

SYLLABUS
EU INTEGRATION IN PRACTICE: A CASE STUDY OF FINANCIAL REGULATION
Fall 2021 | EUS4932/6932 | 1 CR

ADJUNCT LECTURER: CHERYL MCGEE WALLACE
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TIME: WEDNESDAYS 9:35 AM – 10:25 AM (REMOTE)

OFFICE HOURS: MON 5:30 PM – 6:30 PM
WED 10:30 AM – 11:30 AM
BY APPOINTMENT

QUOTES OF THE SEMESTER

Yet all the while there is a remedy which, if it were generally and spontaneously adopted by the great majority of people in many lands, would as by a miracle transform the whole scene and would in a few years make all Europe, or the greater part of it, as free and happy as Switzerland is today. What is this sovereign remedy? It is to recreate the European fabric, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, safety and freedom. We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. The process is simple.

– WINSTON CHURCHILL, BRITISH PRIME MINISTER (1946)

A United States structured on the European model would be laughable. Imagine a US federation in which each state governor had a veto power to block any decision from Congress or the president, an America where the governor of the smallest states could torpedo nationwide immigration reform or federal fiscal reform. Imagine a United States conceived as an asymmetric federation in which states could opt out of the FBI, the Border Patrol...or the dollar, in which the states could say, We [sic] claim our right to join any of these federal institutions later, but for the moment we will simply observe and see how the rest of you cope.

– GUY VERHOFSTADT, MEP (2017)

DESCRIPTION

The goal of this upper-level course is to transition majors and minors from academic theory to a practical application of their specialization in European affairs. Students will explore how the EU functions in the real world by examining its response to the financial crisis. The instructor will recommend introductory texts on EU institutions, structure and the euro for students to read within the first two weeks of the course. Students should also review optional texts on the history of the 2008 financial crisis and capital markets terminology. This course is limited to juniors and seniors, others by permission of the instructor.

Over an extended period, the EU developed a new regulatory framework to govern an entire industry, with global reach and implications. By exploring this evolution, we will discover some of the themes, goals, challenges and criticisms of further integration. Students will bring to bear their accumulated knowledge of the EU to deepen their understanding of how institutions interact with one another, member states, foreign governments, and multilateral organizations. Given the nature of the industry, our analysis will extend beyond the political to encompass economic considerations as evidenced by the EU's interaction with market participants and its key objectives of

preventing financial instability and mitigating systemic risks, while ensuring economic growth and increasing access to suitable and appropriate financial products and services for its citizens.

We will begin with a discussion of the single market supported by the four freedoms — highlighting the free movement of capital and services. We will briefly review the global financial crisis and the impact of contagion on the EU as the impetus for uniform action. Global events motivated the drive to establish an additional layer of centralized, technocratic administration, resulting in the transfer of supplemental powers from the member states. By identifying the steps in the legislative process and the specific roles of the relevant institutions, students will learn how the EU progresses from action plan to final rules with input from national experts, trade associations, and the regulated business community (both domestic and foreign entities). We will review the choice of implementing binding regulations instead of discretionary directives to advance the essential EU goal of establishing a single rulebook. The course will conclude with an overview of key concepts such as equivalence decisions designed to prevent external risks to the EU financial system and examine accusations of its selective deployment in response to Brexit, ending with ongoing plans for further financial integration.

OBJECTIVES

- Translate academic theory to a practical application of EU structure and themes.
- Identify the roles of relevant institutions, key terms, concepts, goals of EU integration.
- Analyze the tensions between collective action to reach stated goals against incremental loss of national control, and assess how the EU reconciles the tension to advance integration.
- Articulate and defend a point of view about current events in European affairs, drawing on the full scope of their acquired knowledge.

GRADING

ATTENDANCE 10%

Given the short amount of class time apportioned to a one-credit course, timely attendance is essential and will be strictly monitored. Class will begin promptly at the given time and end on time. Students are expected to remain present throughout. More than one unexcused absence or repeated tardiness will result in an automatic lowering of your overall assessment by one letter grade.

ACTIVE PARTICIPATION (20%)

In addition to the required reading, students should read the *FINANCIAL TIMES* and/or *POLITICO EU* regularly throughout the semester. Relevant issues appearing in the press will be integrated into class discussions. Students will be graded on their level of engagement and contribution.

WEEKLY DISCUSSION POINTS (20%)

Each week, one student will take 10 minutes at the beginning of class to discuss an article of interest published at any time during the prior week from any of the **CURRENT AFFAIRS** resources listed in the **COURSE READINGS**. Students have wide latitude to explore and select issues related to EU integration which may be beyond the scope of this

course. Since so many global events are available via Zoom, students may also listen in on professional presentations of interest to discuss with the class.

REACTION PAPERS (50%)

At the end of each section (2-3 weeks), students will write a 2-page reaction paper containing a well-reasoned opinion on the issue(s) to be assigned. Papers must be written in Times New Roman 11-pt, double-spaced with one-inch margins. Students will have one week from the end of the section to submit their paper. Although this is not intended to be a research paper, students should identify the basis of their opinions and indicate direct quotes with appropriate attribution.

GRADING SCALE

Percentage	Grade	GPA
93.0 – 100.0	A	4.00
90.0 – 92.9	A -	3.67
87.0 – 89.9	B +	3.33
83.0 – 86.9	B	3.00
80.0 – 82.9	B -	2.67
77.0 – 79.9	C +	2.33
73.0 – 76.9	C	2.00
70.0 – 72.9	C -	1.67
67.0 – 69.9	D +	1.33
63.0 – 66.9	D	1.00
60.0 – 62.9	D -	0.67
00.0 – 59.9	E	0.00

COURSE OUTLINE

DATE	TOPIC	READINGS ▲ Required △ Optional ✓ Deeper
Aug. 25	Introduction & Syllabus During the first class, we will discuss the course outline after brief introductions. We will review reading materials, particularly the required and recommended reading, and current affairs resources.	
EU AND THE FINANCIAL SECTOR (WEEKS 2-4)		
Sept. 1	Single Market <ul style="list-style-type: none"> ▪ Free movement of capital, services, goods, people ▪ Goals and challenges: Harmonization, level-playing field, regulatory arbitrage, geo-blocking, mitigating risks, sovereignty, room to maneuver ▪ Define financial services 	▲ Verhofstadt, Intro & Part I △ Bayoumi, pp. 1-35
Sept. 8	Role of Institutions <ul style="list-style-type: none"> ▪ EU COMMISSION (EC) – Directorate-General: Financial Stability, Financial Services and Capital Markets Union (DG-FISMA) ▪ EU PARLIAMENT (EP) Committee on Economic and Monetary Affairs (ECON) ▪ COUNCIL OF THE EU (EUCO) – Economic and Financial Affairs Council (Ecofin) 	▲ Verhofstadt, Part II (not 4-5) ▲ <i>Explore links: Scope, mission, structure, plans?</i> △ Bayoumi, pp. 35-70
Sept. 15	Global Financial Crisis and the impact of a severe shock to EU markets and economies <ul style="list-style-type: none"> ▪ Causes & weaknesses ▪ Contagion ▪ Scale 	▲ Verhofstadt, Part III △ Bayoumi, pp. 71-105 ✓ PBS Frontline series on financial crises, esp. EP3 <i>The Warning</i> ✓ Too Big to Fail (HBO, 2011) ✓ Liikanen Report (EU 2012) ✓ Turner Review (UK, 2009)
NATIONAL, SUPRANATIONAL AND INTERNATIONAL COLLABORATION (WEEKS 5-7)		
Sept. 22	European System of Financial Supervision (ESFS) <ul style="list-style-type: none"> ▪ European Systemic Risk Board (ESRB) 	▲ Verhofstadt, Part IV

	<ul style="list-style-type: none"> ▪ European Supervisory Authorities (ESAs) <ul style="list-style-type: none"> ○ European Securities and Markets Authority (ESMA) ○ European Banking Authority (EBA) ○ European Insurance and Occupational Pensions Authority (EIOPA) ▪ European Central Bank (ECB) – Central bank and banking supervisor ▪ 27 National Competent Authorities (NCAs) – Member State financial authority designated per regulation 	<ul style="list-style-type: none"> ▲ <i>Explore links:</i> Objectives, mission, annual goals? △ Regulation (EU) No 1095/2010 establishing ESMA (in passim) △ Regulation (EU) No 1093/2010 establishing EBA (in passim) ✓ Larosière Report (EU, 2009)
Sept. 29	<p>Foreign financial supervisory authorities</p> <ul style="list-style-type: none"> ▪ US (Who Regulates Whom?), EU-US Financial Regulatory Dialogue ▪ UK: Financial Conduct Authority (FCA) & Prudential Regulatory Authority (PRA) 	<ul style="list-style-type: none"> ▲ Verhofstadt, Part V & Epilogue ▲ <i>Explore links:</i> Who does what?
Oct. 6	<p>Multilateral organizations</p> <ul style="list-style-type: none"> ▪ G7 & G20 <ul style="list-style-type: none"> ○ Pittsburgh G20 (2009), Preamble, para. 38-62 ○ Toronto G20 (2010), para. 22-33 ○ St. Petersburg G20 (2013), para. 61-77 ▪ Basel Committee on Banking Supervision (BCBS) <ul style="list-style-type: none"> ○ Basel Framework, Background page, Scope & Definitions (SCO) ▪ Financial Stability Board (FSB) <ul style="list-style-type: none"> ○ Monitoring Implementation of Reforms ○ G-SIBS, G-SIFIs ▪ International Organization of Securities Commissions (IOSCO) <ul style="list-style-type: none"> ○ Cross-Border Regulation (2015) ○ Market Fragmentation & Cross-border Regulation (2019) 	<ul style="list-style-type: none"> ▲ Bradford, Intro, Part 1 Preface & Chap. 1 ▲ <i>Explore links:</i> How many combined seats for EU as a group & EU27 individually compared to US, CN, UK?
LEGISLATIVE PROCESS (WEEKS 8-10)		
Oct. 13	<p>Procedure</p> <ul style="list-style-type: none"> ▪ Provisions 	<ul style="list-style-type: none"> ▲ Bradford, Chap. 2 △ Baker, pp. 1-30 (trading, risks, asset classes)

	<ul style="list-style-type: none"> ○ Treaty on the EU (TEU) and ○ Treaty on the Functioning of the EU (TFEU) ▪ Policy Development Process (Action plan to final text) ▪ EC DG-FISMA, EP ECON/Rapporteur, EUCO ECOFIN ▪ Trilogue/comitology ▪ Political > technical > political 	
Oct. 20	<p>Rules</p> <ul style="list-style-type: none"> ▪ Regulation vs. Directive ▪ Lamfalussy Process: Level 1, 2, 3, 4 Texts ▪ Key concepts <ul style="list-style-type: none"> ○ Single Rulebook (ISRB) ○ Investor protection ○ Client classifications ○ Passporting 	<ul style="list-style-type: none"> ▲ Bradford, Chap. 3 △ Baker, pp. 148-166 (internal functions) ✓ Baker, pp. 31-56 (derivatives) ✓ Lamfalussy Report (EU, 2002)
Oct. 27	<p>Signature Legislation</p> <ul style="list-style-type: none"> ▪ Capital markets: MiFID II/MiFIR & EMIR ▪ Banking/Prudential: CRD IV/CRR vs. CRD V/CRR2 ▪ Insurance: Solvency II 	<ul style="list-style-type: none"> ▲ Bradford, Part 2 Preface & Ch. 4 △ Baker, pp. 65-91 (processes) ✓ Baker, pp. 101-129
EQUIVALENCE (WEEKS 11-12)		
Nov. 3	<p>Equivalence & Mutual Recognition of Non-EU Jurisdictions</p> <p>European neighbors</p> <ul style="list-style-type: none"> ▪ EU Member States (EU27) vs. Eurozone ▪ European Free Trade Association (EFTA) ▪ European Economic Area (EEA) – Norway vs. Switzerland 	<ul style="list-style-type: none"> ▲ Bradford, Chap. 5 ▲ <i>Explore links</i>: (1) Who's most likely to be deemed "equivalent"? (2) How does the status of EU members and neighbors vary?
Nov. 10	<p>Third countries</p> <ul style="list-style-type: none"> ▪ US, Japan, Australia, Singapore, China, etc. ▪ Post-Brexit UK <ul style="list-style-type: none"> ○ Internal politics of Tory Eurosceptics 	<ul style="list-style-type: none"> ▲ Bradford, Chap. 6 △ Brexit: The Uncivil War (HBO, 2019) ✓ EU Commission Brexit Archive

	<ul style="list-style-type: none"> ○ EU market competition vs. UK capital markets, liquidity, financial expertise, laws, infrastructure, history 	
INTO THE FUTURE (WEEKS 14-16)		
Nov. 17	<ul style="list-style-type: none"> ▪ Capital Markets Union (CMU) 	▲ Bradford, Chap. 7
Nov. 24	<ul style="list-style-type: none"> ▪ Banking Union (EC, ECB) 	▲ Bradford, Part 3 Preface & Ch. 8
Dec. 1	<ul style="list-style-type: none"> ▪ EU Global Influence ▪ Reconciling goals & competing interests 	▲ Bradford, Chap. 9
Dec. 8	*GUEST SPEAKERS* Exact date & time subject to speaker availability	

COURSE SUMMARY

ASSIGNMENTS	DUE DATE
Weekly Discussion Points	Each student will be assigned a date on first day of class
Reaction paper 1	September 21
Reaction paper 2	October 12
Reaction paper 3	November 2
Reaction paper 4	November 16
Reaction paper 5	December 14

COURSE READINGS

This course will rely heavily on primary source material from policymakers and regulators. In addition to the required books by Pinder, Bradford, and Verhofstadt, I have also recommended background reading on investment banking and the financial crisis. Books will not be explicitly discussed in the lecture but may be raised as a source of the overarching themes throughout the semester and as the topic of assignments. Please ask questions.

Depending on students' interests and level of familiarity with the course material, I may adjust the readings or their organization in the syllabus as needed throughout the semester, subject to advance notice. No changes will be made to grading scale or core UF policies.

BOOKS

You can access the e-books linked below after logging onto the VPN [here](#):

Required

- ▲ **Pre-Reading:** [Pinder, John. *The European Union: A Very Short Introduction \(Very Short Introductions\)*](#) (Oxford University Press, 2018)

Pinder provides a good overview for students unfamiliar with the European Union. It should be finished within the first two weeks of the semester.

- ▲ Bradford, Anu. [The Brussels Effect: How the European Union Rules the World](#) (Oxford University Press, 2021)

Bradford has developed an elegant analysis of the EU's increasing influence in establishing global standards of regulation across several industries.

- ▲ Verhofstadt, Guy. *Europe's Last Chance: Why the European States Must Form a More Perfect Union* (Basic Books, 2017)

Verhofstadt is the former Prime Minister of Belgium and a current member of the European Parliament (MEP). As a strong advocate of closer, if not full, integration of the EU, he offers incisive critiques of its political failures and institutional weaknesses.

Recommended

- △ Baker, Robert P. [The Trade Lifecycle: Behind the Scenes of the Trading Process](#) (Wiley, 2010).

An excellent source on financial instruments, asset class, and the structure and functioning of investment banks. Highly recommended summary for students with no background in financial markets.

- △ Bayoumi, Tamin. *Unfinished Business: The Unexplored Causes of the Financial Crisis and the Lessons Yet to be Learned* (Yale University Press, 2018).

Whereas many books on the financial crisis focus specifically on the US as the sole source and cause of the global crisis, Bayoumi call it "the North Atlantic crisis," assigning responsibility to the EU as well as the US. While I highly recommend the entire book, the first three chapters provide a good description of the causes and consequences of the global financial crisis.

DOCUMENTARIES & FILM

- *Brexit: The Uncivil War* (HBO Film, 2019)
- [PBS Frontline: The Great Recession and Its Continuing Impact](#) (Eight one-hour episodes on the financial crisis in the US, esp. EP3 "The Warning")
- *Too Big to Fail* (HBO Film, 2011)

CURRENT AFFAIRS

Please consult these resources for your weekly discussion points. Although there is no expectation that you will make use of every one during the course of the semester, I highly recommend that you bookmark them for future reference. And feel free to add to the list if you identify a periodical or organization which you find particularly.

News

Students should read THE FINANCIAL TIMES and POLITICO EU regularly throughout the semester.

- [Financial Times \(UK edition\)*](#)
- [Politico EU*](#)
- [BBC News \(online\)](#)
- [BBC World News \(TV\)](#)
- [Bloomberg](#)
- [Economist](#)
- [Euronews](#)
- [Foreign Affairs](#)
- [Foreign Policy](#)
- [Politico - Brussels Playbook](#)
- [Politico - London Playbook](#)
- [Politico - Paris Playbook \(in French\)](#)
- [Reuters](#)
- UK – [Guardian – UK edition](#) (left-leaning) and [The Times](#) (conservative) offer a good UK perspective
- US – [New York Times](#), [Wall Street Journal](#), and [Washington Post](#) are also good resources, but less specifically targeted on the EU.

Think Tanks

- [Brookings Institute - Europe](#) (see also Global Financial Institutions)
- [Bruegel](#)
- [Carnegie Endowment for International Peace - Europe Program](#)
- [Carnegie Europe](#)
- [Centre for European Policy Studies \(CEPS\)](#)
- [Chatham House - Europe Program](#)
- [Council on Foreign Relations \(CFR\) - Europe](#) (see also Explainers, Backgrounders, Economics and Banking)
- [European Capital Markets Institute \(ECMI\)](#)
- [European Council on Foreign Relations \(ECFR\)](#)

- [European Policy Centre \(EPC\)](#)
- [Group of Thirty](#)
- [Peterson Institute for International Economics \(PIIE\)](#)

Trade Associations

- [Association for Financial Markets in Europe \(AFME\)](#)
- [CityUK](#)
- [Global Financial Markets Association \(GFMA\)](#)
- [International Swaps & Derivatives Association \(ISDA\)](#)
- [International Capital Markets Association \(ICMA\)](#)
- [UK Finance](#)

Multilateral Organizations

- [Bank for International Settlements \(BIS\)](#)
- [Basel Committee on Banking Supervision \(BCBS\)](#)
- [Financial Stability Board \(FSB\)](#)
- [International Monetary Fund \(IMF\)](#)
- [International Organization of Securities Commissions \(IOSCO\)](#)
- [Organization for Economic Co-operation and Development \(OECD\)](#)

Social Media: Follow key figures, EU institutions, regulators, multilateral and industry organizations, and periodicals on [LinkedIn](#) or [Twitter](#), e.g., EC, EUCO, EP, ESMA, EBA, ECB, Ursula Von der Leyen, Charles Michel, David Sassoli, Christine Lagarde, Mairead McGuinness, etc.

POLICIES

STUDENTS WITH DISABILITIES

If you have a disability that may affect your performance in this class, you should contact the Dean of Students Office so that special arrangements can be made to accommodate you. It is your responsibility to do so at the beginning of the semester and to communicate directly with the professor during the first week of classes (or as soon as the disability occurs).

QUESTIONS AND QUERIES

I adhere firmly to the belief that there is no such thing as a “dumb” question. Students are encouraged to raise questions in class, during office hours or by email.

ACADEMIC HONESTY

Academic dishonesty, including cheating on exams and plagiarism, will not be tolerated. Any student engaging in such activities will be dealt with in accordance with university policy. It is your responsibility to know what constitutes plagiarism, and what the university policies are. If you have doubts, we please discuss with the professor immediately (after the infringement is too late). Please refer to the current Undergraduate Catalogue for more information on the Student Honor code (<http://www.registrar.ufl.edu/catalog/policies/students.html>). Students who have questions about these policies, should contact the undergraduate advisement center for additional information.

MINIMUM TECHNOLOGY REQUIREMENTS

The University of Florida expects students entering an online program to acquire computer hardware and software appropriate to his or her degree program. Most computers are capable of meeting the following general requirements. A student's computer configuration should include:

- Webcam
- Microphone
- Speakers or headphones
- Broadband connection to the Internet and related equipment (Cable/DSL modem)
- Microsoft Office Suite installed (provided by the university)

Individual colleges may have additional requirements or recommendations, which students should review prior to the start of their program.

MINIMUM TECHNICAL SKILLS

To complete your tasks in this course, you will need a basic understanding of how to operate a computer, how to use Zoom, how to use *Honorlock*, and how to use word processing software.

HONORLOCK

Honorlock is an online proctoring service that allows students to take exams on-demand 24/7. There are no scheduling requirements or fees.

You will need a laptop or desktop computer with a webcam, a microphone, and a photo ID. The webcam and microphone can be either integrated or external USB devices.

Honorlock requires that you use the [Google Chrome browser](#); furthermore, the [Honorlock extension](#) must be added to Chrome.

ZOOM

Zoom is an easy-to-use video conferencing service available to all UF students, faculty, and staff that allows for meetings of up to 100 participants. You can find resources and help using Zoom [here](#).