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Global Regulatory and Ethical Framework

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Global Regulatory and Ethical Framework

H. Kent Baker, Greg Filbeck, and Halil Kiyamaz, editors, PRIVATE EQUITY: OPPORTUNITIES AND RISKS Chapter 21 (Oxford University Press, 2014, Forthcoming)

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Abstract

This chapter reviews statutory and court sanctioned private regulatory frameworks affecting the creation of private equity (PE) funds and their primary activity of acquiring corporate enterprises. The chapter reviews U.S. legislation regulating securities, investment companies, and tender offers, state antitakeover legislation, state court decisions on hostile corporate takeovers and “poison pill” defenses, as well as European Union directives on takeovers and alternative investment fund managers. It concludes that regulation in the United States has shifted the balance of power in corporate acquisitions to incumbent management. The chapter also examines the diametrically opposed ethical views of PE funds as investment entities that either (1) acquire and destroy corporations, harm communities, and eliminate employment or (2) enhance corporate value by rooting out corporate inefficiency, increasing employment, and enhancing community value.

Keywords: Investment companies, private equity, securities regulation, investment company regulation, corporate takeovers, poison pills, tender offers

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