

## CONTINUING COMPETITIVE WEAKNESS IN U.S. CAPITAL MARKETS

CAMBRIDGE, Mass., August 14, 2013—U.S. capital market competitiveness remained weak through the first half of 2013, when some key measures of use of U.S. public equity markets fell to levels not seen since the 2008 financial crisis.

“The competitive landscape of U.S. capital markets has continued to decline through the first half of 2013,” said Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation. “As was seen in 2008 during the heart of the financial crisis, foreign companies raising capital outside their home jurisdictions are avoiding the U.S. public capital markets.”

**U.S. share of global IPOs by foreign companies sits at 5.8%**, the lowest level since 2008 and a dramatic decline from the 11.4% recorded in 2012. This measure remains far below the historical average of 26.8% (1996-2007).

**Foreign companies that did raise equity capital in the United States during the first half of 2013 did so overwhelmingly via private rather than public markets.** Over 92% of 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 is at its highest level since 2008 and stands significantly higher than the historical average of 66.1% (1996-2007).

**U.S. share of global share trading value declined dramatically to 42.1% from 47.5% in 2012**, well below the historical average of 50.6% (1990-2007). This second quarter result continues the alarming concern that the steady erosion in U.S. competitiveness in primary markets is spreading to secondary markets.

**The percentage of IPOs by U.S. issuers listed only abroad increased to 3.9% through the second quarter of 2013 after declining to 0.7% in 2012**, supporting the view that the 2012 decline was due to the softness of European equity markets in the wake of the recent sovereign debt crisis.

The annualized number of foreign companies cross-listing in the United States increased during the second quarter, although the reasons for the increase remain unclear.

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 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-two 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	Through Q2 2013
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