

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

### Committee Study Shows Continued Competitive Weakness in U.S. Public Markets

CAMBRIDGE, Mass., October 28, 2016—U.S. capital market competitiveness exhibited continuing weakness through the third quarter of 2016.

“The competitive landscape of U.S. capital markets continues to disappoint,” said Harvard Law Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation. “The data indicate that foreign companies are looking away from U.S. public markets when seeking to raise capital outside their home jurisdictions.”

**Foreign companies that have raised equity capital in the U.S. during 2016 have done so overwhelmingly via private rather than public offerings.** Over 90% of initial offerings of foreign equity in the U.S. were conducted through private Rule 144A offerings rather than public offerings, a level approaching 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).

**Foreign companies are delisting from the New York Stock Exchange (“NYSE”) at an alarming rate.** The proportion of foreign companies delisting from the NYSE is on pace to reach nearly 10% by the end of 2016, which would be the highest level observed this decade. The historical average of foreign delistings is only 6.3% (1997-2007).

**The U.S. share of the 20 largest global IPOs remains at 1 out of 20 through the third quarter 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. Further, Scott said “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.”

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).

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	2015	Through Q3 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%	28.8%
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%	5.6%
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%	90.7%
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%	1.5%
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	\$2.27b†
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%	18.7%†
8. No. of Foreign Companies Cross-Listings in the U.S.	2000-2007: 17	5	7	11	9	9	5	2	7
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%	9.9%†
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%	38.4%
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%	14.0%

†: Projected for the full year