

LAW AND REGULATION OF FINANCIAL INSTITUTIONS

Spring 2023

3 credits

(240-001): Tuesdays & Thursdays, 1:50 PM – 3:20 PM*

Professor Paolo Saguato

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Office Hours: By appointment

Class format

This course meets in person. However, if needed, we might have to convene some classes remotely on Zoom during the semester. You can find the zoom link on the Blackboard page of the course.

Please review carefully the syllabus because we will meet from 1:50 to 3:50 in quite a few occasions.

Course Overview & Learning Outcomes

This course provides a broad introduction to the regulation of financial institutions in the United States. The course surveys federal regulation of financial institutions and markets and focuses on the legislative and regulatory schemes that govern the wide range of entities that participate in the U.S. financial services system. The course addresses the history of U.S. financial regulation, the goals and rationales of financial regulation, and will explore the regulation of depository institutions, securities firms, financial conglomerates, mutual funds, and asset managers. The course pays particular attention to the post-2008 Financial Crisis regulatory framework built by The Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations.

By the end of the course, students will

1. be able to define and use the financial regulation lexicon;
2. demonstrate knowledge and understanding of the theory of financial intermediation; and understand the role and functions of financial institutions and markets;
3. be familiar with the complex regulatory framework of the US financial system, including its historical development and the political economy forces that have shaped regulation;
4. critically understand, analyze, and comment on (i) current issues and developments in the financial markets; and (ii) reform proposal of the current regulatory framework.

* Please read carefully the syllabus, some classes will run from 1:50 to 3:50 PM

Mandatory Pre-course Assignment

Please fill out the “Bio Sheet” by *Monday, January 16th, 2022*. The form is a way for me to learn a bit more about you before we meet in person.

Here is the link: <https://forms.gle/RTX8mRqYjGZ7Yrjy6>.

You’ll also find the link in the Blackboard page of the course under the tab “Bio Sheet”.

Course Requirements & Attendance

You are expected to attend classes, be prepared, and actively participate in class discussion. I might call on students randomly during each class. If for any reasons, you know you will not be able to be prepared, please email me at least one hour before class at psaguato@gmu.edu. Your email should simply have in the subject line “Fin Reg Pass” and the date of the class.

[Academic regulation](#) requires you to attend at least 80% of classes in order to be eligible for credit in the course, put it differently you cannot miss more than 5 class sessions. **I will take attendance during each class.**

Please do **not** attend class if you have any cold or flu-like symptoms. Given current circumstances, we want to keep our community as healthy as possible and limit the spread of any illnesses.

Grading policy and Assessment

The final grade for the course will be based on the final exam. The final exam will take place on **Saturday, April 29th at 12:00 PM.** The exam is a three hours, closed book exam. The exam consists of four questions. The final exam will account for 100% of your grade, subject to a discretionary class participation adjustment. Your final grade may be increased as a result of exceptional class participation, or decreased as a result of repetitive absences, abnormal use of “passes,” poor participation or for failure to be prepared. I strongly encourage you to use the Discussion Board on Blackboard to share reactions, questions, and comments on the cases and issues we discuss in class. Click on the tab “Discussion Board” and then on the relevant “Forum.” Participation on the Discussion Board can be taken into account for the “participation bump;” but if you decide not to engage on that platform, that will not be evaluated negatively.

Office hours

During the semester, I will hold office hours by appointment. I’m always happy to discuss the class, law school more generally, legal practice, career opportunities, etc. I’d love to get to know you!

Feedback

If you have feedback or comments about the course, please do share them with me. Feel free to email me, or if you prefer want to send anonymous comments, you can use this [link](#). This is routed via Google and I have no way of identifying your identity. Naturally, I will not be able to respond directly.

Students' resources

All students must comply with the Law School's [Honor Code](#) and [Academic Regulations](#). This is the challenging time for everyone, if there is anything I can do, please free to reach out to me. University Life (<https://ularlington.gmu.edu/>) provides support for students:

- Counseling and Psychological Services: <https://caps.gmu.edu/>
- Disability Services: <https://ds.gmu.edu/>
- Patriot Pantry: <https://ssac.gmu.edu/patriot-pantry/>
- Student Health Services: <https://shs.gmu.edu/>
- Student Support and Advocacy Center: <https://ssac.gmu.edu/>
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Required Reading Materials

- **Casebook:** The required text for this course is MICHAEL S. BARR, HOWELL E. JACKSON, MARGARET E. TAHYAR, FINANCIAL REGULATION: LAW AND POLICY (3rd edition, 2021).
- All students can receive **15% off** the cost of any print and electronic books purchased from the publisher's online store (https://www.westacademic.com/Financial-Regulation-Law-and-Policy_9) by using the school-specific promotional code **WAGMU** at checkout.

Recommended readings

I encourage you to read the business sections of the [New York Times](#), the [Wall Street Journal](#) or the [Financial Times](#) regularly (you can access them for free with your GMU credentials - check this link: <https://libguides.law.gmu.edu/newspapers/newspapers>). Two good sources of business news are the daily newsletters of the [NYT DealB%k](#) and the [Bloomberg View Money Stuff](#) by Matt Levine. Keeping up-to-date with business news can help you with job interviews, but, most importantly, shows you how the concepts, principles, and rules we study in class operate in the real world.

Also a very useful resource that clearly explain business and finance concepts is [Investopedia](#).

Assignments

Notes: The following table sets the topics and reading assignments for the semester. *Remember*, if we do not finish the material for a particular day, we will finish it in the next class, although you will still be expected to complete the assigned readings. *The assignment may change during the semester (I might add or remove some material).*

Date	Required readings*
Class 1 Tues. Jan. 17 1:50 - 3:20	<u>Introduction**</u> A Look at the Financial System: 3-34 The History of U.S. Financial Regulation: 35-77
Class 2 Thurs. Jan. 19 1:50 - 3:50	Regulatory Framework: 79-92; 93-100 (skim if you are interested in administrative law); 100-108 The Regulatory Perimeter: 109-121 (skim quickly); 122-131; 131-138 (skim quickly)
Class 3 Tues. Jan. 24 1:50 - 3:20	<u>Insured Deposit Institutions</u> The Impact of Charter Choice: 167-181; 181-192 (skim) Activities Restrictions and the Business of Banking: 193-224
Class 4 Thurs. Jan. 26 1:50 - 3:50	Deposit Insurance: 249-271
Class 5 Tues. Jan. 31 1:50 - 3:20	Capital Regulation: An Introduction: 277-296 Capital Regulation: Pre-Financial Crisis to Basel II: 303-323
Class 6 Thurs. Feb. 2 1:50 - 3:50	Capital Regulation: Basel III and Beyond: 325-352
Class 7 Tues. Feb. 7 1:50 - 3:20	<u>Securities Firms and Capital Markets</u> Introduction to the Regulation of Securities Firm: 453-464 (skim to understand the history of securities law), 464-470; 470-477 (skim if you are interested in securities regulation); 477-486 Exchanges and Trading: 551-563; 563-582 (skim if you are interested in securities regulation)
Class 8 Thurs. Feb. 9 1:50 - 3:50	Exchanges and Trading: 563-582 (skim if you are interested in securities regulation) Securities Firms and the Retail Investor: 487-516
Class 9 Tues. Feb. 14 1:50 - 3:20	Securities Firms in Corporate Transactions: 521-531; 531-540 (skim if you are interested in securities regulation); 540-550
Class 10 Thurs. Feb. 16 1:50 - 3:50	<u>Financial Conglomerates</u> Regulating Bank Holding Companies: 715-732; 734-744

Class 11 Tues. Feb. 21 1:50 - 3:20	Regulating Systemic Risk: 769-799
Class 12 Thurs. Feb. 23 1:50 - 3:50	<u>Corporate Governance, Supervision, and Enforcement</u> Corporate Governance: 903-931 Supervision: 942-949; 949-952 (skim if you are interested in administrative law); 952-960; 960-969 Enforcement: 971-989 (skim)
Class 13 Tues. Feb. 28 1:50 - 3:20	<u>Lender of Last Resort and Resolution</u> Lender of Last Resort: 1007-1038 Traditional Toolkit for Bank Failures: 1041-1053
Class 14 Thurs. Mar. 2 1:50 - 3:50	Traditional Toolkit for Bank Failures: 1053-1064 After the Crisis: From Orderly Liquidation to Bail-In: 1065-1089
Class 15 Tues. Mar. 7 1:50 - 3:20	<u>Mutual Funds and Other Investment Vehicles</u> Introduction to Asset Management and Its Regulation: 1095-1124;
Class 16 Thurs. Mar. 9 1:50 - 3:50	Mutual Funds: Structural Requirements: 1125-1129; 1145-1156 Mutual Funds: Disclosure and Its Limitations: 1157-1168; 1176-1182
No Class: Spring Recess from March 13-17	
Class 17 Tues. Mar. 21 1:50 - 3:20	<u>Derivatives and Rate Markets</u> Overview of Derivatives: 1243-1270
Class 18 Thurs. Mar. 23 1:50 - 3:50	Derivatives: Market Infrastructures: 1271-1286; 1289-129; 1297
No Class: March 28 and March 30	
Class 19 Tues. Apr. 4 1:50 - 3:20	<u>Shadow Banking</u> Securitization: 1331-1338; 1350-1362 Short-Term Wholesale Funding: Repo and: 1423-1437

Class 20 Thurs. Apr. 6 1:50 – 3:50	Commercial Paper: 1437-1454 Money Market Funds: 1395-1422
Class 21 Tues. Apr. 11 1:50 – 3:20	<u>Payment System</u> Introduction to Payment Systems: 835-869 Examining Critical issues in Payment Systems: 871-882 (skim if interested in crypto currencies); 883-891 (skim if you are interested in antitrust law); 892-900 (skim)
Class 22 Thurs. Apr. 13 1:20 – 3:50	Review Session
No Class: April 18 and 20	
Sat. Apr. 29 12:00 PM	EXAM 12:00 PM

* All references are to MICHAEL S. BARR, HOWELL E. JACKSON & MARGARET E. TAHYAR, FINANCIAL REGULATION: LAW AND POLICY (3rd ed. 2021).

** Students who are unfamiliar with financial statements may wish to have a look at Chapter 1.5 (“A Tour of Financial Statements”) at some point during the first week or two of the semester.