

**Games Commissions Play: 2x2 Games of International Securities Regulation**

Amir N. Licht\*

ABSTRACT

The internationalization of securities markets causes the effects of domestic securities regulation systems to be externalized to foreign markets. Securities regulation regimes of interlinked markets thus become relevant to one another. By implementing 2x2 game models and insights from international regime theory, the Paper identifies the factors influencing regulatory competition and cooperation in three major subjects: disclosure, securities fraud, and insider trading. The likely outcomes of such competition and cooperation vary greatly with the subject matter of regulation, thus refuting any sweeping treatment of “securities regulation” as a monolith. Disclosure tends to be governed by dynamics akin to a “race for the bottom,” therefore requiring strong international institutions to curb the trend. Securities fraud is more likely to be regulated in relative harmony, thus calling for weaker arrangements, while insider trading regulation mainly calls for assurance mechanisms.

---

\* Senior Fellow and John M. Olin Research Fellow in Law and Economics, Harvard Law School.