COLUMBIA LAW SCHOOL/COLUMBIA BUSINESS SCHOOL
Capital Markets Regulation
L6347
Course Outline

Fall 2013 Professors Glosten and Fox

Course Summary:

This course, a joint offering of the Law School and the Business School, concerns the regulation of capital markets: the New York Stock Exchange, NASDAQ and the wide variety of other institutions devoted to the trading of securities. Secondary trading markets perform three important social functions. They provide liquidity for investors, allow more efficient allocation of risk, and incorporate information into prices (which in turn serve as vital guides to real economic activity). The reliability and effectiveness with which capital markets perform these functions and their costs of operation are determined in significant part by the rules governing the persons who operate, and trade in, these markets.

The course will begin with a consideration of major domestic and transnational capital market institutions. It will then address the economic theory that explains how capital markets operate and the incentives that motivate their various players. These beginning segments lay the groundwork for a more informed discussion of the substantive law that governs capital markets. The course, with its focus on persons who operate, or trade, in capital markets should be distinguished from Securities Regulation, which is devoted primarily to the regulation of the behavior of issuers and their agents in connection with the primary offering and secondary trading of their securities.

By the end of the course, students should be equipped to seriously analyze important law and public policy issues generated by such topical phenomena as algorithmic trading, the “flash crash” and mini-crashes, off-exchange trading (including dark pools), trading based on non-public information, manipulation, short selling, financial transaction taxes, and cross-border securities trading.

Required Materials:

Larry Harris, Trading & Exchanges: Market Microstructure for Practitioners (2003)

Class Readings Packet (composed of the readings listed in the syllabus other than in Harris)

Statutes & Rules Packet (composed of the securities code listed in the syllabus)
Throughout the semester, we will include relevant timely news articles and other materials as part of the required course readings that will be the subject of class discussion. We will provide you with these articles via Courseweb or email.

Please have ready access to all relevant required readings for each class.