



Legal Issues in Finance and Banking

BL 407

Winter 2027

Section 001: Monday/Wednesday, 10:00-11:30 a.m.

Section 002: Monday/Wednesday, 11:30 a.m.-1:00 p.m.

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Office Hours: Wednesdays and Thursdays, 1:30-2:30 (or by appointment)

Course Overview

Few industries are as heavily regulated as finance, and the law governing finance has rarely been more in flux. After the 2008 financial crisis, Congress and regulators overhauled the legal framework for banks and Wall Street firms. Since then, digital assets, prediction markets, private credit, and other new financial products have proliferated outside the regulatory perimeter. At the same time, policymakers have relaxed many post-crisis rules, even as Silicon Valley Bank's 2023 collapse demonstrated that the risk of destabilizing bank runs persists. In this shifting environment, legal judgment has become a core business skill for financial sector leaders. Whether a stablecoin is a deposit, whether a prediction-market contract is a derivative or a bet, and how much risk a bank may take are all legal questions. Legal line-drawing determines which products a firm may offer, which regulators oversee it, how it may finance itself, and who may compete against it. Financial sector leaders who can answer these questions—and anticipate how the answers might change—can turn the law into a source of competitive advantage.

This capstone course will challenge you to integrate concepts from across the BBA curriculum to manage legal risks and capture strategic opportunities in finance and banking. Through in-class activities, case studies, and a semester-long team project, you will synthesize principles from business law, finance, strategy, economics, management, and ethics to develop strategies for maximizing value in the financial sector, subject to legal constraints. You will leave this class with (1) relevant knowledge about the laws and regulations governing financial companies, (2) an understanding of how financial firms achieve competitive advantage by reducing legal risk and using the law to create economic value, and (3) well-reasoned opinions about financial regulation to contribute to future policy debates. The concepts we explore in this class will form a critical foundation for your future career in banking, private equity and private credit, fintech, consulting, accounting, or law.

Course Format

The course is divided into six modules:

- **Introduction:** Why and How We Regulate Finance
- **Commercial Banking:** Deposits, Capital, and the Bank Charter
- **“Too Big to Fail”:** Systemic Risk, Resolution, and Bank Mergers
- **Digital Assets:** Stablecoins, Crypto, and the Securities Laws
- **Private Markets:** Hedge Funds, Private Credit, and Private Equity
- **Retail Finance:** Investing, Betting, and Borrowing

Each module begins with class sessions in which you will learn pertinent legal principles through assigned readings, lectures, and in-class discussions. Most modules include one or more case studies drawn from real-world failures, transactions, or lawsuits. Case studies will challenge you to apply your knowledge and to create strategies for reducing legal risk and maximizing firm performance.

Course Materials

The reading assignments for this course are available in a course pack from the Kresge Library and Study.net. Many of the reading assignments are excerpts from *Financial Regulation: Law and Policy*, by Howell Jackson and Margaret Tahyar (4th ed., 2025 Foundation Press). Additional reading assignments will be posted on the course Canvas site.

You are expected to have assigned readings with you in class to participate fully in class discussions. In light of the course policy on the use of electronics in class (see below), you are required to either (1) purchase the printed TEXTPAK for this course, or (2) print each of the assigned readings in the course pack.

Course Grade

Your grade in this class will be determined based on the following components:

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|-----------------------|-----|
| • Class Participation | 25% |
| • Case Write-Ups | 5% |
| • Midterm Exam | 15% |
| • Team Project | 25% |
| • Final Exam | 30% |

(1) Class Participation

Expectations: High-quality class participation involves stating your position clearly and concisely, supporting your views by applying the legal principles we are studying, and being open to alternative viewpoints. This means more than simply attending class sessions and speaking in class. Instead, it assesses your contribution to the learning experience of your peers. High-quality class participation may, for example, link concepts from throughout the BBA curriculum to the legal principles we are studying and/or identify opportunities for financial firms to use legal strategies to achieve

competitive advantage. In general, answering questions on the material assigned for the day will result in more participation credit than asking them. You will be judged by the quality, rather than the quantity, of your participation.

Electronics Policy: To avoid distracting yourself and the students around you, all forms of electronics must be turned off during the class period. Using an electronic device during class will likely detract from your understanding of the course material and from your class participation score. I will print copies of the PowerPoint slides for you to pick up at the beginning of each class session so that you may take notes by hand.

Attendance Policy: This is a capstone course that draws heavily on in-class activities and discussions to synthesize concepts you have learned throughout your time at Ross. As a result, a significant part of your learning in this course will take place in the classroom. Attending all class sessions, therefore, is critical to your success. On the first day of class, I will circulate a seating chart. You are expected to sit in your assigned seat for the duration of the semester. I will track attendance at every class using a sign-in sheet. Arriving late for class or departing early may count as an absence at my discretion.

There are no “excused” absences except in the unusual case of a lengthy, serious illness, etc. Three absences over the course of the semester will not affect your participation grade. As a general guideline, if you miss more than 5 class sessions or otherwise have serious participation issues, you cannot earn more than half of the available participation points. If you miss more than 7 class sessions, your participation score is likely to be 0.

Remote Attendance and Class Recording Policy: This class is taught in an in-person format. If you miss a class session, I expect that you will get notes from a classmate and, if you have questions, meet with me in office hours. Students are not permitted to attend class remotely. I may record some or all classes to help me track attendance and participation, but I do not make class recordings available to students. Students may not record or distribute any class activity without my prior, written permission.

(2) Case Write-Ups

Before each of the seven case-study sessions, you must submit short written answers to a set of questions posted in the corresponding Canvas module. The write-ups confirm that you have read the case, push you to start working through its legal and strategic problems, and prepare you to contribute to class discussion.

Write-ups are due by 11:59 p.m. on the day before the case is discussed in class. I will grade each write-up on a credit/no-credit basis. A write-up will earn credit if it answers every question and reflects a good-faith engagement with the assigned readings. Late or incomplete write-ups will not earn credit. You may miss one of the seven write-ups without penalty.

(3) Midterm and Final Exams

The midterm and final exams will test your knowledge of the legal principles we have studied and your ability to apply those principles. Each exam will include short-answer and multiple-choice questions. The exams will be closed book and closed notes, except that you are permitted to bring

in one 8.5" x 11" piece of paper, which may contain content on both sides. You will be required to hand in your 8.5" x 11" sheet upon completing each exam.

The midterm will be held on **March 3, 2027**, during regularly scheduled class time. The final will be held on **TBD**. If you have a conflict with either exam time, you **MUST** notify me by January 31, 2027. The deadline is firm; requests for an alternate exam date will not be accepted after the deadline. Neither employment nor personal travel is a permissible excuse for an alternate exam date.

(4) Team Project

Teams of 4 or 5 students will complete a semester-long project designed to (1) deepen your understanding of the legal concepts discussed in class, (2) challenge you to identify relevant legal constraints governing the firm your team has selected, and (3) develop strategies for maximizing value in light of those constraints. Your team project will demonstrate your ability to integrate concepts from across the BBA curriculum with the legal principles we study in this course. I will post team assignments on Canvas after the capstone course drop/add deadline.

By the end of the semester, each team must submit a 15-page written paper (excluding exhibits and references) and deliver a 12-minute presentation to the class. Teams will deliver their final presentations in class on **April 19 and 21**. I will assign your team to present on one of the two days. All teams must submit their written papers by Thursday, April 15 at 9:00 p.m. and their presentation slide decks by Sunday, April 18 at 9:00 p.m. Both submissions must be made via Canvas.

Teams may select one of two project topics:

Project Topic 1: What Should We Do with Regulatory Relief?

Since 2025, federal banking regulators have moved quickly to loosen many of the rules adopted after the 2008 financial crisis. They have recalibrated capital and leverage requirements, eased merger review, narrowed the focus of bank supervision, and signaled plans to relax liquidity requirements and raise the asset thresholds that trigger heightened oversight. You are analysts on a consulting team hired by a publicly traded bank holding company to advise on how to respond to these changes. Analyze how the current deregulatory agenda creates (1) opportunities for the company to achieve competitive advantage and/or (2) new legal and financial risks. Recommend a detailed business plan for the company that would, to the extent possible, maximize strategic, financial, and ethical outcomes. Where applicable, identify trade-offs among these outcomes. Because regulators adopted most of these changes administratively, a future administration could reverse them. Your plan should explain how the company would perform if the rules tighten again. Base your analysis on the law and pending proposals as of January 31, 2027.

In developing your recommendations, take into account the following considerations:

- The company's business model and strategy;
- The post-2008 rules that apply to the company and how those rules have changed over time;
- How the company could use any new flexibility (for example, through capital distributions, organic growth, acquisitions, or new lines of business); and

- The risks of reduced safeguards and the possibility that rules will be reversed.

Project Topic 2: Should We Become a Bank?

Choose a publicly traded company outside the traditional banking industry, such as a technology platform, retailer, automaker, or payments company. You work in the firm's Special Projects Group. The CEO has asked your team to evaluate whether and how the company should expand into banking. The options include acquiring or chartering a full-service bank, obtaining an industrial loan company charter, obtaining a national trust bank charter, issuing a payment stablecoin, partnering with an existing bank, or staying out of banking altogether. Prepare a report analyzing the arguments for and against each option the company could realistically pursue. Recommend a detailed business plan that would maximize strategic, financial, and ethical outcomes, and make a final recommendation to the CEO.

In developing your recommendations, take into account the following:

- The company's firm-wide business model and strategy;
- The company's current financial services strategy, if any;
- Competition from existing financial services firms and potential new entrants;
- Legal constraints that would apply to the company under each option, including the separation of banking and commerce and the GENIUS Act's restrictions on stablecoin issuers; and
- Strategies to obtain any necessary regulatory approvals.

To avoid duplication, when your team has decided on a project topic and firm, please email me the firm your team has chosen. Your team will meet with me at least twice during the semester to discuss your progress (on February 15 and April 5). Sign-ups for team meetings will be available on Canvas.

After your project is completed, team members will rate one another's contributions. Evaluations will be anonymous. While I expect that most members of a particular team will receive the same overall scores for their project, I will adjust a team member's score for extraordinary or subpar contributions to the team assignment.

Office Hours

I encourage you to come to office hours to talk about course material, the team project, career plans, law school applications, or anything else you would like to discuss. My regular office hours are Wednesdays and Thursdays from 1:30 to 2:30 p.m. If you would like to meet with me during office hours, please sign up for a time slot on my [Google Calendar Appointments Page](#).

If you are unable to attend my regular office hours, please email me and we will set up an alternative time to meet.

Policy Related to the Use of Generative Artificial Intelligence

Generative AI is now part of our professional lives. Used well, GenAI can deepen your learning in this course by helping you explore topics in more depth than we cover in class and by helping you test

and refine your ideas. But used as a substitute for your own thinking, it will stunt your learning. Research indicates that students who lean heavily on AI tools perform better while they have the tool in hand and worse when they must reason on their own. In addition, while GenAI has improved rapidly, it still has significant limitations, especially for a course such as this one that requires sophisticated legal and strategic reasoning. It can produce confident-sounding errors, misstate the law, and fail to disclose the sources of its information.

I have structured this course so that much of your learning, and much of your grade, comes from work you do in the classroom without GenAI. How you prepare outside of class is up to you. Using GenAI to do your reading, case write-ups, or project analysis may feel like a shortcut. It is a costly one, because it will leave you unprepared for the moments in this course, and in your career, when you must think on your feet. If you use GenAI, use it to sharpen your own analysis after you have done the work yourself. As always, you are responsible for the factual accuracy of any submitted work and the proper documentation of any sources you rely on.

Policy Related to the Use of Class Materials

All materials generated for this course, including slides, handouts, and exams (and answers to these materials), any written review materials, or any other materials prepared by you or me for this course are intended for use only by current students in this class. You are not permitted to use materials related to this class that I or any other professor generated in previous versions of this course or related courses, such as materials collected in unauthorized files, test banks, or online. A violation of this policy may be a violation of the Ross Community Values Code. It is also a violation of this policy to participate in the collection, distribution, online posting, or other sharing of class materials that may result in use of those materials by people who are not currently students in this course. Any electronic recording of this course, including images, is prohibited except with my prior written permission.

Provision of Legal Advice

You will see during this course that understanding legal issues is an integral part of business decision making. As a faculty member, however, I cannot represent students as clients and therefore cannot provide legal advice regarding specific, actual situations. If you have such a situation, please do not rely on information from this course in lieu of obtaining a professional legal opinion from an attorney. On-campus sources of legal advice include Student Legal Services, <https://studentlegalservices.umich.edu/>, and the Entrepreneurship Clinic at the Law School, <http://www.entrepreneurship.law.umich.edu/>.

Course Schedule and Reading Assignments

Module I: Introduction—Why and How We Regulate Finance	
January 13	Course Overview Canvas: Syllabus and selected news articles
January 18	No Class: Martin Luther King, Jr. Day
January 20	Finance Today Course Pack: <i>Financial Regulation</i> , Chapter 1.1 (pp. 3-7, 12-17 (stop before Insurance Companies), 19-22 (stop before Asset Managers)) Canvas: Watch “The 2008 Financial Crisis Explained” Watch “Panic: The Untold Story of the 2008 Crisis” (<u>OPTIONAL</u>)
January 25	Financial Institution Business Models Course Pack: <i>Financial Regulation</i> , Chapter 1.5 (pp. 137-146 (skim), 146-163 (read))

Module II: Commercial Banking	
January 27	Commercial Banking Law Course Pack: <i>Financial Regulation</i> , Chapter 2.4 (pp. 259-263, 265-271, 273-276) Canvas: Listen to “Is This a Bank?” (Planet Money podcast)
February 1	Capital and Liquidity Requirements, Part I Course Pack: <i>Financial Regulation</i> , Chapter 2.5 (pp. 287-290, 300-304 (stop before Monitoring Market Valuations))
February 3	Capital and Liquidity Requirements, Part II Course Pack: <i>Financial Regulation</i> , Chapter 2.7 (pp. 337–345 (stop before Collins Amendment) and 346-356 (stop before TLAC))
February 8	Case Study: Silicon Valley Bank Course Pack: “The Sudden Implosion of Silicon Valley Bank”
February 10	Case Study: Who Gets a Bank? Canvas: Memorandum on Walmart Industrial Loan Company Additional readings to be posted
February 15	Team Meetings with Professor

Module III: “Too Big to Fail”	
February 17	Systemically Important Financial Institutions Course Pack: <i>Financial Regulation</i> , Chapter 6.3 (pp. 752-771 (stop before Ring-Fencing))
February 22	Securitization and Derivatives Course Pack: <i>Financial Regulation</i> , Chapter 12.1 (pp. 1313-1317, 1320-1324, 1332-1339) <i>Financial Regulation</i> , Chapter 11.1 (pp. 1279-1288 (skim), 1298-1300 (read)) <i>Financial Regulation</i> , Chapter 11.2 (pp. TBD)
February 24	Case Study: Can “Too Big to Fail” Firms Fail Safely? Course Pack: “Lehman Brothers: Too Big to Fail?” Columbia Business School Canvas: Additional readings to be posted
March 1	Case Study: Capital One’s Acquisition of Discover Financial Services Course Pack: <i>Financial Regulation</i> , Chapter 6.2 (pp. 715-723, 737-742) “Capital One’s Acquisition of Discover Financial Services,” Darden Case

March 3 **MIDTERM EXAM (during regular class time)**

March 8–10 **No Class—Winter Break**

Module IV: Digital Assets	
March 15	Stablecoins and Tokenized Money Canvas: Readings to be posted
March 17	Cryptocurrency and the Securities Laws Canvas: Readings to be posted
March 22	Case Study: FTX Course Pack: “The Rise and Fall of FTX,” HBS Case

Module V: Private Markets	
March 24	Hedge Funds and Private Credit Course Pack: <i>Financial Regulation</i> , Chapter 10.5 (pp. 1243-1253, 1259-1261) Canvas: Additional readings to be posted
March 29	Case Study: Archegos Capital Management Canvas: Readings to be posted
March 31	Case Study: Barclays and the Sale of Del Monte Course Pack: “Barclays Capital and the Sale of Del Monte Foods,” HBS Case
April 5	Team Meetings with Professor

Module VI: Retail Finance	
April 7	Retail Investing Canvas: Readings to be posted
April 12	Prediction Markets Canvas: Listen to “Are Prediction Markets Gambling?” (The Daily podcast) Additional readings to be posted
April 14	Consumer Financial Protection Course Pack: <i>Financial Regulation</i> , Chapter 5.1 (pp. 550-562, 577-580) Additional readings to be posted

Final Presentations, Course Wrap-Up, and Exam	
	<u>Team Project Papers Due on April 15 at 9:00 p.m.</u>
	<u>Team Project Slides Due on April 18 at 9:00 p.m.</u>
April 19	Final Presentations (Teams to Be Announced)
April 21	Final Presentations (Teams to Be Announced)
April 26	Course Wrap-Up
	FINAL EXAM (date and time TBD)