

CONTINUING COMPETITIVE WEAKNESS IN U.S. CAPITAL MARKETS

Committee Study Shows Weak Start to 2015 in U.S. Primary Markets

CAMBRIDGE, Mass., May 12, 2015—U.S. capital market competitiveness showed historic signs of weakness in the first quarter of 2015.

“The competitive landscape of U.S. equity capital markets has started 2015 with a whimper,” said Prof. Hal S. Scott, Director of the Committee on Capital Markets Regulation. “Foreign companies are choosing to raise capital outside U.S. public markets at unprecedented rates.”

U.S. share of global IPOs by foreign companies decreased to a historic low of 2.9%. This is lower than the 26% for 2014, which was itself buoyed from 8% by the Alibaba IPO. This continues a disturbing pattern of nearly continuous annual declines from the 1996-2007 average of 26.8%.

Foreign companies that did raise equity capital in the United States in the first quarter of 2015 did so overwhelmingly via private rather than public markets. Almost 97% 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 also at its highest level ever and is significantly higher than the historical average of 66.1% (1996-2007).

There was zero cross-listing activity in the U.S. by foreign companies. If cross-listings followed the historical average of 17 per year, at least 4 companies should have cross-listed in the first quarter. The low number of companies seeking to list in the U.S. without raising capital provides further evidence that the regulatory climate is not attractive to companies wishing to associate themselves with more rigorous standards of conduct.

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 2015 are available at 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-six 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).

The Committee is an independent and nonpartisan 501(c)(3) research organization, financed by contributions from individuals, foundations, and corporations.

| Measure | Historical Average | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Q1 2015 |
|---|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| 1. U.S. Share of Equity Globally Raised in Public Markets | 1996-2007: 31.1% | 24.6% | 30.0% | 42.7% | 49.8% | 40.1% | 31.1% | 32.4% |
| 2. U.S. Share of Global IPOs by Foreign Companies (Broad Definition, By Value) | 1996-2007: 26.8% | 16.9% | 14.2% | 8.6% | 11.4% | 7.0% | 26.0% | 2.9% |
| 3. U.S. Share of 20 Largest Global IPOs | 1996-2007: 4 of 20 | 2 of 20 | 1 of 20 | 3 of 20 | 1 of 20 | 0 of 20 | 2 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% | 70.2% | 79.3% | 82.5% | 84.5% | 89.0% | 64.4% | 96.6% |
| 5. % of IPOs by U.S. Issuers Listed Only Abroad | 1996-2007: 1.9% | 3.0% | 5.2% | 6.9% | 0.7% | 3.3% | 2.6% | 2.4% |
| 6. Equity Raised in the U.S. by Foreign Issuers via Rule 144A BONY ADRs | 2000-2007: \$2.5b | \$738mn | \$771mn | \$1.323b | \$3.57b | \$1.51b | \$1.29b | \$26.7mn |
| 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% | 4.1% | 3.8% | 6.3% | 26.5% | 5.7% | 2.2% | 1.2% |
| 8. No. of Foreign Companies Cross-Listings in the U.S. | 2000-2007: 17 | 5 | 7 | 11 | 9 | 9 | 5 | 0 |
| 9. % of Foreign Companies Delisting from the NYSE | 1997-2007: 6.3% | 4.2% | 6.0% | 5.8% | 5.3% | 6.0% | 3.8% | 1.1% |
| 10. U.S. Share of Global Market Capitalization | 1990-2007: 42.7% | 32.4% | 31.5% | 33.0% | 35.0% | 37.9% | 41.4% | 39.9% |
| 11. U.S. Share of the Value of Global Share Trading | 1990-2007: 50.6% | 50.2% | 48.3% | 48.8% | 47.5% | 42.6% | 36.0% | 43.3% |
| 12. ADR Trading Volumes as a % of Ordinary Share Trading Volumes in Home Markets | 2001-2007: 17.9% | 18.5% | 22% | 20.9% | 11.0% | 47.8% | 10.8% | 11.3% |
| 13. U.S. % of Global Total of M&A Advisory and Equity/Debt Capital Market Underwriting Revenue by Client-Parent Nationality | 1996-2007: 49% | 37% | 40% | 40% | 45% | 47% | 50% | 49.1% |