

COMMITTEE ON CAPITAL MARKETS REGULATION

THIRD QUARTER 2009 DEMONSTRATES FIRST SIGNS OF MILD IMPROVEMENT IN COMPETITIVENESS OF U.S. PUBLIC EQUITY MARKETS

CAMBRIDGE, Mass., December 1, 2009—The Committee on Capital Markets Regulation, an independent and nonpartisan research organization dedicated to improving the regulation and enhancing the competitiveness of U.S. capital markets, said today that its Q3 2009 update presents evidence of mild improvement in the competitiveness of U.S. public equity markets. If the trends exhibited by the first three quarters of 2009 continue into the fourth quarter, this year is projected to be the first year since 2003 that a majority of the measures tracked by the Committee have shown improvement over the preceding year.

Hal S. Scott, President and Director of the Committee and Professor at Harvard Law School, said that “while a number of measures show some improvement, they are still worse than historical levels.” He noted that “it is unclear what factors underlie the improvement. It could possibly be the relative attractiveness of the U.S. market in a global financial crisis.”

There has been a recovery in IPO activity in Q3 2009. Looking at global IPOs (those offered by foreign companies outside their home markets), in Q3 alone there were 44 IPOs valued at \$17.5 billion, a large improvement over the 20 global IPOs valued at \$8.2 billion in Q2, and the 9 global IPOs valued at \$240 million in Q1. Projected issuance activity for full-year 2009 stands at 97 IPOs valued \$34.5 billion, on par with the 139 global IPOs valued at \$34.3 billion for 2008, though far below the historical annual average of 212 IPOs valued at \$75.9 billion for 1996-2007.

The following measures have improved from both 2007 and 2008 levels:

- While total global IPO activity remains below pre-crisis levels, the U.S. has captured a greater portion of this market emerging from the crisis. Historically, the U.S. share of global IPOs by value averaged 28.7% for the period 1996-2006, but dropped to 6.9% in 2007, and fell further to 1.9% in 2008. For the first three quarters of 2009, the U.S. captured 8.5% of global IPOs by value.
- Among the global IPOs captured by the U.S., most of the activity remains in the Rule 144A rather than the public market. However, the popularity of the private market is diminishing, which reflects positively on the competitiveness of the U.S. public equity markets. For the period 1996-2006, Rule 144A IPOs by foreign companies as a percentage of total global IPOs in the U.S. averaged just 64.1%. This figure grew to 87.9% in 2007 and 95.5% in 2008. In Q3 2009, this figure fell to 81.1%
- Historically, the U.S. has captured on average 5 of the top 20 IPOs annually for 1996-2006. In 2007 and 2008, the U.S. had a 0% share of this market. In the first three quarters of 2009, the U.S. captured 2 of the top 20 global IPOs.
- The percentage of IPOs that U.S. issuers have chosen to list only abroad shrank to 2.6% in Q3 2009 from 20.0% in 2008. Historically, this figure climbed from an average of 0.3% for 1996-2006 to 8.6% in 2007.

- The U.S. share of equity globally raised in public markets grew to 23.8% in the first three quarters of 2009, up slightly from the U.S.'s 23.6% share in 2008 and its 19.8% share in 2007, though below the historical average of 32.2% for 1996-2006.
- The number of foreign companies cross listing in the U.S. is projected to be 8 for full-year 2009, which is an improvement over 3 in 2008 and 5 in 2007. However, this figure is still below the historical average of 18 for 2000-2006.
- The annual delisting rate of foreign companies from the NYSE continues to decline. Historically, this figure averaged 5.3% for 1997-2006, but climbed to 16.0% in 2007. In 2008, it shrank to 5.0% and by Q3 2009 it was just 3.6%, significantly lower than even the historical average. The Committee recognizes that this could well reflect the fact that a major exodus has already occurred, rather than result from a real increase in U.S. competitiveness. A relaxation of SEC delisting rules accounted for the tremendous wave of delistings in 2007.

The following measures performed slightly worse in 2009 than in 2008, but are an improvement over 2007 and their historic average:

- The U.S. share of the value of global share trading was 58.7% in Q3 2009, down slightly from 62.4% in 2008, but high above the 45.0% in 2007 and the historical average of 50.6% for 1990-2006.
- The equity raised via Rule 144A ADRs as a percentage of total equity raised by foreign issuers in the U.S. public market was 12.6% in Q3 2009. This is greater than the 7.8% in 2008, but much lower than the 24.0% in 2007 and the historical average of 17.3% for 2000-2006.

The following measures continue to deteriorate:

- The U.S. share of global market capitalization was down to 32.6% in Q3 2009, continuing an overall steady decline from an average of 43.3% for 1990-2006, 32.8% in 2007, and 36.0% in 2008.
- Also on the decline is the U.S. share of total global M&A advisory and equity/debt underwriting revenue, falling from an average of 49% for 1996-2006 to 42% in 2007, 41% in 2008, and 37% for the first three quarters of 2009.

Overall, the Committee found evidence of mild improvement in the competitiveness of the US public equity markets in its Q3 2009 data. However, nearly all of the measures still indicate that the U.S. capital market is much less competitive than it was historically. The Committee believes it is important to continue to closely monitor and further bolster the competitiveness of the U.S. capital markets going forward. The global financial crisis provides a unique opportunity to effect reform in this area, and in May 2009 the Committee released a comprehensive set of recommendations in its report, "The Global Financial Crisis: A Plan for Regulatory Reform." The report puts forward proposals for reform in the U.S. financial regulatory framework to create greater stability and transparency in the U.S. capital markets and enhance U.S. competitiveness in the global arena.

Historical data through Q3 2009 is now available on the Committee's website at www.capmksreg.org.

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