

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

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

CAMBRIDGE, Mass., September 14, 2015—U.S. capital market competitiveness showed historic signs of weakness in the second quarter of 2015.

“The global competitiveness of U.S. capital markets remains disappointing,” said Prof. Hal S. Scott, Director of the Committee on Capital Markets Regulation. “Objective measures of capital markets competitiveness continue to reflect the relative international unattractiveness of the U.S. public capital markets.”

**U.S. share of global IPOs by foreign companies remains depressed at 3.2%.** Through the first half of the year, the U.S. remains on pace to host a historically low percentage of global IPOs by foreign companies. This data shows that the inflated 2014 percentage of 26% was an aberration largely attributable to the Alibaba IPO, and that the U.S.’s pattern of continued loss of market share from historical values (26.8% on average from 1996-2007) persists.

**Foreign companies that raised equity capital in the United States did so overwhelmingly via private rather than public markets.** Through the first half of this year, almost 96% 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 significantly higher than the historical average of 66.1% (1996-2007) and the 2014 average of 64.4%.

**Cross-listing by foreign companies in the U.S. remains on pace for a year of historic inactivity.** Annualized data from the first half of 2015 shows that the U.S. markets are on track to attract only 2 foreign companies to cross-list this year. This is not only less than 12% of the historic average for cross-listing activity from 1996-2007, but under half of the number of cross-listings in 2014, which itself represented a five-year low.

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-four 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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Measure	Historical Average	2009	2010	2011	2012	2013	2014	Through Q2 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%	29.1%
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%	3.2%
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	2 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%	95.8%
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%	1.7%
6. Equity Raised in the U.S. by Foreign Issuers via Rule 144A BONY ADRs	2000-2007: \$2.5b	\$738m	\$771m	\$1.323b	\$3.57b	\$1.51b	\$1.29b	\$53.4m †
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%	0.3%
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	5	7	11	9	9	5	2 †
9. % of Foreign Companies Delisting from the NYSE	1997-2007: 6.3%	4.2%	6.0%	5.8%	5.3%	6.0%	3.8%	2.0%
10. U.S. Share of Global Market Capitalization	1990-2007: 42.7%	32.4%	31.5%	33.0%	35.0%	37.9%	41.4%	53.1%
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%	37.2%
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%	11.6%
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%	48.1% †

† Annualized based on Q2