

LAW 313 - SECURITIES REGULATION

STATEMENT OF OBJECTIVES

Pre-Requisite or Co-requisite:

Business Associations

Unit Value:

1.5 units

Hours per Week:

3, one term

Term Offered:

Spring 2011

Principal Instructor:

Gillen

A. COURSE DESCRIPTION

The course gives an overview of the main aspects of securities regulation including the initial distribution of securities, the regulation of secondary market trading and ongoing disclosure requirements, insider trading, takeover and issuer bid regulation, and the regulation of securities market intermediaries. These aspects of securities regulation will be examined in the context of the B.C. *Securities Act*.

The course will begin with a consideration of the typical types of securities and of trading in securities markets generally. This will provide a background for understanding the problems that securities regulation deals with and the underlying principles of securities regulation. The course will also look at the broader policy question of the need for securities regulation and the effectiveness of the current form of securities regulation.

The course may cover the following topics:

1. Background – a general background will be provided giving an overview of such matters as: types of securities, rights on securities, issuance of securities to raise funds for investment, buying and selling of securities, the valuation of securities and the historical, constitutional and theoretical underpinnings of securities law.
2. The Primary Distribution of Securities – the prospectus requirement, merit discretion, the process of distribution, and due diligence.
3. Secondary Market Disclosure – timely disclosure, proxy solicitation, financial disclosure, insider reporting requirements, annual information forms, management discussion and analysis, SEDAR and liability for secondary market disclosure.

4. The “Closed System” -- compared with “distribution to the public”, prospectus exemptions, resale provisions, and hold periods.
5. Short Form, shelf, PREP Prospectuses, and the multijurisdictional disclosure system.
6. A reassessment of the effectiveness of mandatory disclosure and merit discretion.
7. Insider Trading – prohibitions and sanctions, reporting requirements and a reassessment of the need for a prohibition of insider trading.
8. Market Manipulation and securities fraud
9. Takeover and Issuer Bid Regulation – the perceived problems, takeover bid rules, anti-avoidance rules, policy and empirical evidence, and issuer bid regulation.
10. Regulation of Securities Market Actors – the problems and the regulatory response.
12. Mutual Fund Regulation
13. National vs. provincial securities regulation
14. Principles-based vs. rules-based regulation

B. COURSE OBJECTIVES

Students should be able to:

1. Basic Knowledge

(a) Basic Background Knowledge: Demonstrate an understanding of the background material relating to the types of securities and the trading of securities by answering short closed-book questions on a mid-term quiz or final exam.

(b) Basic Subject Knowledge: Demonstrate a basic knowledge of other topics covered in the course by answering short closed-book questions on a mid-term quiz or final exam.

2. Application: Identify issues in securities regulation raised in a given fact situation set out on a mid-term or final exam and argue as to how securities regulations and the related case law would deal with the particular issue.

3. Principles: Demonstrate an understanding of the underlying principles of securities regulation by:

(i) explaining the meaning and purpose of a section of the *Securities Act*, the Regulations, or a provision in an Instrument or Policy Statement that has not been covered in class;

(ii) writing out the argument you would make to the Securities Commission for an exemption order;

(iii) explaining how you would advise a client with respect to a given transaction;

(iv) explaining how securities regulation responds to perceived securities market problems and why the processes set up to deal with the problems are set up in the way that they are; and/or

(v) answering a series of short questions on the on the Securities Act, the Regulations, Instruments, Policy Statements or the course materials.

4. Policy: Demonstrate an appreciation of broader policy issues by writing an exam essay responding to a question or commenting on a statement.

Although students might resile at the notion of having to be able to answer a question on a provision of securities regulation that is not covered in the course (as objective 4(i) suggests), there is an underlying purpose for this. Securities regulation in B.C. is set out in a statute, regulations (and related instruments) and policy statements amounting to over 1500 pages of material. The course will not be able to cover all of the law in detail. However, to deal with securities law matters one may be required to delve into the details of any given area. One needs to be able to read and make sense of the details. Accordingly, an objective of the course is to provide a general understanding of the matters dealt with by securities regulation and the underlying principles so that one can identify the issues, then find the applicable regulations and make sense of what can otherwise be rather difficult provisions to understand.

C. TEACHING METHODOLOGIES

The teaching methodology will involve lectures reviewing the readings followed by sample problems which will be taken up in class. There will also be lectures and class discussions concerning broader policy concerns.

D. EVALUATION

The evaluation will consist of:

1. Background Knowledge Quiz: There will be a mid-term closed-book background knowledge quiz that will count for 15% of the final grade.

2. Basic Subject Knowledge Quiz: There will another mid-term closed-book quiz on the basic knowledge of securities regulation that will count for 15% of the final grade.

3. Research Assignment: There will be a simple mid-term research assignment that will count for 10% of the final grade.

4. Final Exam: There will be an open-book final exam that will count for 60% of the final grade. The final exam will focus on the application and principles objectives noted under heading B above.