Contents

Preface --- XIII

1	Introduction —— 1
1.1	The Themes and Purposes of this Book — 1
1.2	The Concentration of Wealth —— 11
1.3	The Lack of Companies with Publicly-Traded Shares —— 19
1.4	Rent-Seeking and Market Failure — 16
1.5	Better Regulation —— 26
	References —— 31

PART I: The Evolution Of Design

4	rienus in company Law —— 41
2.1	General Remarks —— 41
2.2	The Contractarian Theory —— 43
2.3	The Matrix Theory of Company Law —— 45
2.3.1	General Remarks —— 45
2.3.2	The Matrix Theory of Pistor - Keinan - Kleinheisterkamp -
	West 47
2.3.3	The Matrix Theory of Mäntysaari —— 49
2.3.4	Conclusion —— 55
2.4	The History of Company Law — 55
2.4.1	General Remarks —— 55
2.4.2	The Emergence of Policy Preferences, Legal Practices and Design
	Principles —— 58
2.4.3	The Limited Liability of Shareholders —— 71
2.4.4	The Nature of the Legal Person and the Self-Governance of the
	Firm —— 78
2.4.5	The Separation of Functions —— 88
2.4.6	Auditing —— 104
2.4.7	Disclosures to the Public —— 111
2.4.8	Accounting Standards —— 120
2.4.9	Different Limited-Liability Company Forms —— 127
2.4.10	Boards —— 140
2.4.11	Addressing Self-Interested Decision-Making, Dead-Lock Situations,
	Standards, and Sanctions —— 156



2.4.12	Economic Forces —— 173
2.4.13	The Interests of the Company —— 186
2.4.14	Group Interest —— 230
2.4.15	Fostering Innovation and Organisational Flexibility — 235
2.4.16	Choice of Societal Objectives and the Key Design
	Principle —— 237
2.5	Conclusion —— 241
	References —— 250
3	Trends in the Regulation of Stock Exchanges —— 269
3.1	General Remarks —— 269
3.2	The History of Stock Exchanges —— 275
3.2.1	General Remarks —— 275
3.2.2	Early History —— 276
3.2.3	Technology and the Move Towards Competition —— 280
3.2.4	Market Liberalisation —— 282
3.2.5	Demutualisation, IPOs and Concentration —— 284
3.2.6	Fragmentation and Diversification —— 290
3.2.7	Conclusion —— 297
3.3	Alternative Venues in General —— 297
3.3.1	General Remarks —— 297
3.3.2	The Function of Alternative Venues — 299
3.3.3	The Regulation of Alternative Venues in the EU —— 303
3.3.4	The Regulation of Alternative Venues in the US — 311
3.4	Broker-Dealer Order Internalisation and Dark Pools in EU and US
	Law 316
3.4.1	General Remarks 316
3.4.2	The Business of Dark Pools —— 317
3.4.3	The Regulation of Dark Pools: General Remarks —— 322
3.4.4	The Regulation of Dark Pools in the US 324
3.4.5	The Regulation of Broker-Dealer Internalisation in the US —— 327
3.4.6	The Regulation of Dark Pools in EU Law — 328
3.4.7	The Regulation of Systematic Internalisers in EU Law —— 337
3.4.8	The Regulation of High-Frequency Trading —— 339
3.4.9	Conclusions —— 341
3.5	SME Exchanges —— 342
3.5.1	General Remarks —— 342
3.5.2	The Emerging Regulation of SME Exchanges in the US — 346
3.5.3	The Emerging Regulation of SME Exchanges in the EU — 347

3.6	References —— 352
4	Trends in Securities Law —— 358
4.1	General Remarks —— 358
4.2	The Stated and Normative Objectives of Securities Law —— 360
4.2.1	General Remarks — 360
4.2.2	The Development of Stock Exchange and Securities Law in Germany —— 361
4.2.3	The US Securities Acts of 1933 and 1934 — 364
4.2.4	The US Securities Acts Amendments of 1975 — 368
4.2.5	Securities Law in the EU — 371
4.2.6	Conclusions —— 386
4.3	Company Law or Securities Law, Disclosure or Merit Review, Private or Public Enforcement —— 386
4.4	The Capital Markets Union — 392
4.4.1	General Remarks —— 392
4.4.2	Creating Opportunities for Intermediaries —— 394
4.4.3	Deeper Financial Integration —— 397
4.4.4	The Interests of Retail Investors —— 398
4.4.5	The Interests of Non-Financial Firms — 399
4.4.6	Conclusions —— 404
4.5	US Reforms —— 404
4.6	Conclusions —— 411
	References —— 414
5	Recent Market Practices —— 419
5.1	General Remarks —— 419
5.2	Lack of Companies with Publicly-Traded Shares —— 419
5.3	Practices of Angel Investors, Venture Capital Firms and Investment Funds —— 428
5.3.1	General Remarks — 428
5.3.2	Separation of Capital Investment and Control —— 429
5.3.3	Different Investors for Different Stages of Development 431
5.3.4	The Preferences of Venture Capital Firms and Angel
	Investors —— 434
5.3.5	Conclusions —— 448
5.4	SME Market Design Practices — 449
5.4.1	General Remarks —— 449
5.4.2	Feeder Principle v the Nasdaq Model —— 451

6.4.9	Facilitate the Use of Depositary Receipts — 650
6.4.10	Make it Easier for Retail Investors to Take Rational Investment
	Decisions —— 663
6.4.11	Focus on the Incentives of Controlling Shareholders and Retail
	Investors — 679
6.4.12	Develop SME Exchanges —— 682
6.4.13	Create Microexchanges — 683
6.4.14	Create a New Company Form: A Small Public Limited-liability
	Company —— 697
6.4.15	Facilitate the Pooling of Retail Investors' Private
	Placements — 706
6.4.16	Use Financial Technology —— 714
6.5	Conclusions — 719
	References —— 722
7	Crowdfunding —— 737
7.1	General Remarks —— 737
7.2	The Regulation of Securities-Based Crowdfunding in the
	EU 742
7.3	The Regulation of Securities-Based Crowdfunding in the
	US —— 750
7.4	Some Crowdfunding Practices —— 755
7.5	Some Design Principles for the Regulation of Equity Crowdfunding
	Marketplaces — 763
7.6	Conclusions — 776
	References 777
8	Microexchanges —— 780
8.1	General Remarks —— 780
8.2	The Nature and Core Functions of a Stock Exchange for the Firm —— 790
8.3	Design Principles and the Nature of Regulation: General
0.5	Remarks — 795
8.4	The Operator and the Central Counterparty — 802
8.5	Eligibility — 803
8.6	Excursion: Market Design and Liquidity —— 804
8.7	Sufficient Liquidity —— 807
8.7.1	General Remarks — 807
8.7.2	Call Auctions — 810
8.7.3	Designated Market Makers —— 815
ر. ۱.ی	pesignated market makers — 013

8.7.4	Excursion: Market Makers in Some Countries — 819
8.7.5	Block Trading —— 823
8.8	Allocation of Costs —— 825
8.9	Outsourcing —— 827
8.9.1	General Remarks —— 827
8.9.2	Rule-Making — 829
8.9.3	Choice of Operator and Legal Entity — 831
8.9.4	Central Counterparty and Clearing — 832
8.9.5	Settlement, Depositories and the Holding of Investor
	Funds —— 836
8.9.6	Conclusions —— 840
8.10	Exemptions —— 840
8.11	Enforcement —— 845
8.12	Conclusions — 847
	References —— 848
9	The Small Public Limited-Liability Company —— 853
9.1	General Remarks —— 853
9.2	Mandatory Provisions — 859
9.3	Duty to Act in the Interests of the Firm — 861
9.4	A Two-Tier System —— 862
9.5	No Mandatory Co-Determination — 864
9.6	Electronic Voting —— 866
9.7	Facilitating the Use of a Microexchange — 867
9.8	Minimum Share Capital —— 868
9.9	One or Two Classes of Shares — 869
9.10	Pre-Emptive Rights, New Funding Rounds and Equal
	Treatment —— 870
9.11	Exits and the Market for Corporate Control —— 871
9.12	Use of Capital —— 874
9.13	Monitoring and Enforcement —— 875
9.14	Change of Company Form and Conclusions — 878
	References —— 878
10	Conclusions — 880