Introduction

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THE CONTEXT

Capital markets are a continuous stream of activity and innovation. Constantly evolving and inherently dynamic, they offer rich material for analysis. And market activities and innovation give rise to regulatory and policy issues. Additionally, in recent decades, globalization has incentivized cross-border listings and international flows of capital. These developments add to the rich mix the capital markets offer, further catalysing the markets and making them more complex. New features also raise new regulatory challenges, among them the emergence of crowdfunding as a new method of business finance, hedge fund activism and increased use of dual-class shares as control-enhancing mechanisms in listed corporations.

To take stock of recent trends and events, and explore their regulatory and policy implications, this volume concentrates on capital market-related developments. Capital markets are a vital socio-economic institution in the contemporary world. They perform several functions: they are a repository of public savings (importantly, pension savings), a significant influence on the governance of powerful corporations that supply a variety of goods and services worldwide, and a source of finance for enterprises. Increasingly they are perceived as a barometer of general economic wellbeing. With their multiple functions, capital markets have emerged as a decisive force in the socio-economy. Promoting the markets and preserving share values are now treated as goals of public policy. Justifying the efforts that the US Federal Reserve made in the aftermath of the Credit Crisis of 2008–09, which triggered a plunge in share prices, Bernanke (2010) argued that ‘higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spending will lead to higher incomes and profits that, in a virtuous circle, will further support economic expansion’. The statement accurately captures the prevalent mode of thinking about the

stock market and the role of share prices as instruments for promoting general economic welfare.

In the setting described, the state of the market is treated as a key factor shaping the economic mood and affecting decision- and policy-making. It would be hard to overstate the central position that capital markets have come to occupy. These are some important reasons for making periodic global reviews of the trends in capital markets and corporate governance. *Corporate Governance after the Financial Crisis* (Edward Elgar) was published in 2012. The current volume continues with the efforts of its predecessor to map major worldwide trends and developments. The endeavour is to make a contribution to the literature on international capital markets and their regulation.

The chapters included in the volume deal with topical subjects, namely, hedge fund activism, crowdfunding, enforcement issues in cross-border listings, and the increased use of dual-class shares in recent Initial Public Offerings (IPOs) (notably from the technology sector, such as Alibaba and Facebook). Two other subjects the volume covers are recent corporate governance initiatives in the European Union and the 'law and development' story from China. The developments in the last few years offer a wealth of materials, and this underscores the importance of periodic reviews to map the events and trends. The exercise can serve a number of purposes, such as aiding scholarly research and pedagogy in academic institutions, and contributing to the discourse on topical subjects and policy issues.

The essays presented in this volume cover several major jurisdictions. In alphabetical order, they deal with Canada, China, Europe, India, New Zealand and the United States. Written by experts from the respective jurisdictions, the essays offer a nuanced analysis of the subjects, placing them in their local context.

AN OVERVIEW AND SOME THEORETICAL ISSUES

The volume explores two main themes: the trend for global convergence in capital market regulation and its nuances, and, second, the role of public regulation in fostering healthy and efficient capital markets. Globalization has spurred significant convergence, worldwide, in corporate governance and capital markets. Crowdfunding is a case in point. It has emerged as a significant source of capital for small and medium enterprises (SMEs), offering them a relatively inexpensive method of raising business finance through online platforms. Originating in its modern form in the United States, crowdfunding has swiftly spread to

several other countries. In developing the regulatory model for crowd-funding, major variations are apparent among different jurisdictions.

In substance, crowdfunding operates on the same principle, which is raising business capital from retail investors through online portals. Within this seemingly homogenous space, however, regulation is shaped by different considerations in various jurisdictions, depending on local needs and any special concerns. This is evident from the three jurisdictions covered in this volume: the European Union (de las Heras Ballell, in Chapter 6), India (Majumdar and Varottil, in Chapter 7), and New Zealand (Keeper, in Chapter 8). Crowdfunding regulation in these different parts of the world, while affirming the trend of convergence, underscores the differences among jurisdictions in dealing with their local needs. To illustrate, in India investor protection concerns apparently drive the approach and the preference is for fairly stringent regulation, while in New Zealand the focus is more on facilitating fund-raising by businesses.

A second issue is about the evolution of ideas and the impact of events on the regulation of markets. The trajectory has seen changes over time, and the course of events offers valuable lessons. From the 1980s, the shareholder value maxim turned companies' focus towards capital markets and finance (see generally Porter 1997; Mitchell 2001). Widespread acceptance of shareholder value as the corporate goal encouraged stock market-centric governance (for a critique of the trend, see Stout 2012). The trends contributed to the markets attaining their present position as vital socio-economic institutions.

An important strand in the shareholder value platform (mainly, Jensen and Meckling 1976 and Easterbrook and Fischel 1991)¹ was an 'in principle' opposition to the public regulation of economic activity, in particular, corporate governance and the capital markets. Doctrinaire in approach, and drawing (with questionable accuracy) from the ideals of the American Revolution and its emphasis on liberty, shareholder value theorists railed against regulation and sought to rule it out as an option. Reflecting a spirit of rugged individualism, the theorists presented

¹ To be fair, a main argument of Easterbrook and Fischel (1991) against regulation related to special interest groups and their sway on the political process. They posited that 'much legislation is the outcome of the interplay of pressure groups and ... only by accident will interest group laws serve the broader public interest' (Easterbrook and Fischel 1991: 277). The complaint, which probably has greater validity in the United States, cannot be ignored. It remains a challenge for democratic institutions to overcome the influence of special interest groups and the resulting distortions in regulation.

unfettered freedom for market actors and private contracts as being the best instruments for promoting economic efficiency and achieving optimal outcomes. Regardless of merits or accuracy, they were ideas whose time had come.

The 1980s was the Reagan–Thatcher era in the United States and the United Kingdom. The erstwhile Soviet Union and China had begun to gradually step away from their totalitarian economic models, and this further supported the libertarian argument. The economic environment undermined the idea that public policy and regulation had any meaningful role in the emerging scheme of things. This was strengthened by the major events that followed: the fall of the Berlin Wall in 1989 and the disintegration of the Soviet Union in 1991. Proclaiming the ‘end of history’. Fukuyama (1992) argued that humanity’s long and hard march had culminated in the triumph of Western liberal democracy as the social order, over other forms of societal organization.

The ‘end of history’ idea found its reverberation in corporate governance and capital markets. Adopting Fukuyama’s hypothesis and his phrase, Hansmann and Kraakman (2001) hailed the victory of Anglo-American shareholder primacy and shareholder value. Ironically, their article was published just before the spectacular collapse of Enron, a poster-case for shareholder value, in a heap of scandals and fraud.

Corporate governance failures, exemplified by Enron’s collapse in 2001, revealed the problems with narrow approaches. In response to the failures and scandals, the Sarbanes-Oxley Act was enacted in the United States at the turn of the century. Sarbanes-Oxley inspired similar regulatory initiatives in several other jurisdictions. For example, Canada introduced certification requirements for financial statements (NI 52-109)² and a statutory remedy for investors against misrepresentations in continuing disclosures (Securities Act (Ontario), Part XXIII.1).³

With features such as mandatory audit committees and criminal consequences for financial misstatements, the Sarbanes-Oxley Act strengthened securities law intervention in corporate governance, a trend that can be traced to the Foreign Corrupt Practices Act of 1977 (FCPA).⁴ The FCPA aimed to check overseas business corruption. More recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act of

² NI 52-109 (Canadian Securities Administrators), Certification of Disclosure in Issuers’ Annual and Interim Filings.

³ Securities Act (Ontario), RSO 1990, c S.5.

⁴ Foreign Corrupt Practices Act of 1977, Pub. L95-213, 91 Stat. 1494.

2010⁵ was enacted as the public policy response to the Credit Crisis of 2008–09. It attempted to strengthen regulatory corporate governance through shareholder empowerment and enhanced executive pay disclosures. A similar approach is under consideration in Europe, as Malberti in Chapter 3 of this volume points out. The trends indicate increased use of regulation in shaping corporate practice and in ordering capital markets.

To be clear, the above is not a doctrinaire pitch for the regulation of markets. Rather, the effort is to highlight the perils of dogmatic approaches, be they pro- or anti-regulatory. At least three major features are discernible in the prevailing landscape. These are (a) greater interconnectedness among national economies and the need for ensuring reasonable order in complex arrangements; (b) suboptimal results in the absence of clear rules and appropriate regulation; and (c) the advantages of facilitative regulation.

Globalization has strengthened connections among national economies. The size and complexity of the global economic structure makes cross-jurisdictional regulation and regulatory cooperation more or less inevitable. Qingxiu Bu in Chapter 2 of this volume offers telling evidence from the experience of the US Securities and Exchange Commission (SEC) in dealing with the ‘Big 4’ international accounting firms (Deloitte, EY, KPMG and PwC) in investigating their audit of Chinese reverse merger companies (RMCs) listed in the US markets. In the absence of a clear regulatory framework, the SEC was challenged in accessing the audit work papers of the Chinese affiliates of the Big 4 firms, and this frustrated its efforts to examine the quality of the audit work that was done – an important exercise needed for effective investor protection in the United States where the companies were listed. Faced with these problems, SEC made persistent efforts which led to the signing of a China–United States memorandum on regulatory cooperation in 2013. The developments underscore the importance of developing appropriate regulatory machinery to manage cross-border economic collaborations that can spur growth.

Second, aside from globalization and the resulting interconnectedness, there is also recognition of the need to inculcate a reasonable degree of economic order within nations. This is particularly true of transitional economies, such as China, which have recently shifted to more diffused economic models. China, a major economy, joined the corporate stock market system of economic growth in relatively recent times – from the

⁵ Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L111-203, 125 Stat. 1376.

late 1980s. Donegan in Chapter 5 explains how, starting from having only scanty laws to regulate business corporations and the capital markets, China gradually found its way through the maze. Donegan traces the country's efforts in recent decades to develop rules and regulatory mechanisms to cope with the problems that surfaced and to streamline economic activity. Significantly, China had to develop its legal and regulatory systems at the same time that its economy, as well as its relationship with mature economies around the world, was expanding at a dizzying pace.

Finally, in the present interconnected world, it is important to combine a facilitative role of regulation with its more traditional policing role and 'command and control' techniques. This is about devising mechanisms to streamline and smooth market processes and facilitating the innovations developed in the market/civil society to function beneficially, and with minimal downsides. Crowdfunding is a good example here. It originated as a civil society innovation that uses technology (through Internet portals) and brings together interested persons to provide funds for projects. The regulatory approach to crowdfunding clearly aims to streamline and smooth. It reveals a facilitative approach and sensitivity to the importance of enabling SMEs to access capital on less onerous terms. Appropriately regulated, crowdfunding can facilitate more diffused and faster economic growth.

Historically, market innovations and regulatory responses have marched alongside each other. This trend has characterized the development of capital markets and their law. The regulation of prospectuses – a market-evolved device – in Victorian England (Joint Stock Companies Registration and Regulation Act 1844),⁶ and later in the federal securities legislation in the United States in the 1930s (Securities Act of 1933),⁷ are illustrative. Legislation adopted a market device and made it mandatory, with rules for including sufficient disclosures in the document. Dealing with legitimate market innovations and providing appropriate pathways for them, and checking market excesses, continue to pose challenges for public policy. There is now sufficient evidence of the risks of extreme ideologies and doctrinaire approaches – a simple faith, whether in free markets or in regulation, as the panacea for all ills. If there is a lesson the events offer, it is the importance of holistic, goal-oriented methods

⁶ Joint Stock Companies Registration and Regulation Act 1844, 7 & 8 Vict c. 110. The rule in the United Kingdom on registration of prospectuses was, however, dropped in 1847 and was not restored until 1900 (Rix 1945).

⁷ Securities Act of 1933, 15 USC s. 77a.

inspired by reason and a willingness to compromise, and less by passion and ideology.

Synthetic approaches now receive greater recognition in the legal discourse. New Legal Realism (NLR) (Nourse and Shaffer 2009) offers a valuable framework for redefining and repositioning regulation in the larger economic order. NLR traces its foundations, mainly scepticism, from classical legal realism (see, for example, Cohen 1935). Nourse and Shaffer (2009) sought to expand and enrich the classical framework. NLR is presented as a response to:

[the] challenges – of globalization, terror, and the inability of financial markets to restrain themselves, of gaping income inequality (with eight percent of gains in US net income over three decades going to one percent of the population), of societies poised as if on a hair trigger to react globally to the latest crisis, of states realizing their mutual interdependence and vulnerability, but not knowing how to address them. (Nourse and Shaffer 2009: 240)

Nourse and Shaffer (2009: 137) described NLR as ‘optimistic’ and posited that ‘law is a world of action and our responsibility is to participate in it’. The themes and their validity are quite evident in the stories narrated in this volume from around the world. They affirm that regulation continues to have an important position in the current scheme of things, without underestimating the nuanced methods that may be needed to deal with the developments and challenges of the future.

INTRODUCTION TO THE CHAPTERS

The volume presents eight chapters, divided into three Parts. Of the three, the first Part covers, in broad terms, investors and the markets. The Part has three chapters. One explores hedge fund activism in Canada and the second discusses the problems experienced with cross-border enforcement in regard to Chinese RMCs. The third chapter critiques the initiatives recently proposed in Europe for shareholder empowerment as an instrument for improved corporate governance. Part II consists of two chapters. The first chapter explores the trend of increased use of dual-class shares in recent, high-profile IPOs and its implications, while the second traces the development of legal regulation of capital markets and corporate governance in China since the 1990s. Finally, Part III presents three essays on emerging crowdfunding regulation. They deal, respectively, with Europe, India and New Zealand.

Part I Investors and the Stock Market

Anita Anand, ‘Implications of shareholder activism’ (Chapter 1): from Berle and Means’ (1933) paradigm of passive investors, the shareholder universe has evolved significantly over subsequent decades. Consolidation of shareholding among institutional investors has been followed by the emergence of hedge funds as significant and visible/vocal shareholders. The two classes (institutional investors and hedge funds) represent a significant concentration of public company shareholding. Many US hedge funds tend to be activist shareholders, and their presence is felt equally in Canada. Hedge funds that acquire significant minority positions in undervalued public companies, as well as traditional institutional shareholders such as pension funds, aim to maximize returns for their beneficiaries. Activism by hedge funds and traditional institutions has been on the rise.

Surveying the literature on the subject, Anand’s chapter argues that activist shareholders perform a useful function in monitoring corporate managements and their activism is beneficial to all shareholders. Citing the example of Canadian Pacific Rail, the chapter also disputes a major complaint against shareholder activism, that it is too focused on the short term. In pitching for more vibrant and meaningful shareholder democracy, the chapter advocates reform of legal rules in Canada to strengthen proxy access for shareholders to nominate candidates for board elections.

Qingxiu Bu, ‘Suspension of Chinese units of “Big 4” audit firms: the question of moral turpitude’ (Chapter 2): the chapter explores the Chinese RMCs and their cross-border listings in the United States. In the reverse mergers, Chinese companies merged with shell companies already listed in the United States and thus avoided the regulatory scrutiny that is characteristic of IPOs. RMCs have been a popular route for Chinese companies to cross-list on US stock exchanges. Inherently, the backdoor listing subjects companies to less scrutiny than a traditional IPO. Many RMCs have been involved in accounting misrepresentations and other allegations of securities fraud, causing significant losses to investors.

The Big 4 accounting firms have played a significant role in facilitating cross-listings. These professional firms are required to apply high standards in reviewing clients’ financial statements. The complaint is that their Chinese affiliates have failed to adhere to US accounting standards.

Faced with requests under the Sarbanes-Oxley Act ('SOX'),⁸ the Big 4's China units refused to provide audit work papers. In doing so, the Big 4 relied on Chinese law and justified their actions in not cooperating with SEC for the investigation. Bu's chapter emphasizes the moral hazard arising from the challenges in cross-border financial reporting and auditor oversight. The chapter explains the events, in particular the persistent efforts SEC made with the Big 4, and the signing of the China–United States Memorandum of Understanding on Enforcement Cooperation (2013). Qingxiu Bu argues for international cooperation as essential for regulatory efficacy. Referring to the ambiguities that still remain, even after the China–United States Memorandum came into effect, the chapter advocates multifaceted approaches in addressing the moral hazard issue with the Big 4 firms. In particular, it argues for combining *ex ante* prevention and *ex post* sanctions with cross-jurisdictional cooperation among regulatory agencies as effective instruments to deal with globalized capital markets.

Corrado Malberti, 'The proposed Directive on the encouragement of long-term shareholder engagement in European listed companies: a critical appraisal' (Chapter 3): covering the European Union, the chapter by Corrado Malberti traces the regulatory initiatives on corporate governance announced in the aftermath of the Financial Crisis of 2008–09. In the initial phase, the reactions of the European Union to the problems raised by corporate governance were slow and were mainly addressed to the reform of the governance of financial institutions. In April 2014, however, the European Commission presented a proposal for a Directive on encouraging long-term shareholder engagement, addressed to all listed companies. The measures proposed include greater transparency on shareholder voting, proxy advisory services, and shareholder say-on-pay for director remuneration.

The chapter reviews the academic and political debate on the initiatives that were announced. It discusses questions about the adoption of the initiatives as final regulatory measures among the several jurisdictions that make up the European Union. Presenting a critical review, the chapter argues that the impact of the Commission's proposal, if finally adopted, will be modest. It will probably not achieve its intended shareholder empowerment goals. The reasons presented for the expected poor outcome are traced to (a) the lack of a satisfactory theoretical and empirical basis to support the measures proposed, and (b) the inherent weaknesses of European law in creating a single and coherent legal

⁸ Sarbanes-Oxley Act of 2002, Pub. L107-204, 116 Stat. 745.

framework for corporate governance. The second reason concerns the European Commission's lack of authority to compel Member States to adopt the regulations that have been proposed. The chapter concludes by pointing out this inherent weakness of European law and the problem with attempts to develop corrective legislation that are not based on empirical evidence.

Part II Capital Markets Development and the Law

Yu-Hsin Lin, 'Revisiting corporate control-enhancing mechanisms' (Chapter 4): dual-class shares with unequal voting rights allow a select group of shareholders, usually founders/insiders, to insulate their control over corporations from threats. Terming dual-class shares and similar devices 'corporate control-enhancing mechanisms', the chapter by Yu-Hsin Lin traces the spurt in the use of dual-class shares by technology companies to the Google IPO (2004). Lin points out the high proportion (almost one-third) of Chinese tech companies listed in the United States that have adopted corporate control-enhancing mechanisms, and examines the legitimacy of the device.

The discussion of control-enhancing mechanisms also includes their perceived advantages, such as protection of human capital and preservation of competitive advantage. Yet, it is argued, the risk of expropriation by controllers is a reality for other shareholders. The discussion covers two categories of control-enhancing mechanisms, namely, participative mechanisms (mainly voting rights included in corporate charters that can be amended by shareholder vote) and non-participative mechanisms (such as shareholder agreements and pyramidal shareholdings in which non-controlling shareholders have little say). The chapter argues for greater regulation of corporate control-enhancing mechanisms in jurisdictions with weak investor protection regimes, citing the ban in South Korea on cross-shareholding among the affiliates of conglomerates (Chaebols) as an illustrative example.

Heida Donegan, 'Law and finance: from "transplantation" to "better" corporate governance in China' (Chapter 5): China's model of legal development of capital markets is the subject of the fifth chapter. Heida Donegan provides an account of the development of corporate and securities markets regulation in China since the 1990s, an important contribution to international literature on these subjects. The chapter explains how China, starting from a near-clean slate, embarked on the journey of regulatory development in a newly-evolving economic system (from centralization and government-ownership to private enterprise and a market economy), through an experimental, trial-and-error method.

Two important insights that Donegan offers in the chapter are (a) the process or order of the development of law and its relationship with economic or business growth; and (b) the issues with China adopting ‘transplants’ from Western jurisdictions. With regard to the order of development of law, the picture presented is one of spontaneous business activity and economic growth inspired by a vision for a better future, with little forethought about systemic implications. Then, driven by necessity, rules are developed to instil some order in the landscape. With time and experience, the rules are often abandoned in favour of new ones, or at least modified to meet evolving needs. This sequence presents, perhaps, a microcosmic example of the typical pattern in free societies where the ideas and energies of individuals and groups march freely where they may, and regulation generally occurs *ex post*.

The second issue Donegan raises is regarding the workability of ‘transplants’ of legal or regulatory devices from the West, such as supervisory boards and independent directors. Pointing to the absence of requisite cultural habits (mainly, familiarity) and institutions (enforcement of rights and duties through an effective system of justice), the chapter argues for acculturation of the structures and systems and better adaptation of them to local conditions and tastes. Significantly, the chapter also advances a plea for the state to step back from the economic scene, as a necessary precondition for the market institutions to develop and flourish.

Part III Crowdfunding

Teresa Rodríguez de las Heras Ballell, ‘The two-sided effect of crowdfunding: the visible effect on capital markets regulation and the unperceived effect on company law’ (Chapter 6): this is the first of the three chapters on crowdfunding included in Part III. The chapter covers the European Union and highlights an important aspect, namely, the need to align many rules in company or corporate law with the crowdfunding paradigm. De las Heras Ballell points out that many of the rules that have been adopted deal with typical capital markets issues, such as managing risks, protecting investor interests, preventing systemic effects and promoting transparency. The second dimension, termed ‘internal’, is about company law under which the enterprise seeking crowdfunding is organized.

Crowdfunding challenges several company law rules. In general, rules governing non-public companies are not designed for managing the multiple dispersed investors, atomized capital and go-public-like demands that characterize crowdfunded enterprises. Recently framed

rules on crowdfunding are mainly inspired by capital market issues. Referring to European initiatives, the chapter explores the inside effect of crowdfunding and some legal strategies to tackle them. The issues include corporate governance requirements, disclosure duties, complex decision-making, exit strategies in companies facing illiquidity, finding pure investors for otherwise privately-held companies, public exposure and reputational strategies. These can be challenging for non-public companies that seek crowdfunding, as they would be exposed to unfamiliar requirements and might lack the necessary skills and systems.

Arjya B. Majumdar and Umakanth Varottil, 'Regulating equity crowdfunding in India: walking the tightrope' (Chapter 7): India is another jurisdiction exploring a journey on the crowdfunding highway. Crowdfunding is not yet a reality in this country. In this chapter, Majumdar and Varottil present a critical analysis of the Consultation Paper that the Indian regulator, the Securities and Exchange Board of India (SEBI), published in 2014 outlining the proposed roadmap. Reflecting somewhat on the theme of the previous chapter, the authors tie crowdfunding to issues under the Indian corporate statute (Companies Act 2013) and its relatively conservative approach to capital-raising by companies. Attributing the approach to the burgeoning growth that the Indian capital markets have seen in recent years, the chapter characterizes it as an effort to err on the side of caution. Majumdar and Varottil discuss a recent case (*Sahara India Real Estate Corp. Ltd v. Securities and Exchange Board of India*, 2013)⁹ in which the Supreme Court of India ordered a high-profile listed company to refund billions of dollars to investors. Terming the impact the 'Sahara effect', the chapter critiques the tight-fisted approach proposed by the Indian regulator in dealing with crowdfunding.

Examining the Consultation Paper issued by the Indian regulator, the chapter identifies several factors likely to inhibit the growth of crowdfunding. For investors, eligibility is restricted to qualified institutional investors, high-net-worth individuals and other eligible investors with minimum income levels that are quite high. Limits are also proposed on the size of individual investments, with individual investors barred from investing more than 10 per cent of their net worth in crowdfunded enterprises. Companies seeking crowdfunding are also subject to scrutiny by the regulator. Considering the conditions, the chapter raises the question of whether the proposed rules merely retain the status quo applicable under the current rules of the Companies Act 2013 (India).

⁹ [2013] 1 SCC 1 (India).

Trish Keeper, ‘A critical examination of crowdfunding within the “Long White Cloud”’ (Chapter 8): the final chapter in the volume discusses the trends in crowdfunding and its regulation in New Zealand. The tone was set by New Zealand’s recently-enacted Financial Markets Conduct Act 2013 (‘FMC Act’), which aims to promote innovation and flexibility in financial markets, in addition to the traditional goal of investor protection through transparency. This is the formal justification for recognizing crowdfunding as a method of raising business finance. Under the FMC Act, New Zealand has put in place a licensing system for crowdfunding intermediaries – online platforms used for raising capital through the crowdfunding method. Keeper’s chapter includes an overview of the crowdfunding sites operating in New Zealand.

Licensing is subject to compliance with the eligibility criteria prescribed for crowdfunding intermediaries. The conditions include transparency of organization, membership in an approved dispute resolution service, and self-certification by applicants’ directors and senior managers. Finally, the regulator, the Financial Markets Authority (FMA), must be satisfied about the capability of applicants to provide crowdfunding service to clients. Keeper notes the rapid growth in crowdfunding in New Zealand since its introduction in 2014, but is less sanguine about the future. The chapter notes problems on all sides: low investor awareness about the unique or special features of crowdfunding; the generally liberal rules governing crowdfunded companies; and a somewhat cavalier attitude among crowdfunded companies in complying with their obligations towards investors.

CONCLUSION

The chapters presented in the volume cover several interesting and important developments in jurisdictions around the world. The discussions underscore a continuing role for regulation in the present scheme of things. Since the 2015 Ottawa Symposium, there have been significant events in the world’s two largest financial markets, the United States and the United Kingdom. There was a vote in the UK for leaving the European Union (the so-called ‘Brexit’) and Donald Trump was elected as the next US President. Quite possibly, these political trends will shape developments in the years to come. Theresa May, who became UK Prime Minister after the Brexit vote, made a call ‘to change the direction of our nation’ (*Financial Times* 2016). Theresa May has emphasized business accountability, which has not been well received in some quarters, and she has been blamed for the fall in the pound’s value (*ibid.*). Across the

Atlantic, there are expectations of a rollback of financial regulation in the Donald Trump era, and this has reportedly spurred a rise in the price of bank shares (Corkery 2016). In any case, the coming years promise to be eventful. The impact of the political developments on global capital markets and their regulation remains to be seen.

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