



Course Outline

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|-------------------------|-----------------|--|----------------------------|----------|---------------|
| Course number | RBE232 | | | | |
| Course title | Law and Finance | | | | |
| Credit points | 2 | | | | |
| Total hours | 30 | | | | |
| Lecture hours | 15 | | | | |
| Seminar and other hours | 15 | | | | |
| Course level | Bachelor | | | | |
| Prerequisites | None | | | | |
| Category | Mandatory | | Restricted elective | X | Free elective |

COURSE TEACHERS

| No. | Name | Academic degree | Academic position |
|------------|-----------------|------------------------|--------------------------|
| 1 | Michel Verlainé | PhD. | Visiting Professor |

COURSE ABSTRACT

Empirical evidence indicates that good Governance and efficient regulation, especially in the field of Economics and Finance is conducive to long-run economic growth. Moreover, the recent sub-prime crisis has shed light on the insufficient understanding of the international financial system an especially the interaction between different types of Financial Institutions. A proper understanding of the international financial architecture presumes a detailed understanding of the political, legal and financial environments as well as their interconnectedness. The course starts by discussing the objectives and rationale for financial regulation. In a second step, the Literature on Law and Finance with the distinction between Common Law and Civil Law countries is analysed.

We then move on and analyse the economics and the regulation of the Fund Industry, the Banking Industry, Hedge Funds and Shadow Banks. Finally, we analyse the issue of Competition of trading platforms under the MIFID II Directive.

COURSE OBJECTIVES

Students should develop an understanding of the financial vehicles that are regularly mentioned in international political discussions. Students should also develop an understanding the main topics in Law & Finance. Finally, students should learn to critically analyse the main paradigm in Finance in order to question economists' assumptions during negotiations.

GRADING CRITERIA

| Criteria | Weighting |
|----------------|-----------|
| Exam | 50% |
| Research Paper | 50% |

COURSE PLAN – MAIN SUBJECTS

| No. | Subject | Planned hours |
|-----|---|---------------|
| 1 | Introduction + The rationale for regulation Incentive Structures for Financial Regulation Proportionality | 6 |
| 2 | Law and Finance and its impact on international regulation The determinants of international investment flows Regulatory arbitrage and international bank flows | 6 |
| 3 | UCITS Funds and respective Directives The Architecture of the standard Fund Industry Alternative Investment Structures and the AIFM Directive | 6 |
| 4 | Banking Regulation : Basel III Structured Financed Vehicles and Securitization Shadow Banking and regulatory issues | 6 |
| 5 | Mifid Directives and protection of the Investor The Regulation of trading Platforms | 4 |
| 6 | Localization strategies and opportunities for the Baltics The Architecture of the Financial System | 4 |

COURSE PLAN – SESSIONS

| Session | Subject | Lecture/seminar |
|---------|--|-----------------|
| 1 | Introduction + The rationale for regulation | 1/1 |
| 2 | Incentive Structures for Financial Regulation | 1/1 |
| 3 | Proportionality | 1/1 |
| 4 | Law and Finance and its impact on international regulation | 1/1 |
| 5 | The determinants of international investment flows | 1/1 |
| 6 | Regulatory arbitrage and international bank flows | 1/1 |
| 7 | UCITS Funds and respective Directives | 1/1 |
| 8 | The Architecture of the standard Fund Industry | 1/1 |
| 9 | Alternative Investment Structures and the AIFM Directive | 1/1 |
| 10 | Banking Regulation : Basel III | 1/1 |
| 11 | Structured Financed Vehicles and Securitization | 1/1 |
| 12 | Shadow Banking and regulatory issues | 1/1 |
| 13 | Mifid Directives and protection of the Investor | 1/1 |

| Session | Subject | Lecture/seminar |
|----------------|-------------------------------------|------------------------|
| 14 | The Regulation of trading Platforms | 1/1 |
| 15 | The Regulation of trading Platforms | 1/1 |

COURSE LITERATURE

| No. | Author, title, publisher |
|------------|---|
| 1 | Lecture notes Michel Verlainé. |
| 2 | Financial Regulation: Why, how and where now? , Bank of England, 1998 . |