

**INTERNATIONAL
SECURITIES
REGULATION**

HAL S. SCOTT

PHILIP A. WELLONS

UNIVERSITY CASEBOOK SERIES

INTERNATIONAL SECURITIES REGULATION

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P R E F A C E

This is the first edition of our textbook on international securities regulation. Part One covers securities regulation in the three major markets in the world: the United States, the European Union, and Japan. Part Two deals with international and offshore markets, and Part Three deals with two important infrastructure topics, capital adequacy and clearance and settlement. This book is designed to be used in conjunction with a general securities regulation course or a separate course on international securities regulation.

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INTERNATIONAL SECURITIES REGULATION

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PART I

REGIONS

CHAPTER ONE

INTERNATIONAL ASPECTS OF U.S. SECURITIES REGULATION

This Chapter begins with some background data on the degree to which the U.S. capital market is internationalized and then examines how the United States regulates (1) the distribution and trading of securities issued by foreign companies in the United States and (2) the distribution outside the United States of securities issued by U.S. and foreign companies. This requires some basic understanding of securities regulation in general.

The traditional goal of securities regulation, investor protection, may have to be tempered in a “global market” by (1) the desire of U.S. investors to invest and trade in foreign securities, (2) the reality that they may do so outside the United States, and (3) the importance to the United States of maintaining the world's leading domestic capital market, which requires openness to foreign issuers.

Our focus is on the regulation of the securities markets, primary and secondary, rather than on the firms participating in these markets. Institutional regulation, however, will be the major focus for banking. This difference is driven by the nature of regulatory concerns, investor protection in securities markets and safety and soundness of banks.

A. INTERNATIONALIZATION OF U.S. SECURITIES MARKETS

In 1987, a major study of the Securities and Exchange Commission (SEC) examined the internationalization of the U.S. securities markets. Some key excerpts follow.