LATEST CCMR STUDY SHOWS DECLINE IN U.S. SHARE OF GLOBAL IPO MARKET

CAMBRIDGE, Mass., January 25, 2012—The Committee on Capital Markets Regulation (CCMR), an independent and nonpartisan research organization dedicated to improving the regulation and enhancing the competitiveness of U.S. capital markets, today released data confirming a decline in the third quarter of 2011 in the relative competitiveness of U.S. capital markets. In particular, the U.S. share of the global IPO market declined. In contrast, the private ADR market showed improvement. The U.S. share of global exchange trading and investment banking revenues remained relatively flat.

Hal S. Scott, President and Director of the Committee said, "The continued flight of foreign capital to private markets and non-U.S. exchanges still demonstrates the competitive problem of U.S. public equity markets."

U.S. Public IPO Markets Continue to be Uncompetitive

Through the third quarter of 2011, U.S. markets captured three of the 20 largest global IPOs, an improvement over the last four years (1 in 2010, 2 in 2009, none in 2008 and 2007), but fewer than the 1996-2006 average of 5.

However, the proportion of the global IPO market captured by U.S. markets shrank to 9.8% during the third quarter of 2011. This represents a decrease from 14.2% in 2010 and 16.9% in 2009, and is significantly lower than the 1996–2006 average of 28.7%.

There were 106 IPOs by U.S. issuers through the third quarter of 2011. Nine of these, or 8.5%, were listed only on foreign exchanges, which represents an increase over 2010's 5.2% and 2009's 3.0%. This percentage averaged just 1.3% during the period 1996-2006. The value of such transactions increased significantly to $2.2 billion as compared to $278 million in 2010, $193 million in 2009. It is a distressing sign that U.S. companies are using foreign markets to go public.

ADR Offerings Migrate to the Private Market

In contrast to the IPO market, the private ADR market saw an increase in the value of private sales by foreign issuers. Foreign issuers raised a total of $1.32 billion on U.S. markets via 144A ADRs sponsored by the Bank of New York. This is a significant increase over year–end totals of $771 million in 2010, $738 million in 2009, and $308 million in 2008 and is projected to exceed the historical average of $2.2 billion for the period 2000–2006. At 7.5%, the 144A ADR market also captured a larger proportion of U.S. offerings by foreign issuers—more than prior–year totals of 3.8% in 2010, 4.1% in 2009, and 5.0% in 2008, but less than the 2000–2006 average of 10.2%. This shows that in the private markets where regulation is less burdensome and liability less strict, the U.S. continues to do well.

U.S. Share of Global Exchange Trading Remains Relatively Flat

The U.S. share of global market capitalization declined slightly, to 31%, from 2010's 31.5%, 2009's 32.4%, and the 1996-2006 average of 45.7%.

The U.S. share of global equity trading, measured by value, also decreased slightly to 48% from 48.3% in 2010, 50.2% in 2009, and the historical average of 50.6% from 1990–2006.

Investment Banking Revenue is Unchanged

During the first three quarters of 2011, the U.S. share of global M&A advisory and equity/debt underwriting revenue remained at the 2010 level of 40%. This figure was 37% in 2009, but averaged 49% for 1996-2006.

The Committee believes that measures suggested in its 2006 Interim Report must be taken to help restore U.S. competitiveness. We also urge regulators implementing the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act to minimize, to the extent possible, adverse competitive impacts, particularly in areas where the U.S. regulatory approach differs significantly from that taken in other markets.

Historical data through Q3 2011 are available at www.capmktsreg.org.

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