

CONTINUING COMPETITIVE WEAKNESS IN U.S. PUBLIC CAPITAL MARKETS

Committee Study Shows Continuing Competitive Weakness in U.S. Public Markets

CAMBRIDGE, Mass., August 1, 2016—U.S. capital market competitiveness remained weak through the second quarter of 2016.

“The global competitiveness of U.S. capital markets has continued to decline in the first half of 2016,” said Harvard Law Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation. “Objective measures continue to indicate that our public capital markets are not on the road to competitive recovery.”

The U.S. share of global IPOs by foreign companies remains disappointing at only 3.1%. Through the second quarter of 2016, the U.S. continued to attract a historically low percentage of global IPOs by foreign companies. This measure remains lower than the 3.6% recorded for full-year 2015, which was the lowest annual share since 2008, and far below the historical average of 26.8% (1996-2007).

Foreign companies that did raise equity capital in the U.S. in the first half of 2016 did so overwhelmingly via private rather than public offerings. Over 95% of initial offerings of foreign equity in the U.S. were conducted through private Rule 144A offerings rather than public offerings, a level comparable to the 95.2% observed for full-year 2015. This measure of aversion to U.S. public equity markets remains significantly higher than the historical average of 66.1% (1996-2007).

The U.S. share of the 20 largest global IPOs stands at 1 out of 20 in the first half of 2016. This is a substantial departure from the historical average of 20% (1996-2007).

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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For Further Information:

Hal Scott,
Director, Committee on Capital Markets Regulation
hscott@law.harvard.edu

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	2015	Through Q2 2016
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%	23.6%	30.5%
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%	3.6%	3.1%
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	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%	95.2%	95.6%
5. % of IPOs by U.S. Issuers Listed Only Abroad (By Number)	1996-2007: 1.9%	3.0%	5.2%	6.9%	0.7%	3.3%	2.6%	4.3%	2.8%
6. Equity Raised in the U.S. by Foreign Issuers via Rule 144A BONY ADRs	2000-2007: \$2.5b	\$738m	\$771m	\$1.32b	\$3.57b	\$1.51b	\$1.29b	\$9.29b	\$3.34b
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%	34.63%	23.82%
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	5	7	11	9	9	5	2	6
9. % of Foreign Companies Delisting from the NYSE	1997-2007: 6.3%	4.2%	6.0%	5.8%	5.3%	6.0%	3.8%	5.0%	4.8%
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%	38.9%
11. 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%	12.9%	15.1%