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

CAMBRIDGE, Mass., March 25, 2010—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 year-end 2009 data presents evidence of mild improvement in the competitiveness of U.S. public equity markets.

Hal S. Scott, President and Director of the Committee and Professor at Harvard Law School, said that "although most of today's figures are still worse off compared to historical levels, they nevertheless show some recent improvement within the last two years." He explained that "this may reflect the relative attractiveness of the U.S. capital markets in a global economic downturn and/or the increased level of regulation of the U.K. market."

Looking at global IPOs, or those offered by foreign companies outside their home markets, there has been a dramatic recovery in IPO activity in Q4 2009. There were a total of 138 global IPOs valued at $61.3 billion in 2009. The fourth quarter alone accounted for 65 IPOs valued at $35.4 billion, representing 47% and 58% of the full-year totals, respectively.

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

- In 2009, the U.S. had a 24.4% share of equity globally raised in public markets, up from the U.S.'s 23.6% share in 2008 and its 19.8% share in 2007, though below the historic average of 32.2% for 1996-2006.
- In Q4 2009, the U.S. captured 23% of global IPO activity by value. For the full year, the U.S captured 16.9% of global IPO activity, making 2009 the best year since 2001 in terms of the share of global IPOs captured by the U.S. Historically, the U.S. share of global IPOs by value averaged 28.7% for the period 1996-2006, but had dropped to 6.9% in 2007, and fell further to 1.9% in 2008.
- 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 attractiveness of the private market is diminishing, which reflects positively on the competitiveness of the U.S. public equity market. 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%. In 2007, this figure was 87.9%, and grew to 95.5% in 2008. In 2009, this figure fell to 70.2%.
- 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 2009, the U.S. captured 2 of the top 20 global IPOs.
- There were 5 foreign companies cross listed on a U.S. exchange in 2009, which is an improvement over the 3 in 2008, and matches the 5 in 2007. However, this figure is still below the historical average of 18 for 2000-2006.

- The percentage of IPOs that U.S. issuers have chosen to list only abroad shrank to 3.0% in 2009 from 20.0% in 2008. Historically, such IPOs have been all but non-existent. This figure climbed from an average of 0.3% for 1996-2006 to 8.6% in 2007.
- The equity raised via Rule 144A ADRs as a percentage of total equity raised by foreign issuers in the U.S. public market was 7.0% in 2009. This is an improvement over the 7.8% in 2008, much lower than the 24.0% in 2007, and even lower than the historical average of 17.3% for 2000-2006.

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 58.1% in 2009, down slightly from 62.4% in 2008, but quite higher than the 45.0% in 2007 and the historical average of 50.6% for 1990-2006.
- The annual delisting rate of foreign companies from the NYSE rose slightly from 5.0% in 2008 to 5.1% in 2009. Historically, this figure averaged 5.3% for 1997-2006, but had climbed to 16.0% in 2007 due to an SEC rule change.

The following measures continue to deteriorate:

- The U.S. share of global market capitalization was down to 32.4% in 2009, continuing in an overall 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, which fell from an average of 49% for 1996-2006 to 42% in 2007, 41% in 2008, and 37% in 2009.

Overall, the Committee found evidence of mild improvement in the competitiveness of the U.S. public equity markets in its 2009 data. This is the first time since 2003 that a majority of the measures has improved. 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 Q4 2009 is available here: www.capmktsreg.org

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