# Principles of financial regulation

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***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 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 concerning 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 understand the rationale and evaluate, from a law and economics perspective, the EU financial regulations related to the 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.

***COURSE CONTENT***

1. The institutional structure of the financial system. Transaction costs, asymmetry of information, and differences 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 and 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.

***READING LIST[[1]](#footnote-1)***

The textbook is J. Armour et al., Principles of Financial Regulation, Oxford University Press, 2016.

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. Active participation in class discussions is highly recommended.

***ASSESSMENT METHOD AND CRITERIA***

Oral exam. As the exam is designed to evaluate the knowledge of the topics, analytical and critical skills, and 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 his personal webpage at https://docenti.unicatt.it/ppd2/en/docenti/05643/andrea-perrone/profilo. Meetings can also be arranged by appointment. The e-mail address is: andrea.perrone@unicatt.it*.*

1. I testi indicati nella bibliografia sono acquistabili presso le librerie di Ateneo; è possibile acquistarli anche presso altri rivenditori. [↑](#footnote-ref-1)