

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

### Committee Study Shows Continued Aversion to U.S. Public Primary Markets

CAMBRIDGE, Mass., November 21, 2013—U.S. capital market competitiveness remained weak through the third quarter of 2013, when measures of aversion to U.S. public equity markets reached levels not seen since the 2007-2008 financial crisis.

“The global competitiveness of U.S. capital markets continues to disappoint in 2013,” said Prof. Hal S. Scott, Director of the Committee on Capital Markets Regulation. “Objective competitiveness measures continue to show that 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:

**U.S. share of global IPOs by foreign companies sits at 8.1%**, the lowest level since 2008 and a substantial decline from the 11.4% recorded in 2012. This measure remains far below the historical average of 26.8% (1996-2007).

**U.S. share of top 20 global IPOs remains depressed**, with only one of the top 20 global IPOs in 2013 occurring in the U.S. public markets. Along with the low share in 2012 and 2011 (one and three IPOs respectively) this constitutes an extended preference by the most significant new issuers to avoid the U.S. public equity markets.

**Foreign companies that did raise equity capital in the United States through the third quarter of 2013 did so overwhelmingly via private rather than public markets.** Over 88% 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 to 42.0% from 47.5% in 2012**, well below the historical average of 50.6% (1990-2007). This third 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 3.2% through the third 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 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-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 Q3 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%	44.0%
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%	8.1%
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	1 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%	88.6%
5. % of IPOs by U.S. Issuers Listed Only Abroad	1996-2007: 1.9%	20.0%	3.0%	5.2%	6.9%	0.7%	3.2%
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	\$2.01bn†
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%	8.1%
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	3	5	7	11	9	11†
9. % of Foreign Companies Delisting from the NYSE	1997-2007: 6.3%	5.0%	4.2%	6.0%	5.8%	5.3%	6.8%
10. U.S. Share of Global Market Capitalization	1990-2007: 42.7%	36.0%	32.4%	31.5%	33.0%	34.2%	36.4%
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%	42.0%
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%	45.5%
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%	46%

† Annualized based on Q3 data