

# Securities Regulation



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EIGHTH EDITION

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RADFORD CHAIR IN LAW AND PROFESSOR OF LAW  
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# Acknowledgments— Seventh Edition

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Since the publication of the First Edition of this textbook in 1986 (when I was a “youngster”), much has changed in the field of securities regulation. This edition, like its predecessors, reflects important developments since the publication of the Sixth Edition in 2013.

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# Foreword

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The developments in securities regulation during the past several years have been multi-faceted. A text for a course on this subject should therefore not only present the basic theories and principles but also should (1) present the material in a manner that reflects the current trends and developments, (2) encompass timely additional material, including law review commentary and SEC releases, and (3) make the material as interesting as possible, given that the class will be comprised of upper-level students who are anxious for creative and practical “lawyering.” With these thoughts in focus, the text is organized and directed toward a number of different perspectives. For example:

(1) The Securities and Exchange Commission, through rulemaking, has integrated the Securities Act of 1933 with the Securities Exchange Act of 1934. From the standpoint of applicable disclosure obligations, both in the primary and secondary markets, the integration concept has a tremendous impact. Moreover, grave liability concerns are raised in this context.

(2) The Supreme Court and the lower federal courts have been extremely active in the securities law area. Supreme Court decisions during this era generally reflect a trend towards restricting the scope of the securities laws. The lower federal courts, however, have not necessarily followed the High Court’s restrictive approach.

(3) The Private Securities Litigation Reform Act, enacted by Congress in 1995, reflects a trend towards facilitating capital formation and the conducting of business, with private litigation viewed frequently as an undue impediment. The JOBS Act enacted in 2012 similarly reflects a strong federal policy seeking to enhance capital raising by smaller enterprises.

(4) The SEC continues to facilitate capital formation through its rulemaking process in both the private and public offering settings. This focus is illustrated by the Commission’s 2020 amendments to the exempt offering rules.

(5) The Sarbanes-Oxley Act of 2002 enhances the federalization of key aspects of corporate governance and sets forth new obligations for corporate insiders as well as professionals, including accountants and legal counsel. The Dodd-Frank Act of 2010 likewise federalizes aspects of corporate governance.

(6) There is the role of counsel as adviser and planner which is the principal function of the securities lawyer. In connection therewith, the attorney and his/her client may have conflict of interest dilemmas, disclosure duties, and the apprehension

of SEC enforcement action. This apprehension is magnified in view of the Sarbanes-Oxley and Dodd-Frank Acts.

(7) During the past several years, there have surfaced a number of intriguing issues, some of which directly impact on traditional securities regulation. For example, we have seen the Supreme Court restricting the scope of primary liability and a renewed interest in state securities regulation.

The coverage of the text is designed for both the basic securities regulation course and advanced seminars. The text covers the traditional issues as well as the developing areas. Subjects that receive extensive treatment include: definition of a security, exemptions from registration, the JOBS Act, the registration process, Sarbanes-Oxley, Dodd-Frank, the policy debate underlying disclosure, resales by security holders, due diligence (including the integrated disclosure framework), disclosure obligations in a myriad of contexts, international securities developments including global offerings, remedies and liabilities under both federal and state securities law, broker-dealer regulation, corporate control transactions, attorney professional responsibility, SEC enforcement, and “Blue Sky” regulation.

The objective of the text is to treat the above subjects in a comprehensive, understandable, yet intellectually challenging manner, seeking to combine both the theoretical and practical in this complex subject area. While the case method is employed, it is by no means exclusive. In addition to case law, the text includes other relevant material such as SEC releases and scholarly commentary. Moreover, the problem method is extensively used. This method is particularly suitable for a “practical” course where upper level students are seeking to do some “lawyering.” Thus, it is hoped that the text will stimulate intellectual discussion, and, at the same time, provide students who await either a sophisticated securities or, alternatively, a general business practice with much needed practical analyses and skills.