

## **ALARMING COMPETITIVE WEAKNESS IN U.S. CAPITAL MARKETS**

### **Committee Study Shows Problems May Be Spreading to Secondary Markets**

CAMBRIDGE, Mass., May 23, 2013—U.S. capital market competitiveness weakened in the first quarter of 2013, when all 20 of the largest IPOs conducted worldwide occurred outside of the U.S., extending a declining trend in market competitiveness from 2012

“The competitive landscape of U.S. capital markets is off to a very poor start in 2013,” said Prof. Hal S. Scott, Director of the Committee on Capital Markets Regulation. “Foreign companies raising capital outside their home jurisdictions are completely avoiding the U.S. public capital markets.”

A number of key measures of market competitiveness showed dramatic declines over previous years, including:

**None of the 20 largest global IPOs in the first quarter of 2013 were conducted within the United States.** This continues the recent downward trend, as U.S. markets attracted only one in 2012 and three in 2011.

**U.S. share of global IPOs by foreign companies dropped to zero,** a dramatic decline from the 11.4% recorded in 2012 and far below the historical average of 26.8% (1996-2007).

**Foreign companies that did raise equity capital in the United States during the first quarter of 2013 did so exclusively via private rather than public markets.** All initial offerings of foreign equity in the United States were conducted through private Rule 144A offerings rather than public offerings. This measure of aversion to U.S. public equity markets stands significantly higher than the historical average of 66.1% (1996-2007) and exceeds the previous peak of 95.5% reached in 2008.

**U.S. share of global share trading value declined dramatically to 40.8% from 47.5% in 2012,** well below the historical average of 50.6% (1990-2007). This single quarter result bears careful observation, as it may indicate that the steady erosion in U.S. competitiveness in primary markets is now spreading to secondary markets.

**The percentage of IPOs by U.S. issuers listed only abroad increased to 2.6% in the first quarter of 2013 after declining to 0.7% in 2012,** suggesting that the 2012 decline may have been due to the softness of European equity markets in the wake of the recent sovereign debt crisis.

The CCMR believes that the policy recommendations in its 2006 [Interim Report](#) remain essential to the restoration of U.S. competitiveness. “We urge regulators implementing the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act to minimize the adverse competitive effects of new regulations, particularly in areas where the U.S. regulatory approach differs significantly from competitor markets,” said Scott.

Historical data through 2012 are available at [www.capmksreg.org](http://www.capmksreg.org).

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Founded in 2006, the Committee on Capital Markets Regulation is dedicated to enhancing the competitiveness of U.S. capital markets and ensuring the stability of the U.S. financial system. Our membership includes thirty-three leaders drawn from the finance, investment, business, law, accounting, and academic communities. The Committee is chaired jointly by R. Glenn Hubbard (Dean, Columbia Business School) and John L. Thornton (Chairman, The Brookings Institution) and directed by Hal S. Scott (Nomura Professor and Director of the Program on International Financial Systems, Harvard Law School).

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# COMMITTEE ON CAPITAL MARKETS REGULATION

Measure	Historical Average	2008	2009	2010	2011	2012	2013(Q1)
1. U.S. Share of Equity Globally Raised in Public Markets	1996-2007: 31.1%	23.6%	24.6%	30.0%	42.7%	49.8%	50.2%
2. U.S. Share of Global IPOs by Foreign Companies (Broad Definition, By Value)	1996-2007: 26.8%	1.9%	16.9%	14.2%	8.6%	11.4%	0.0%
3. U.S. Share of 20 Largest Global IPOs	1996-2007: 4 of 20	0 of 20	2 of 20	1 of 20	3 of 20	1 of 20	0 of 20
4. Rule 144A IPOs by Foreign Companies as % of Total Global IPOs in the U.S. (By Value)	1996-2007: 66.1%	95.5%	70.2%	79.3%	82.5%	84.5%	100%
5. % of IPOs by U.S. Issuers Listed Only Abroad	1996-2007: 1.9%	20.0%	3.0%	5.2%	6.9%	0.7%	2.6%
6. Equity Raised in the U.S. by Foreign Issuers via Rule 144A BONY ADRs	2000-2007: \$2.5bn	\$308mn	\$738mn	\$771mn	\$1.323bn	\$3.57bn	\$10mn
7. Equity Raised via Rule 144A ADRs as a % of Equity Raised by Foreign Issuers in the U.S. Public Market	2000-2007: 10.6%	5.0%	4.1%	3.8%	6.3%	26.5%	0.0%
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	3	5	7	11	9	4†
9. % of Foreign Companies Delisting from the NYSE	1997-2007: 6.3%	5.0%	4.2%	6.0%	5.8%	5.3%	4.6%
10. U.S. Share of Global Market Capitalization	1990-2007: 42.7%	36.0%	32.4%	31.5%	33.0%	34.2%	35.3%
11. U.S. Share of the Value of Global Share Trading	1990-2007: 50.6%	58.2%	50.2%	48.3%	48.8%	47.5%	40.8%
12. ADR Trading Volumes as a % of Ordinary Share Trading Volumes in Home Markets	2001-2007: 17.9%	18.3%	18.5%	22%	20.9%	11.0%	11.0%
13. U.S. % of Global Total of M&A Advisory and Equity/Debt Capital Market Underwriting Revenue by Client-Parent Nationality	1996-2007: 49%	41%	37%	40%	40%	45%	45%

† Projection based on Q1 data