NYU law schools. Before entering academia, I was a litigator in the Department of Justice, handling administrative law cases. I study financial regulation as a species of administrative and international law. I have testified before Congress on financial regulation, and wrote an occasional column for the New York Times/DealBook for four years on the subject.

Readings:

The readings will be available on Canvas.

Further Reading:

If you want to listen over the course of the semester as well as read, Cox's SUM AND SUBSTANCE ON SECURITIES REGULATION is good, but technical. Among the commercial review guides, I like Palmiter's SECURITIES REGULATION: EXAMPLES AND EXPLANATIONS. Securities Regulation gets deep into the world of corporate finance and business regulation, and if you want to make sense of a world, a guide written for the laity makes sense. There are very inexpensive subscriptions for students available from the Wall Street Journal, New York Times, and Financial Times, and one of the best ways

to get a handle on securities regulation is to read about developments in the field in the paper.

There is a great compendium of resources for further reading [here](https://law.duke.edu/lib/researchguides/securities/) (or here: <https://law.duke.edu/lib/researchguides/securities/>).

Evaluation:

There will be a midterm and a noncumulative final. The final is scheduled for December 13, 3-5. The midterm is currently set for October 21, but that date may move slightly. In total, the grade will be determined by

- Midterm exam – 40%
- Final exam – 40%
- Class participation – 15%
- Exemption presentations – 5%

Schedule:

We have approximately 28 classes, and, as you can see, 27 topics to cover. We may adjust the schedule as the semester continues. Nonetheless, you should plan to read the next topic for the next class, even if we haven't exhausted all discussion of the current one.

No Device Policy:

The use of laptop computers, cellular/smart phones, text messaging devices, or other such digital devices is not permitted during class. Any lecture slides I use will be placed on Canvas.

Securities Regulation - Assignments

Topic 1 Introduction and Overview

Securities and Material Information

Topic 2 Securities, defined
SEC v. W J Howey Co
Chu on Bowie Bonds

Topic 3 Security, defined
Reeves v. Ernst & Young
US v. Zaslavskiy

Topic 4 The Regulatory Environment

Murphy on Who Regulates Whom and How? An Overview of U.S. Financial Regulatory Policy for Banking and Securities Markets

- Topic 5 Materiality
Basic v. Levinson
- Topic 6 Materiality
Matrixx Initiatives, Inc. v. Siracusano
- Topic 7 Materiality
Makor v. Tellabs
- Topic 8 Private Enforcement
Halliburton Co. v. Erica John Fund
- Topic 9 Regulatory Enforcement
SEC v. Goldman Sachs

Raising Money By Issuing Securities

- Topic 10 Public Offerings
Process of Going Public in the United States
The Google IPO
- Topic 11 Public Offerings
Facebook IPO One Year Later, The Atlantic
Snap's S-1
- Topic 12 Public Offering Alternatives
Hoffman, et al., on ICOs (skim parts II and III)
SEC Charges Kik Interactive with Conducting \$100 million ICO
Kik Says SEC Lawsuit "Twisted Facts"
- Topic 13 Public Offering Alternatives
Crowdfunding Stories
SEC Staff Report on Regulation Crowdfunding pp.1-10
- Topic 14 Offering Exemptions
Class Presentations
Background: SEC, Concept Release On Harmonization Of Securities Offerings
- Topic 15 Midterm, currently set for October 21

Insider Trading

- Topic 16 Insider Trading
SEC on Insider Trading
Texas Gulf Sulfur
US v. Chiarella
- Topic 17 Insider Trading
Dirks v. SEC
US v. O'Hagan
- Topic 18 Insider Trading
US v. Newman
US v. Salman
- Topic 19 Insider Trading
Profile of Rajnaratnam
Haddock on Insider Trading

Securities Regulation as Regulation

- Topic 20 Cost Benefit Analysis
Business Roundtable v. SEC
Raso on CBA
Shapiro on CBA
- Topic 21 Reg FD
Fisch on Reg FD
- Topic 22 Enforcement in Courts and Agencies
Eaglesham on ALJs
Lucia v. SEC
- Topic 23 Scandal: Theranos
Carreyou Excerpts
- Topic 24 Investment Banks
Barclays Capital and the Sale of Del Monte Foods

The Global Context

- Topic 25 Extraterritoriality
Morrison v. NAB
Coffee on The Globalization of Securities Regulation
- Topic 26 The International Organization of Securities Commissions

IOSCO's MMOU
Zaring on IOSCO

- Topic 27 FCPA
 US v. Ezquenazi
 JPMorgan: Hiring Princelings Becomes a Royal Pain
- Topic 28 Overflow and Review
- Final December 13, 3-5