This course provides an overview of the regulation of the banking and financial services industry. It also provides an introduction to the overall financial system.

The course compliments other courses offered at the school, like Corporate Finance and Securities Regulation. Unlike those courses, however, this course has something of an international flavor, as it is hard to find a purely national financial institution of any significant size.

We will situate bank regulation in the broader context of other financial institutions, including investment funds, broker-dealers, and insurance firms, and in the context of other national, regional and international approaches to regulating finance. In addition to covering U.S. banking law basics we will consider issues in central banking, resolving complex financial conglomerates, cross-border regulatory cooperation, institutional design for regulating finance, and financial crisis response.

Course Materials


*All the statutes used in this class are also easily obtained online or from Lexis, Westlaw, or Bloomberg Law. Indeed, several of the statutes we use are not in the supplement (a thought to consider before buying the supplement).*

Assignments

Assignments are listed below. Please read the indicated pages in the text and prepare for class as described below. All handouts without web addresses will be available on Blackboard.

*In addition to the reading set forth below, you must read the assigned statutes, rules, web pages, etc. In many cases this material is more important than the reading in the text, which simply provides basic background.*
Items not in the supplement can be easily found with Google or Lexis/Westlaw/Bloomberg. For example:

http://www.bloomberglaw.com/securities

http://www.bloomberglaw.com/banking_finance

The Arabic numbers below correspond to the class numbers

I. Introduction
1. Introduction -- Risk and the Financial System
   a. Handout
   b. http://www.ft.com/intl/cms/s/0/36ce7868-4af4-11e3-ac3d-00144feabdc0.html?siteedition=intl#axzz2kU3Xznp8

2. The Global Financial System
   a. S&G pages 7 to 35

3. Money and Central Banks
   a. Handout
   b. S&G pages 430 to 447
   c. 12 USC §§ 222; 225a, 225b; 241-243; 247; 248; 263; 321, 343, 531.
   d. http://goo.gl/Knr50
   e. http://goo.gl/VIJAcN
   g. http://www.washingtonpost.com/blogs/the-switch/wp/2013/11/19/12-questions-you-were-too-embarrassed-to-ask-about-bitcoin/?hpid=z4

4. The Financial Crisis
   a. S&G pages 35 to 86
   b. Handout

II. Financial Institutions
5. Banks (United States)
   a. S&G pages 256 to 288, 324 to 344
   b. 12 USC §§ 21, 22, 26-27, 24 (Seventh), 335, 1831a(a), 1817(j), 1841(c). Also skim the New York banking law.

6. Banks (Other Approaches)
   a. S&G pages 396 to 426, 496 to 526, 1284 to 1289, 1294 to 1317, 1262 to 1266

7. Investment Banks (Broker-Dealers)
   c.  Handout
   d.  S&G pages 89-96, (optional) 96-154

8. Insurance Companies
   a.  Handout
   b.  12 USC §§ 92, 1831a(b), 1843(c)(8)
   c.  15 U.S.C. §§ 1011-12
   e.  N.Y. Ins. L. §§ 201, 1101, 1102, 1104, 1113, 1201, 2601

9. Money Market Mutual Funds
   b.  S&G pages 1088-89
   c.  Handout
   d.  § 3(a)(10) of the Exchange Act of 1934
   e.  § 3(a)(3) of the Securities Act of 1933
   f.  17 C.F.R. § 270.2a-7

10. Hedge Funds (and Private Equity)
    a.  S&G pages 1089 to 1118
    b.  Handout
    d.  Investment Company Act of 1940 §§ 3(c)(1), 3(c)(7), 7(d), 12(a), 18(f)
    e.  Regulation D of Securities Act of 1933
    f.  Investment Advisers Act of 1940 §§203, 205(a)(1), (b)(4)
    g.  Rule 205-3
    h.  12 U.S.C. § 1851(h)(2)
    j.  17 C.F.R. § 275.206(4)-8

11. Holding Companies
    a.  S&G pages 267-71
    b.  Handout
e. 12 USC §§ 371c, 371c-1, 1831a(c)(2); 1841-1844, 2903(c), 1851, 1852, 5311, 5321-5323, 5325, 5327, 5331, 5363, 5365-67, 5371
f. 12 C.F.R. § 225.2(r)(1), 12 CFR 3.100
g. N.Y. Ins. L. articles 15 and 17.

III. Regulatory Tools: Problem Avoidance
12. Capital Adequacy
   a. S&G pages 238-241, 554 to 624
   b. Handout
f. Exchange Act Rule 15c3-1
h. FINRA Rules 4110-4140 (skim).
i. Cal. Ins. Code §§ 700.01-700.05; 10510
j. N.Y. Ins. L. §§ 1301, 1307, 1322, 1323, 1401-03, 4202
k. Investment Company Act of 1940 §§ 14, 18
l. 12 U.S.C. §§ 56, 59, 142, 228, 281, 329, 461(b)

13. Prudential Rules
   a. Handout
   b. S&G pages 271-77
c. 12 USC §§ 24 (seventh), 29, 51c, 83, 84, 335, 371, 371b-2, 375b, 1818(b)(8), 1834(c)(6), 3907
e. 11 U.S.C. § 365(o).
f. 15 USC § 80b-223
g. Rule 206(4)-2
h. Rule 15c3-4
i. Rule 15c3-3
j. N.Y. Ins. L. §§ 1405, 1409, 1410, 1414, 4202, 4207, 4217
k. Investment Company Act of 1940 §§ 8(b)(l), 12, 13, 18 (and review statutes and rules regarding MMFs, above)

14. Prompt Corrective Action
   a. Handout
   b. 12 U.S.C. § 1831o

15. Government Supervision & Enforcement
   a. Handout
d. http://bloom.bg/HQJHRi


f. 12 USC §§ 1820(d); 1818; 1820(b); 248(a)(1); 1831p-1; 1844(c)(2)

g. 15 USC §§ 78ccc, 78eee, 78hhh, § 78iii, 78jjj, § 80b-3, § 80b-4

h. Rule 206(4)-2(a)(4)
i. Rule 17a-11

IV. Key Financial Infrastructure

16. The Payments System
   a. S&G ch. 9

17. Securities Clearance and Settlement
   a. S&G ch. 10

V. Key Financial Markets

18. F/X
   a. S&G ch. 8
   c. http://nyti.ms/1e6O3z3

19. Mortgage Markets and Securitization
   a. S&G ch. 12

20. Derivatives
   a. S&G ch. 15
   b. 7 USC §16(e)(2)

21. Sovereign and Emerging Market Debt
   a. S&G ch. 19 and pages 448 to 450, 468 to 472
   b. http://goo.gl/jFNYmV

VI. Regulatory Tools: Contagion Avoidance

22. Government or Industry Provided Claim Insurance
   a. Handout
   b. NY Banking Law § 32
   c. 12 USC §§ 1811, 1815, 1817, 1821(a); 1813(l), 12 CFR 32.1, 32,3; 1781
   e. NY Ins. Law §§ 7603, 7706.
23. Bank Failure
   a. Handout
   c. http://www.bis.org/publ/bcbs169.pdf (skim)
   d. 12 USC §§ 1815(e); skim 1821; 1821(c), (e), and (f); 1821(d)(11); 1822; 1823(c)

24. Non-bank Failure
      i. Part I of above only, rest optional
   c. 15 USC §§ 78eee, 78fff, 78fff-1 through ffff-4
   d. 17 C.F.R. § 240.15c3-3
   e. 11 U.S.C. § 546(f); see also 11 U.S.C. § 109(a), (d)
   f. Handout

25. Systemically Important Institution/Market Failure
   a. 12 U.S.C. § 343
   b. Handout
   e. http://economix.blogs.nytimes.com/2013/05/16/the-myth-of-a-perfect-orderly-liquidation-authority-for-big-banks/?_r=0
   h. Dodd Frank Act Title II (12 USC §§ 5381-5394).
      i. 12 U.S.C. § 5383(e)(3)
      j. 12 CFR §§ 380.1 to 380.53

26. Review Session (and catch-up class)

**Grading and Examinations**

**Final examination**

Your grade will be based primarily on an open-book final examination at the end of the course.

**Attendance and preparedness**

Your preparation for class and active participation during class are essential. Prior preparation of the assigned reading materials and problems will
therefore be presumed and required, and I reserve the right to incorporate these factors into your final class grade.

I call on people in class and expect everyone to be prepared. If there is a day when you cannot be prepared let me know by email before class and I will not call on you that day. Excessive requests to “opt out” of class participation will affect your final grade.

In addition to reading the assigned pages in the text, you must read the other assigned materials, especially the statutes and rules. **I expect you to know (and be able to cite and explain) the assigned statutes and rules.**

**Office Hours and Discussion**

I am in my office most days of the week, from approximately 10am to 5pm. Feel free to come by to discuss anything related to the class. Questions or requests to schedule a meeting at a specific time can be sent to my e-mail address shown at the top of the syllabus (my preferred means of communication). Please note that I generally prefer not to answer substantive questions in telephone call.

Thursday, November 14, 2013