How Proprietary is Proprietary Trading?

On his last day of employment with Goldman Sachs in 2009, Sergey Aleynikov copied, compressed, encrypted, and transferred hundreds of thousands of lines of trading algorithms to take with him to Teza Technologies. His federal case tested the boundaries of the ’96 Economic Espionage Act and whether GS’s high-frequency trading code was a “product produced for interstate commerce” within the statute’s meaning. This week, a Second Circuit panel (including Guido!) reversed his conviction and mandated acquittal.

Guarding Foreign Firms in Argentina

The Economist this week turned its reporting to the recent investment disputes involving foreign companies doing business in Argentina. Argentina has fared very well vis-à-vis companies in disputes under the International Centre for the Settlement of Investment Disputes, a World Bank body that conducts arbitration between businesses and governments. This is mainly due to companies’ wariness of the Argentine judiciary for approving and processing award collections.

Shareholder Activism North of the Border

Pershing Square Capital recently disclosed that it owned 12.2% of Canadian Pacific. As detailed in the NYT, this push by Bill Ackman to shakeup the railroad company has caused a stir. Canadian rules facilitate activism: companies cannot adopt poison pills to limit shareholders from buying large stakes; any shareholder owning more than 5% can call a shareholder meeting at any time to replace the board. Read one of the company’s responses in the fight here.

MARK YOUR CALENDARS

Events this week:
• “The Role of Environmental Law in Business Transactions,” Discussion and Lunch with Prof. Don Elliott, 2/20, 12:10 pm, 121.
• “Reflections of An Insider Trader,” with Garrett Bauer, a former trader who has plead guilty to participating in an insider trading scheme. Read the SEC’s complaint here. 2/21, 12:30 pm, 122.

Events next week:
• Winter Lecture: Stephen A. Ross, Franco Modigliani Professor of Financial Economics and Professor of Finance, Sloan School of Management. 2/27, 4:30 pm, Faculty Lounge.
• “What Do Transactional Lawyers Do?” CLC/CDO Panel includes lawyers from Patterson Belknap Webb & Tyler, Debevoise & Plimpton, and Davis Polk & Wardwell. 2/28, 12:10 pm, 122.
• “Global Infrastructure Investments,” A Discussion with Adebayo Ogunlesi, Chairman and Managing Partner of Global Infrastructure Partners. 3/1, 12:00 pm, 129.

Kick-Off of the Cordray Era at the CFPB

This week the CFPB unveiled a broad plan to regulate by proposing regulations that would allow the agency to supervise debt collectors and credit reporting companies. The rule proposes to define the largest players in the two industries to be subject to the same supervision process applied to banks. Under the proposal, an estimated 2/3’s of the firms in the debt collection market would be covered, and the covered consumer reporting agencies would account for more than 90% of that industry.

This marks the first time these important and far-reaching consumer financial market participants are subject to federal supervision. About 30 million Americans have debt under collection, and, according to the Consumer Data Industry Association, each year there are 36 billion updates to consumer files and three billion reports issued.

Be sure to read the proposed rule here.

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With contributions from the YLBS Board and members