

STRATEGIC RESEARCH

Navigating the Exchange Landscape

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Executive Summary

Overview:

The globalization of world markets has led to rapid growth and higher market capitalizations in Europe. How has this impacted the U.S.? Are the U.S. markets really losing their competitive edge? Concerns about the competitiveness of the U.S. capital markets have led many companies to reevaluate their exchange listing strategies. Is U.S. regulation too stringent? Are companies shying away from U.S. exchanges in favor of international ones? Are IPOs losing their luster to private markets? What will be the impact of exchange consolidation? What does this mean for your company?

Five years have passed since Sarbanes-Oxley (Sarbox) was implemented. It's debatable whether or not this regulation has deterred foreign companies from listing in the U.S. but what isn't debatable is that many believe that there's too much regulation in the U.S. and that Sarbox should be eased (especially for small companies) in order to enable the U.S. markets to stay competitive.

In recent years, London, especially the AIM market, has been attracting more IPOs than New York but increasingly companies are seeking alternatives to raising capital from exchange listings. In fact, last year, more money was raised in the private placement market than from IPOs on all of the major exchanges in the U.S.

Global markets are growing and in an effort to capture market share, exchange consolidation will likely continue but technology and regulation are the major drivers of change. But with the advent of NMS regulation and the hybrid market at the NYSE, short-term visibility about investor trades has decreased for some companies which can be a major concern given the increased influence of activist shareholders.

The report provides an overview of the issues in the exchange landscape, the impact of Sarbox legislation and details the pros and cons of listing on a particular exchange. In addition, a survey is included which encompasses the sentiment of executives from U.S., Europe and Asia about regulation and exchanges. A total of 127 responses were received.

Key Survey Findings:

- The majority of the 127 executives surveyed believe that Sarbanes-Oxley should be eased and not eliminated. One executive stated that "Sarbox is a necessary insurance payment against risk."
- Nearly half of U.S. and European IROs believe it is worth a premium to list on the NYSE while 82% of executives from Asia believe a premium is warranted.
- Although most executives are satisfied with their current exchange, "Valuation" would influence 39% of Asian executives to switch exchanges while 36% of U.S. and European IROs said that "Liquidity" would influence their decision to switch exchanges.

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