

UGA Faculty Colloquium
October 12, 2007

Stock Exchanges and the New Market for Securities Laws

Chris Brummer

Vanderbilt University Law School

The article is divided into four parts. Part I discusses the dominant presumption in the literature that regulatory monopolies govern securities trading and outlines three reform proposals that have aimed to introduce competition among regulators. It demonstrates that the existing literature has failed to provide an institutional account of regulatory power in the field of securities law and that a closer examination of the way financing is accessed is required.

Part II outlines the new public markets for securities laws. It explores the key functions of exchanges, as well as the innovations in exchange organization that have made regulation a more salient factor in the listing decisions of firms. It also provides a public choice account as to how these underlying changes in the market for exchange services provide powerful incentives for regulators to supply attractive securities laws for firms.

Part III describes the new private market for securities laws. It first analyzes why stock exchanges have created international linkages and affiliations with foreign competitors to increase their competitiveness. It then explains how such linkages heighten regulatory competition and expand the menu of regulatory options available to issuers.

Finally, Part IV compares the competitiveness of the new markets to the competitiveness of the reform proposals introduced in Part I. It explains first how the new markets are generally more competitive than reforms that would permit stock exchanges to choose the legal regime governing firms that list on their markets, though less competitive than reforms granting issuers such choice of law. It then shows how the new markets may nonetheless result in regulatory outcomes similar to those available under issuer choice reforms.