



Center for Justice & Democracy  
90 Broad Street, Suite 401  
New York, NY 10004  
Tel: 212.267.2801  
[centerjd@centerjd.org](mailto:centerjd@centerjd.org)  
<http://centerjd.org>

## OUR LEGAL AND REGULATORY SYSTEM MAKE U.S. MARKETS THE STRONGEST IN THE WORLD

The U.S. financial markets are the strongest in the world and mounting evidence suggests that this is *because* of - and not despite - the strength of our legal and regulatory systems. In fact, in a March 2007 speech in London, Securities and Exchange Commissioner Roel Campos stated, “I say that one of the great strengths of U.S. markets ... is the system of high standards and protections of capital and protection of minority shareholder rights.”<sup>1</sup>

- U.S. markets today make up roughly half of the total capital in the world stock markets, placing them far ahead of even their largest competitors.<sup>2</sup>
- American markets see the highest participation by individual investors, with 57 million households – or nearly half the nation – invested in the stock market either through the holding of stocks or through a mutual fund in 2005, a figure far higher than that of Great Britain.<sup>3</sup>
- The U.S. is a leader in attracting initial public offerings (IPOs), leading the world in 2005 in both IPO proceeds<sup>4</sup> and sheer number of IPOs.<sup>5</sup>
- U.S. markets have dramatically out-performed those in London, which has less rigorous regulation, in both large and small stock indexes.<sup>6</sup> Moreover, in 2006 alone, “financial fraud in the United Kingdom rose 40 percent.”<sup>7</sup>
- Studies have shown that as a result of our market’s integrity, foreign companies who list on U.S. exchanges see their valuation rise by as much as 37 percent.<sup>8</sup> In fact, by 2004, foreign investors held an astounding \$1.9 trillion in U.S. equities, a figure that exceeds the entire worth of all other markets worldwide save for those in the UK and Japan.<sup>9</sup>
- Wall Street investment banks have been doing particularly well in recent years. These banks pulled in banking fees in record numbers in 2006, with industry giant Citigroup’s portion alone reaching \$8.5 billion, an increase of over thirty percent from the previous year.<sup>10</sup>

### NOTES (with thanks to Lynn Turner and Barbara Roper)

<sup>1</sup> “Speech by SEC Commissioner: SEC Regulation Outside the United States by Commissioner Roel C. Campos,” U.S. Securities and Exchange Commission, March 8, 2007. Found at <http://www.sec.gov/news/speech/2007/spch030807rcc.htm>.

<sup>2</sup> John Authers, “The Short View: US competitiveness,” *Financial Times*, Nov. 21, 2006.

<sup>3</sup> “Equity Ownership in America, 2005,” Investment Company Institute and Securities Industry Association, 2005.

<sup>4</sup> “The US Capital Markets: US and Global Perspectives,” Ernst and Young LLP, 2006.

<sup>5</sup> *Ibid.*

<sup>6</sup> Capital IQ. Data for 11/1/2005 to 10/31/2006.

<sup>7</sup> Paul Tharp, “Brits Get Bit - LAX British Marts Attract Frauds Along With U.S. Biz,” *New York Post*, Jan. 8, 2007.

<sup>8</sup> Doidge, C., Karolyi, A., and Stulz, R., “Why Are Foreign Firms Listed in the U.S. Worth More?,” *Journal of Financial Economics*, Volume 71(2), (205-238).

<sup>9</sup> “Securities Industry Factbook 2005,” Securities Industry Association, 2005.

<sup>10</sup> “World’s Best-Paid Investment Banks – The Bloomberg 20,” *Bloomberg Markets*, April 2005.