

COMMITTEE ON CAPITAL MARKETS REGULATION

FIRST HALF OF 2009 DEMONSTRATES CONTINUED EROSION IN COMPETITIVENESS OF U.S. PUBLIC EQUITY MARKETS

CAMBRIDGE, Mass., September 22, 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 Q2 2009 update presents evidence of continued decline in the competitiveness of U.S. public equity markets.

The Committee's analysis of competitiveness continues to be complicated by economic deterioration worldwide. Looking at global IPOs (those offered by foreign companies outside their home markets), issuance activity remains low in Q2 2009 at 14 global IPOs valued at \$2.5 billion, only a slight improvement over the 8 global IPOs valued at \$200 million in Q1 2009. Projected 2009 activity stands at 44 IPOs valued at \$5.4 billion, an abysmal level compared to the 92 global IPOs valued at \$20.9 billion for all of 2008, and 335 worth \$95.8 billion for all of 2007. This represents the biggest decline in global IPO activity since the burst of the "dot-com" bubble 2001-2003), when the aggregate value of global IPOs averaged just \$10.4 billion annually.

Hal S. Scott, President and Director of the Committee and Professor at Harvard Law School, said that "while the global recession continues to distort some measures of competitiveness, almost all of the 13 competitiveness measures tracked by the Committee for Q2 2009 reflected negatively on the attractiveness of U.S. public equity markets."

For example, the U.S. share of global IPOs dropped to just 3.8% in Q2 2009. 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. While the U.S. share of equity globally raised in public markets grew to 26.9% for the first half of 2009, up slightly from the U.S.'s 23.6% share in 2008, it nevertheless remains below the historic average of 32.2% for 1996-2006.

Even among the global IPOs captured by the U.S., most of the activity was in the private Rule 144A rather than the public market. For the period 1996-2006, this figure averaged just 64.1%. In Q2 2009, this figure reached 94.7%, just below the high of 95.5% in 2008.

The percentage of IPOs that U.S. issuers have chosen to list only abroad grew to 4.5% in Q2 2009, up from 0% in Q1 2009. This figure had climbed from an average of 0.3% for 1996-2006 to 8.6% in 2007 and 20.0% in 2008.

The U.S. share of global market capitalization was down to 33% in Q2 2009, continuing an overall steady decline from an average of 43.3% for 1990-2006.

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 39% for the first half of 2009.

The Committee did find improvements in two measures, although the significance of this improvement for the future is questionable

- The U.S. share of the value of global share trading continues to loom high at 60.8% after reaching 62.4% in 2008. This figure peaked at 63.9% in 2000, but declined throughout the period of 2002-2007, averaging just 49.9%.
- In the first half of 2009, three of the top 20 IPOs, or 15%, were done in the U.S. This compares with the fact that the U.S. captured none of the top global IPOs in 2007 and 2008. However, there were only a total of 29 global IPOs during this period, projected to be 58 for all of 2009. This is significantly less than the 139 in 2008 and 512 in 2007.

Overall, the Committee found that while its Q2 2009 data must be interpreted in the context of the serious market turmoil and general economic decline being experienced worldwide, the competitive position of the U.S. public equity markets continues to deteriorate when compared against historical data. The Committee predicts that, without major reforms in capital markets regulation, these negative trends will continue. 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 Q2 2009 is now available on the Committee’s website at www.capmktreg.org.

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