

**UNIVERSITY OF PENNSYLVANIA
WHARTON SCHOOL
DEPARTMENT OF LEGAL STUDIES AND BUSINESS ETHICS
FALL TERM 2018
SECURITIES REGULATION SYLLABUS
MW 3:00-4:20 PM, JMHH F 55**

Professor: David Zaring

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Office Hours: Tuesday, 1:30-3:00, 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 that issuers of securities are subject to. 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 subjects.

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.

Evaluation:

There will be a midterm and a noncumulative final. The final is scheduled for Tuesday December 18, 3:00 p.m. - 5:00 p.m. The midterm is currently set for October 24, but that date may move slightly. In total, the grade will be determined by

- Midterm exam – 45%
- Final exam – 40%
- Class participation – 15%

Schedule:

We have approximately 28 classes, and, as you can see, 26 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

Topic 4 Materiality
Makor v. Tellabs

Topic 5 Materiality
Basic v. Levinson

Topic 6 Materiality
Matrixx Initiatives, Inc. v. Siracusano

Raising Money By Issuing Securities

- Topic 7 Public Offerings
Process of Going Public in the United States
The Google IPO
- Topic 8 Public Offerings
Facebook IPO Atlantic
Snap's S-1
- Topic 9 Public Offering Alternatives
Hoffman on ICOs
- Topic 10 Public Offering Alternatives
Crowdfunding Stories

Securities Fraud

- Topic 11 The Regulatory Environment
Murphy on Who Regulates Whom and How? An Overview of U.S.
Financial Regulatory Policy for Banking and Securities Markets
- Topic 12 Insider Trading
SEC on Insider Trading
Texas Gulf Sulfur
US v. Chiarella
- Topic 13 Insider Trading
US v. O'Hagan
Dirks v. SEC
- Topic 14 Insider Trading
US v. Newman
US v. Salman
- Topic 15 Insider Trading
Profile of Rajnaratnam
Haddock on Insider Trading
- Topic 16 Midterm, currently set for October 24
- Topic 17 Enforcement
SEC v. Goldman Sachs
- Topic 18 Private Enforcement
Halliburton Co. v. Erica John Fund

Securities Regulation as Regulation

- Topic 19 Cost Benefit Analysis
 Business Roundtable v. SEC
 Raso on CBA
 Shapiro on CBA
- Topic 20 Reg FD
 Fisch on Reg FD
- Topic 21 Enforcement in Courts and Agencies
 Eaglesham on ALJs
 Lucia v. SEC
- Topic 22 Scandal: Theranos
 Carreyou Excerpts
- Topic 23 Investment Banks
 Barclays Capital and the Sale of Del Monte Foods

The Global Context

- Topic 24 Extraterritoriality
 Morrison v. NAB
 Coffee on The Globalization of Securities Regulation
- Topic 25 The International Organization of Securities Commissions
 IOSCO's MMOU
 Zaring on IOSCO
- Topic 26 FCPA
 US v. Ezquenazi
 JPMorgan: Hiring Princelings Becomes a Royal Pain
- Topics 27-28 Overflow and Review