

CONTINUING COMPETITIVE WEAKNESS IN U.S. CAPITAL MARKETS

Committee Study Shows Continuing Weakness in 2015 in U.S. Primary Markets

CAMBRIDGE, Mass., November [12], 2015—U.S. capital market competitiveness showed historic and alarming signs of weakness in the third quarter of 2015.

“The overall competitive landscape of the U.S. capital markets continues to disappoint,” said Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation. “The U.S. percentage share of equity raised in global public markets is a cause for concern.”

U.S. share of global IPOs by foreign companies has reached a historic low at 3.0%. This is more than twice as low as the previous 7% low point in 2013. 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 and has become alarming low. Foreign issuers are shunning U.S. public markets.

U.S. share of top 20 global IPOs remains depressed, with only 1 of the top 20 global IPOs in 2015 occurring in the U.S. public markets thus far. Along with the low share in 2014 and 2013 (two and zero IPOs respectively) this constitutes a continuing preference by the most significant new issuers to avoid the U.S. public equity markets.

Foreign companies that raised equity capital in the United States did so overwhelmingly via private rather than public markets. Through the third quarter of this year, 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%.

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.

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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).

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	Through Q3 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%	27.9%
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%	3.0%
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	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%	70.2%	79.3%	82.5%	84.5%	89.0%	64.4%	96.0%
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	\$35.6m †
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%	0.2%
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	5	7	11	9	9	5	1.3 †
9. % of Foreign Companies Delisting from the NYSE	1997-2007: 6.3%	4.2%	6.0%	5.8%	5.3%	6.0%	3.8%	4.0%
10. U.S. Share of Global Market Capitalization	1990-2007: 42.7%	32.4%	31.5%	33.0%	35.0%	37.9%	41.4%	41.8%
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%	26.4%
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%	12.4%
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%	48.8% †

† Annualized based on Q3