



UNIVERSITÀ
CATTOLICA
del Sacro Cuore

Principles of financial regulation

PROF. ANDREA PERRONE; PROF. JENS-HINRICH BINDER

Course aims and intended learning outcomes

This introductory course aims to illustrate the policy dynamics and the main features of the legal framework provided by European financial regulation. After briefly reviewing the economics of financial systems and the rationale of their regulation, the course discusses the principles adopted by the European Union (EU), both in general terms and focusing on selected issues, also in light of the recent financial crises. At the end of the first part of the course, the student will be able to: (1) understand the rationale of financial markets regulation, both from a theoretical perspective and with reference to the actual EU regime; (2) assess the role of law in promoting financial market development and integration; and (3) be acquainted with the institutional structure of EU financial regulation, from the perspective of both rule-making structure and enforcement. At the end of the second part of the course, the student will be able to understand the rationale and evaluate under a law and economics perspective the EU financial regulations related to following topics: (1) capital raising and disclosure; (2) legal strategies against market abuses. (3) corporate governance and takeovers; (4) investment services provision and investor protection; (5) the EU Banking Union and especially the management of banks' crisis.

Course content

1. The institutional structure of the financial system. The financial system as an answer to the problems raised by transaction costs, asymmetry of information and difference in preferences in the circulation of monetary resources.
2. The rationale for regulating the financial system. The economic approach and the Coase Theorem. Public choice and regulatory capture. Commutative and distributive justice in the regulation of the financial system.
3. The main features of EU financial regulation. The special character of financial regulation. The delegation of the law-making power. The institutional structure of EU financial regulation.
4. Capital raising and mandatory disclosure. The role of disclosure and the rationale for mandatory disclosure. Prospectus regulation and the disclosure to the secondary market. The enforcement of mandatory disclosure. Gatekeepers, public enforcement and prospectus liability.
5. Market abuse regulation. The abuse of inside information and market manipulation. The enforcement of market abuse regulation. The role of the Court of Justice of the EU and the European Court of Human Rights.
6. Corporate governance. Agency problems and public companies. Legal strategies for companies with dispersed and concentrated ownership. Take-overs and mandatory bid.
7. Investment services. The function of investment services. Banks and investment firms. Investor protection and conduct of business rules. Legal strategies for investor protection: from disclosure to product governance. Public and private enforcement.
8. The EU Banking Union. The euro crisis and the establishment of the Banking Union. The Single Supervisory Mechanism and the role of the European Central Bank. The management of banks' crises and the Single Resolution Board. The European Deposits Guarantee Scheme.



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Reading list

For the students who attend classes, required and suggested readings will be made available on the course web site on Blackboard.

For the students who do not attend classes, the textbook is

J. ARMOUR-D. AWREY-P. DAVIES-L. ENRIQUES-J.N. GORDON, *Principles of Financial Regulation*, Oxford University Press, 2016 (the relevant parts will be made available on the course web site on Blackboard).

The relevant EU law may be found at the following address: <http://eur-lex.europa.eu/en/index.htm>

Teaching method

Class lectures and discussions on assigned readings. Active participation in class discussion is highly recommended.

Assessment method and criteria

For the students who attend classes: a 90-minute written exam, including (1) twenty-one multiple choice questions, and (2) two open questions to be chosen within two baskets of items. Each answer to multiple choice questions counts 1 point. Each answer to open questions counts up to 6 points. Answers must be simple, concise and go directly to the point. The students who have achieved a pass in the written exam and who want to upgrade their mark can take an oral exam.

For the students who do not attend classes: oral exam.

As the exam is designed to evaluate the knowledge of the topics, analytical and critical skills, and the mastery of technical language, students are encouraged to identify problems to which the legal provisions are intended to respond and present the content of this fundamental legal response.

Notes and prerequisites

The course assumes basic knowledge of microeconomics and corporate law. No previous knowledge of European Union law is required.

Place and time of office hours

Prof. Andrea Perrone meets students as published on the course Blackboard web site. Meetings can also be arranged by appointment. Email address is andrea.perrone@unicatt.it.