# The Political Economy of Global Stock Exchange Competition

Law Working Paper N° 872/2025
September 2025

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## Abstract

Conventional academic and media accounts depict global stock exchange competition as a contest of regulatory standards to win initial public offerings (IPOs). This Article re-examines global stock exchange competition through a much broader political economy lens. We make two central arguments. First, competition for IPOs, while highly visible, is subject to important qualifications: IPOs provide only marginal revenues for modern exchanges, most firms are unable to engage in regulatory arbitrage to obtain a high-profile foreign listing, and the public markets are increasingly eclipsed by private capital as a rival source of finance. Second, while the role of nation states has been largely ignored in the literature on stock exchange competition, they have keen economic, policy and geopolitical interests in their domestic exchanges. By moving beyond the "race to the bottom" framework and a narrow focus on IPOs, we show how stock exchanges have become strategic assets in a new era of global competition, calling for sustained scholarly engagement across law, economics, and international relations.

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Keywords: stock exchanges, regulatory competition, political economy

JEL Classifications: F50, G34, G38, K22

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## Introduction

At the turn of the twenty-first century, few could have predicted that competition among the world's stock exchanges would be a source of global intrigue. Consider the saga of fast-fashion group Shein's search for a major stock exchange on which to launch its IPO, a story that has all the ingredients of an international political thriller. Shein filed confidential paperwork for an IPO on the New York Stock Exchange (NYSE) at the end of 2023.[1] But the plan triggered significant pushback from U.S. lawmakers over allegations of Shein's use of forced labor in its supply chain and its (lawful) avoidance of customs duties by using direct shipments to American consumers.[2] In response, Shein changed course, with plans to float its shares on the London Stock Exchange (LSE). The announcement was welcomed in the City of London, where the LSE has suffered from a dearth of IPOs, but the controversy over possible human rights violations followed Shein to the U.K.[3] The Financial Conduct Authority (FCA), Britain's financial regulator, took longer than usual to approve the IPO application as it scrutinized Shein's supply chain oversight and assessed legal risks after an advocacy group for China's Uyghur population threatened to challenge the London listing.[4] At the same time, the FCA faced pressure from the new Labor government to end the IPO drought and revive London as a financial center. Eventually, in April 2025, the British market watchdog gave its preliminary approval for the listing.[5]

In a final plot twist, however, Shein abandoned its London listing plan after it failed to secure approval from the China Securities Regulatory Commission (CSRC).[6] The allegations over

[1] James Fontanella-Khan, Ortenca Aliaj & Jennifer Hughes, *Chinese Fast-fashion Retailer Shein Makes Confidential Filing for US IPO*, FIN. TIMES (Nov. 28, 2023), https://www.ft.com/content/ab3067cf-c885-4c7c-81bb-30ead3bb94d6.

[2] Select Committee on the Chinese Communist Party, *Fast Fashion and the Uyghur Genocide: Interim Findings* (June 2023), available at https://selectcommitteeontheccp.house.gov/media/reports/fast-fashion-and-uyghur-genocide-interim-findings.

[3] Zofia Zwieglinska, *Shein's IPO: Where it Stands and What's Next* (Oct. 22, 2024), https://www.glossy.co/fashion/sheins-ipo-where-it-stands-and-whats-next/; Saskia Koopman, *Shein Confirms Listing Plans with London in the Spotlight*, CITY AM (Mar. 14, 2025), https://www.cityam.com/shein-confirms-listing-plans-with-london-in-the-spotlight/. Isaac T. Tabner, *Shein Could be a Shot in the Arm for the London Stock Exchange – But the Fashion Giant Might Not Like the Added Scrutiny*, THE CONVERSATION (Feb. 18, 2025), https://theconversation.com/shein-could-be-a-shot-in-the-arm-for-the-london-stock-exchange-but-the-fashion-giant-might-not-like-the-added-scrutiny-249541.

[4] Helen Reid, *UK Regulator's Shein IPO Decision Slowed by Challenge from Uyghur Group*, REUTERS (Dec. 12, 2024), https://www.reuters.com/business/retail-consumer/shein-ipo-uk-regulator-decision-slowed-by-ngo-challenge-sources-say-2024-12-12/. The advocacy group Stop Uyghur Genocide (SUG) announced a legal challenge in June 2024 claiming that Shein uses cotton from China's Xinjiang region. Separately, Britain's Independent Anti-Slavery Commissioner, a monitoring body of the interior ministry, also raised concerns within government over a Shein IPO because of allegations about labor practices at its suppliers. *Id*.

[5] Julie Zhu & Helen Reid, *Shein Gains UK Approval for London IPO, Awaits China Nod, Sources Say*, REUTERS (Apr. 11, 2025), https://www.reuters.com/business/retail-consumer/shein-gains-uk-approval-london-ipo-awaits-china-nod-sources-say-2025-04-11/.

[6] Shein required approvals from both the CSRC and any listing authority in the destination country, creating a dual regulatory hurdle that significantly complicated its IPO plan.

human rights abuses and the threat of legal action in London were apparently seen as a potential embarrassment for the Chinese government.[7] A disagreement between Chinese and British regulators about the presentation of risk factors in the company's prospectus, including in relation to Shein's exposure to the politically sensitive Xinjiang region, may have contributed to the conflict.[8] In the background, the rise in geopolitical tension between the U.S. and China over trade policy and tariffs exacerbated the situation.[9] Shein is now pursuing a listing on the Hong Kong Stock Exchange (HKEX) and is expected to go public there soon.

The Shein saga encapsulates the complex competitive dynamics affecting stock exchanges today. Some of these dynamics are longstanding. Stock exchanges have always competed fiercely for high-profile IPOs, and relaxing listing standards has long been an important weapon in this competition. The LSE was eager to acquire the Shein listing, and leading U.K. politicians actively courted the company. The FCA approval of Shein's IPO suggests that British authorities were willing to overlook ethical concerns to win the listing for London, which had fallen far behind U.S. exchanges in the number of IPOs it hosted. Even more significant examples of regulatory laxity in the face of intense competitive pressure can be found in the recent past. A decade ago, the NYSE and the HKEX fought to acquire the listing of e-commerce giant Alibaba.[10] Ultimately, Alibaba chose to list on the NYSE, which, unlike the HKEX, was willing to accommodate its unusual partnership governance structure.[11] A few years later, the proposed listing of oil major Saudi Aramco sparked a similarly fierce competition among global stock exchanges.[12] The LSE even revised its listing rules to accommodate Aramco's state control structure,[13] a move widely

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[7] Julie Zhu, Hadeel Al Sayegh & Helen Reid, *Shein Working towards Hong Kong Listing after London IPO Stalls, Say Sources*, REUTERS (May 28, 2025), https://www.reuters.com/business/finance/shein-working-towards-hong-kong-listing-after-london-ipo-stalls-say-sources-2025-05-28/.

[8] Zijing Wu, Ivan Levingston, Martin Arnold & Laura Onita, *Shein Shifts Focus from London to Hong Kong for Listing*, FIN. TIMES (May 28, 2025), https://www.ft.com/content/54de1512-2252-4766-89e4-5f3c625794e8.

[9] *Id*.

[10] Victor Luckerson, *Everything You Need to Know About Alibaba and its Mega-IPO*, TIME (Sept. 18, 2014), https://time.com/3398957/alibaba-ipo-china/.

[11] Flora Xiao Huang, *New York vs. Hong Kong - A Burst of Regulatory Competition: The Listing of Alibaba*, University of Leicester School of Law Research Paper No. 15-22 (July 2015), https://ssrn.com/abstract=2630060.

[12] Mourad Mekhail, *The Fight for Saudi Aramco Listing*, WORLD FINANCE (Jan. 23, 2018), https://www.worldfinance.com/contributors/the-fight-for-saudi-aramco-listing; Samantha Gross, *The Saudi Aramco IPO is a Game-changer for the Saudi Economy*, BROOKINGS COMMENTARY (June 6, 2017), https://www.brookings.edu/articles/the-saudi-aramco-ipo-is-a-game-changer-for-the-saudi-economy/.

[13] Adam Vaughan, *FCA's Rule Change to Lure Saudi Aramco Prompts Criticism*, THE GUARDIAN (Jun. 18, 2018), https://www.theguardian.com/business/2018/jun/08/fca-rule-change-to-lure-saudi-aramco-prompts-criticism.

criticized as weakening minority shareholder protections.[14] Nonetheless, Aramco ultimately listed on the domestic Saudi Tadawul Exchange.[15]

Heightening the intensity of this competition was the large-scale transformation of the world's stock exchanges into for-profit entities and their global consolidation in recent decades. At the same time, however, the business model of the exchanges has changed in ways that reduce the importance of IPOs to their bottom lines. Below the surface, a nearly existential competition has emerged between the public capital markets and private capital, the growth of which has surged over the past twenty years.[16]

Another competitive dynamic of more recent vintage highlighted by the Shein saga is that access to the public capital markets has become increasingly politicized, with states having keen strategic interests – both economic and geopolitical – in the competitive strength of domestic exchanges. These interests are not limited to the governments of the U.S., China and the U.K. A Singaporean government official, for example, instructed local founders that relisting on the Singapore Stock Exchange was their "national duty."[17] Officials in Europe have recently argued that successful completion of the EU Capital Markets Union project is a "pre-condition for the EU to manage its own destiny."[18]

These examples reflect the diverse competitive pressures affecting stock exchanges – pressures that extend from the relatively prosaic pursuit of profits by shareholder-owned exchanges to the highly consequential quest for economic innovation and geopolitical advantage by nation states. Yet academic literature on stock exchange competition remains surprisingly limited in both quantity and focus. A recurrent theme is the longstanding issue of regulatory competition among stock exchanges, and the question whether this has led to the proverbial "race

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[14] The director general of the Institute of Directors, Stephen Martin, is quoted as stating that "The IoD is deeply disappointed that the FCA has decided to press ahead with the creation of a new premium listing category, which reduces key corporate governance requirements. This decision has been made despite opposition from across the governance spectrum and without providing evidence as to the necessity for the reduction in standards." Likewise, Royal London Asset Management maintained that "the new rules fall short of the high governance standards that investors expect in the UK." The Investment Association, a trade body for UK investment managers, said that there could be "unintended consequences" and called on the regulator to review the segment after two years. See Vaughan, *supra* note 13.

[15] Samantha Gross, *The Saudi Aramco IPO Breaks Records, But Falls Short of Expectations* (Dec. 11, 2019), https://www.brookings.edu/articles/the-saudi-aramco-ipo-breaks-records-but-falls-short-of-expectations/.

[16] See *infra* Part I.B.

[17] Oliver Telling, *Singapore Courts Local Tech Giants over 'National Duty to Relist*,' FIN. TIMES (July 23, 2022).

[18] European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions: Savings and Investments Union – A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM(2025) final (Mar. 19, 2025) at 2.

to the bottom" in listing and disclosure standards.[19] Relatedly, some of the most prominent recent scholarship asks whether the United States has "too few" publicly listed companies given the size of its economy.[20] These are important questions. But they only scratch the surface of the complex dynamics affecting competition among global stock exchanges today, the interests at stake, and the policy environment in which public capital markets currently operate.

This paper seeks to begin filling gaps in the literature by exploring the political economy of global stock exchange competition more holistically. Our ambition is not an exhaustive treatment of the subject; rather, we aim to open a line of research on stock exchange competition that extends beyond the ubiquitous (and rather stale) race to the top/bottom analytical framing of academics and the limited media focus on the number of listed companies in major markets.

Our paper makes two central contributions. First, as just noted, we reconceptualize global stock exchange rivalry, showing that its dimensions extend well beyond regulatory competition for IPOs. Second, we bring the state into focus as a significant actor in global stock exchange competition, by examining the direct and indirect economic motivations for policymakers to promote their domestic exchanges and by exploring the ongoing transition of public capital markets from politically neutral financing technology to sites of geopolitical, policy and normative contestation.

The paper proceeds as follows: Part I examines the heated rivalry for listings among global stock exchanges, while simultaneously noting important qualifications and limitations on regulatory competition for IPOs. Part II examines the economic motivations driving policymakers' concern for the competitiveness of domestic or regional stock exchanges. Part III examines the role of stock exchanges today in geopolitical competition and the pursuit of nationalist or normative policy agendas. Part IV concludes with a call for an expanded research agenda on public capital markets.

## I. Stock Exchange Competition: Caveats and Limitations

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[19] See, e.g., Sharon Hannes & Ehud Kamar, The Teva Case: A Tale of a Race to the Bottom in Global Securities Regulation, ECGI Law Working Paper No. 416/2018 (2018) ("The story [narrated in the article] serves as an important reminder of the powerful race to laxity in the global competition for securities listings."); Eric C. Chaffee, *Finishing the Race to the Bottom: An Argument for the Harmonization and Centralization of International Securities Law*, 40 SETON HALL L. REV. 1581, 1595 (2010) ("The financial crisis that began in 2008 evidences the systemic risk that is created if the world takes a regulatory competition approach to international securities law.").

[20] Craig Doidge, G. Andrew Karolyi, Kris Shen & René M. Stulz, *Are there too Few Publicly Listed Firms in the US?*, ECGI Finance Working Paper N° 1047/2025 (March 2025), https://ssrn.com/abstract=5172099. See also Craig Doidge, G. Andrew Karolyi & René M. Stulz, *The U.S. Listing Gap*, 123 J. FIN. ECON. 464 (2017).

To an unrivaled degree, the capital market is a global affair. Unlike physical goods, financial instruments are usually intangible, and thanks to technological progress, capital can be moved around the globe at virtually no cost, within seconds. At the same time, markets have become increasingly hungry for capital to fund innovative technologies and economic development. As public capital markets have globalized and companies have gained the ability to raise funds across borders, stock exchanges are competitors in the global marketplace, but they are no longer confined to competing with alternative local capital providers, or exclusively with other stock exchanges, given the prevalence of other funding sources such as private equity, private credit and venture capital. In many parts of the world, this competition has been intensified by the conversion of stock exchanges from public authorities to for-profit firms over the past several decades, along with consolidation of individual exchanges into global networks. Today, as a result, stock exchanges from New York to London and across the globe to Hong Kong, Singapore and Tokyo compete to attract company listings, and with alternative sources of funding for flows of capital. This section explores the different dimensions of stock exchange competition, as well as its limitations.

### A. Competition among stock exchanges

Competition at the stock exchange level is largely influenced by a combination of financial incentives and the pursuit of prestige. As financial markets have evolved and globalized, stock exchanges have transformed into for-profit entities, particularly after the wave of demutualization that began in the 1990s. Demutualization shifted exchanges from membership-based (club) structures to shareholder-owned corporations, significantly altering their operational dynamics and incentives.[21] According to the World Federation of Exchanges, in 2005, 73% of its members were for-profit organizations, compared with 38% in 1998.[22] Under this ownership structure, exchanges are motivated to maximize profits of their shareholders.[23] An obvious profit-maximization strategy is to attract as many listings, ideally of high-profile issuers, as possible. Stock exchanges also compete for orders and trading volume, as the level of orders tends to generate higher revenue than the listings themselves.[24]

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[21] IOSCO, *Regulatory Issues Arising from Exchange Evolution - Final Report* (2006), available at https://www.iosco.org/library/pubdocs/pdf/ioscopd225.pdf; Reena Aggarwal, *Demutualization and Corporate Governance of Stock Exchanges*, 15 J. APPLIED CORP. FIN. 105 (2002).

[22] European Central Bank, *The Stock Market's Changing Structure and its Consolidation: Implications for the Efficiency of the Financial System and Monetary Policy*, ECB MONTHLY BULLETIN 69 (2007).

[23] See Andreas M. Fleckner, *Stock Exchanges at the Crossroads*, 74 FORDHAM L. REV. 2541, 2591 (2006).

[24] OECD, GROWTH COMPANIES, ACCESS TO CAPITAL MARKETS AND CORPORATE GOVERNANCE – OECD REPORT TO G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS 19 (September 2015). According to this report, the revenue structure of stock exchanges has undergone profound changes over the past several decades. Since the

At the same time, global market pressure has led to international consolidation among exchanges.[25] This has resulted in fewer, larger, and more technologically advanced exchanges, with some national and regional marketplaces merging to create cross-border trading hubs such as Euronext, Nasdaq Nordic/Baltic, and NYSE Euronext.[26] Recent research has documented a growing market concentration in the global marketplace for stock exchanges.[27]

Stock exchange competition may take place along different dimensions: for example, stock exchanges may strive to improve their performance by investing in new and better technology or extending their trading hours, or by lowering the fees for listing.[28] Another facet of such rivalry, the focus of much scholarly attention and our focus in this part of the paper, is *regulatory* competition, the process by which rule-makers shape legal rules in competition with rule-makers elsewhere.[29] Regulatory competition among stock exchanges occurs when exchanges (or their regulators) adjust listing rules, disclosure obligations, governance standards, or investor protections in an effort to attract more companies to their trading platforms, either via IPOs or re-listings.

Regulatory competition among global stock exchanges is obviously an attractive development for issuers and prospective issuers, which can select the most attractive regulatory environment given their circumstances. The highest profile issuers can engage in regulatory arbitrage, pitting the exchanges against one another to obtain the most favorable listing conditions. Yet the significance of regulatory competition extends beyond the exchanges themselves. Regulatory competition raises fundamental questions about the balance between market efficiency and regulatory oversight. One familiar question is whether regulatory competition leads to the proverbial "race to the bottom" – where exchanges loosen their rules, potentially undermining investor protection and corporate governance standards – or whether it promotes a "race to the

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1990s, revenues from trading have increased from about 40% of their income to over 60% in 2012. Over the same period, revenues related to the listings of new companies decreased from 16% to only 6%.

[25] Erfan Ghofrani & WFE Research Team, *Stock Exchanges at Scale: Trends, Trade-offs and Implications* FOCUS – WORLD FEDERATION OF EXCHANGES (July 2025), https://focus.world-exchanges.org/articles/stock-exchanges-scale-trends-trade-offs-and-implications.

[26] See James McAndrews & Chris Stefanadis, *The Consolidation of European Stock Exchanges*, 8 FEDERAL RESERVE BANK OF NEW YORK CURRENT ISSUES IN ECONOMICS AND FINANCE 1 (2002); European Central Bank, *supra* note 22.

[27] This is documented both by the Herfindahl-Hirschman Index (HHI) and Shannon entropy, two measurements of market concentration. See Ghofrani, *supra* note 25.

[28] For example, the New York Stock Exchange is currently discussing whether to offer 24/7 trading times instead of the current time restrictions, to offer greater investment opportunities. See Jennifer Hughes, *New York Stock Exchange Tests Views on Round-the-Clock Trading*, FIN. TIMES (Apr. 22, 2024), https://www.ft.com/content/31c3a55b-9af9-4158-8a49-4397540571bf. Australia seeks to accelerate the listing process, see Nic Fildes, *Australia Moves to Speed up IPO Process to Counter Listings Slump*, FIN. TIMES (June 10, 2025).

[29] Catherine Barnard & Simon Deakin, *Market Access and Regulatory Competition*, in THE LEGAL FOUNDATIONS OF THE SINGLE MARKET: UNPACKING THE PREMISES 197, 198-199 (Catherine Barnard & Joanne Scott, eds., 2002).

top," incentivizing exchanges to enhance their regulatory frameworks to attract high-quality companies and enhance investor protections.[30]

Opportunities to engage in regulatory arbitrage increased with the globalization of the capital markets.[31] Two examples mentioned in the Introduction illustrate the point. Alibaba's listing in 2014 was highly influenced by regulatory considerations. The company's unusual partnership governance model, which effectively functions as a dual-class share structure, was incompatible with the HKEX listing rules at the time, which prohibited dual-class structures. This led Alibaba to launch its IPO on the NYSE, which has long allowed departures from the one-share-one-vote principle at the IPO stage.[32] When state-owned Saudi oil major Aramco prepared to go public in 2018, the U.K.'s market regulator, the Financial Conduct Authority, sought to attract the enormous IPO by creating a new category within the "premium" listing market segment on the LSE for government-controlled companies.[33] Under the new rules, a sovereign shareholder would no longer be considered a "related party," meaning it would not have to seek prior shareholder approval for a transaction between the state and the company, such as the purchase of other state-owned assets.[34] The move was part of broader plans to reform the U.K. capital markets in the wake of Brexit.

The regulatory competition illustrated by the Alibaba and Saudi Aramco cases raises important questions about the role of governance standards in stock exchange competition. Proponents of the NYSE's permissive approach to dual listings argue that dual-class shares can encourage long-term planning and protect innovative companies from short-term market pressures. Critics counter that such structures can undermine investor protection by entrenching founders and executives who are not accountable to the broader base of shareholders. In the

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[30] A rich literature discussed this question two decades ago. See, *e.g.*, Stephen Choi, *Regulating Investors Not Issuers: A Market-Based Proposal*, 88 CAL. L. REV. 279 (2000); Roberta Romano, *The Need for Competition in International Securities Regulation*, 2 THEORETICAL INQUIRIES IN LAW, Article 1 (2001); John C. Coffee, Jr., *Racing Towards the Top?: The Impact of Cross-Listings and Stock Market Competition on International Corporate Governance*, 102 COLUM. L. REV. 1757 (2002); Robert A. Prentice, *Regulatory Competition in Securities Law: A Dream (That Should Be) Deferred*, 66 OHIO ST. L.J. 1155 (2005).

[31] The NYSE actively courts foreign companies as a matter of business strategy. It not only "welcomes listing inquiries from foreign private issuers" (see NYSE Listed Company Manual, § 103.00), but also actively seeks to attract foreign firms to list in the United States. Cassandra Seier, head of international capital markets at the NYSE, emphasizes that "We want companies that are trying to attract U.S. capital to be listed here, it doesn't matter which country you originate from, it doesn't matter what size you are." Katie Martin & Nikou Asgari, *Why Europe's Stock Markets are Failing to Challenge the US*, FIN. TIMES (Apr. 24, 2023), https://www.ft.com/content/790a5990-1d25-45c4-9267-466a92c52e02.

[32] See *supra* text at notes 10-11.

[33] Fin. Conduct Authority, *Sovereign Controlled Companies: Feedback to CP17/21 and Final Rules*, Policy Statement PS18/11 (Jun. 2018), https://www.fca.org.uk/publications/policy-statements/ps18-11-sovereign-controlled-companies.

[34] Caroline Binham & Dan McCrum, *New FCA Rules Open Door to London Saudi Aramco Listing*, FIN. TIMES (July 13, 2017). The U.K. regime had previously been tightened in 2013 after a string of corporate-governance failures in overseas companies controlled by foreign tycoons, including ENRC and Bumi.

competition for the Saudi Aramco listing, the LSE was willing to significantly dilute its standards on related-party transactions for firms affiliated with the state, a controversial policy stance.

Major exchanges have altered their listing rules to match attractive features of the U.S. regulatory environment, particularly with respect to dual-class shares. For instance, in response to competitive pressures from U.S. exchanges, Hong Kong, Singapore and mainland Chinese stock exchanges introduced reforms allowing dual-class share structures. In 2021, London began permitting certain exceptions to its ban on multiple-voting shares, culminating in complete elimination of the ban in 2024.[35] These changes were principally aimed at attracting technology companies, which often favor such governance structures.[36]

Beyond permitting multiple-voting shares, several exchanges have enacted wide-ranging reforms to their listing rules. The Monetary Authority of Singapore recently announced a package of measures to re-boot its equity market, including tax incentives for companies and investors, a streamlined listings process, and a plan to directly invest roughly $4bn into funds that are focused on the local equity market.[37] London has implemented a range of measures, including a revision of its listing standards and reform of its pension capital regime.[38] The European Union has been working on a Capital Markets Union project for years to strengthen and deepen a pan-EU capital market, however thus far with limited success.[39] Australia is reviewing its listing regime, seeking to speed up the listing process.[40]

Notwithstanding the importance of regulatory competition as a policy matter in global securities markets, it has not been an obvious factor in the emergence of the U.S. as the clear winner in the global rivalry among exchanges in recent years.[41] A notable trend has emerged of international firms choosing to list or relocate their primary stock listing on either the NYSE or Nasdaq. In the first quarter of 2025, for example, more than half of the new listings on the NYSE and Nasdaq came from foreign companies.[42] Particularly now that departures from one-share-one

[35] Michael O'Dwyer, *FTSE Announces Biggest Overhaul of Listing Regime in Decades*, FIN. TIMES (Jul. 10, 2024).

[36] Singapore has positioned itself as an Asian hub for tech startups, offering a regulatory environment tailored to the needs of these companies.

[37] Owen Walker, *Singapore Regulator to Inject $4bn into Stock Market to Boost Listings*, FIN. TIMES (Feb. 21, 2025).

[38] The Editorial Board, *London's Shrinking Stock Market*, FIN. TIMES (Dec. 16, 2024).

[39] The CMU project has existed since 2014 and has most recently been rebranded "Savings and Investment Union." *See* European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A Competitiveness Compass for the EU*, COM(2025) 30 final, Jan. 29, 2025, section 2.3.

[40] Fildes, *supra* note 28.

[41] *The Bigger Apple*, THE ECONOMIST, March 11, 2023.

[42] *See* EY, *EY Global IPO Trends Q1 2025: How do You Find the Clarity to Illuminate Your Path to IPO?* (April 2025), at p. 13: 58% of the 59 U.S. IPOs were launched by foreign issuers.

vote are permitted by many major stock exchanges, this listing trend by foreign issuers appears to be driven by the desire for greater access to capital, higher valuations, and increased visibility among U.S. investors.

Several prominent companies have made the transition from overseas listings to U.S. exchanges, particularly the NYSE, reportedly for non-regulatory reasons. In May 2024, shareholders in gambling group Flutter Entertainment, parent company of brands like Paddy Power and betting platform FanDuel, voted to move its primary listing from London to New York. The company cited the U.S. market as its "natural home," given that a significant portion of its revenue is generated there.[43] Peter Jackson, then chief executive of Flutter, added that a NYSE listing would help the firm to be more accessible to U.S.-based investors and gain access to deeper capital markets.[44] Building materials company CRH also transferred its primary stock exchange listing from London to New York. In this case, the principal motivation appears to have been expectations that the U.S. would be a key driver of growth, while offering tax advantages and M&A potential.[45] Money-transfer company Wise, which listed in London in 2021, also transferred its listing to New York in 2025, while adopting a controversial plan to extend the company's dual-class share structure.[46]

Other examples of IPOs driven by economic rather than regulatory factors abound. Europe has seen an exodus of promising young firms that chose to do an IPO in New York rather than in their home market; and other established firms that gave up their European listing in favor of the United States. U.K.-based luxury clothing retailer Farfetch, Swedish music streamer Spotify, and Swiss sportswear company On all listed on the NYSE. Arm, a British semiconductor firm, listed in New York to the disappointment of the LSE. Linde, a chemicals firm, quit Frankfurt in favor of New York. Klarna, the Swedish buy-now-pay-later group, is among the latest European firms to file for a U.S. listing, which is scheduled for September 2025.[47] In each case, firms cited the benefits of greater liquidity and the market environment in New York as the key reason for their listing decision, while complaining about the fragmented character of European capital markets.

Moving a listing to the U.S. does not necessarily bring success over the long term. Institutional investors have access to foreign shares and are already the largest group of

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[43] Callum Jones, *FanDuel Owner Flutter Lists in New York Amid US Gambling Boom*, THE GUARDIAN (Jan. 29, 2024).

[44] *Id*.

[45] Graham Fahy, *CRH Shareholders Back Primary Listing Switch to New York from London*, REUTERS (Jun. 8, 2023), https://www.reuters.com/markets/europe/crh-shareholders-back-primary-listing-switch-new-york-london-2023-06-08/; Jude Webber, *CRH Shareholders Approve Listing Switch from London to New York*, FIN. TIMES (Jun. 8, 2023).

[46] Laith Al-Khalaf, *Wise Shareholders Back Plan to Move Listing from UK to US*, FIN. TIMES (Jul. 28, 2025).

[47] Akila Quinio & George Steer, *Klarna Files for US IPO Despite Market Tumult*, FIN. TIMES (Mar. 14, 2025); Anthony Hughes, Bailey Lipschultz & Natalia Kniazhevich, *Klarna IPO to Kick off September Rush*, BLOOMBERG (Aug. 29, 2025).

shareholders in most European companies. Thus, the benefits of added "visibility" brought by a U.S. listing may be negligible. More importantly, a foreign listing does not guarantee superior business performance. Some European firms that chose to list in the U.S. have underperformed their U.S. competitors and relisted at home.[48] Moreover, research from UBS has documented that a listing location in itself has little impact on valuation; it is rather profitability, and thus management performance, that counts.[49] Despite these important caveats, the attractiveness and perceived benefits of New York for international listings remain undiminished.

There are two important qualifications to the competition among exchanges for IPOs and relistings. First, modern-day exchanges derive only limited fees from listings in comparison to income from data and other ancillary services.[50] For example, the "traditional" stock exchange business of share listing and trading on the LSE accounts for only 3% of the total revenues of its corporate parent, the London Stock Exchange Group (LSEG).[51] As a result of a diversification strategy, LSEG now is a global hub for a variety of financial services, including securities trading and clearing, along with the provision of data and analytics.[52] In a similar vein, the NYSE, owned by Intercontinental Exchange, Inc., derived only about 10% of its total revenue from listings in 2024. Listing revenue was dwarfed by the income generated from the provision of other business services such as data and analytics.[53]

Second, the effects of regulatory competition may be limited, particularly for smaller companies that lack the resources or international profile to list on foreign exchanges. For many firms, the costs associated with maintaining an international or cross-border listing, such as compliance with a foreign regulatory regime, the risk of being subject to conflicting legal standards, and the complexity of maintaining investor relations across different markets, may outweigh the benefits of listing abroad.[54] Moreover, as we explain in greater detail below, there is evidence that a "home bias" exists in listing decisions due to familiarity with local regulation, investor preferences, and the desire to align corporate identity with the domestic market.[55] Home bias may dilute the attractiveness of other markets, even ones offering a more favorable regulatory environment.

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[48] Nicholas Megaw, *UK Companies Pushed to List at Home after Poor US Showings*, FIN. TIMES (Aug. 3, 2022).

[49] *The London Market Discount is about Performance, Not Geography (Lex)*, *Fin. Times* (Jul. 24, 2024).

[50] By 2014, information technology and data services already accounted for roughly 20% of revenues of stock exchanges globally. *See* OECD, *supra* note 24, at p. 19.

[51] John Gapper, *The London Stock Exchange has been Left Behind by its Parent*, FIN. TIMES (Feb. 25, 2025).

[52] *Id*.

[53] INTERCONTINENTAL EXCHANGE, INC., 2024 ANNUAL REPORT 13 (2025).

[54] John C. Coffee Jr., *Racing Towards the Top?: The Impact of Cross-Listing and Stock Market Competition on International Corporate Governance*, 102 COLUM. L. REV. 1757 (2002).

[55] *See infra* text at notes 91-92.

In conclusion, competition among global stock exchanges at times plays out quite fiercely, and regulatory competition among exchanges has driven important changes in listing rules. But this competition is subject to important qualifications that should temper the focus of attention on the number of IPOs and listed companies in each market. Global competition for listings is most fierce only for a small subset of companies accessing the public capital markets. Moreover, for the stock exchanges themselves, regulatory competition to attract listings may be less important financially than is commonly assumed, given the small amount of revenue company listings generate for exchanges and their corporate parents.

**B. Competition with other sources of capital**

In addition to the qualifications just discussed, an additional factor imposes a serious limitation on the impact of inter-exchange regulatory arbitrage: the most acute competition stock exchanges face today is arguably not with other exchanges, but with alternative forms of financing, namely private capital. Private capital is an umbrella term including asset classes such as private equity, venture capital, private credit, and fund structures to finance real estate ventures, infrastructure investment, and natural resource extraction.[56] The private markets have seen tremendous growth over the past decade.[57] According to estimates by EY, private markets have increased from $9.7 trillion in assets under management (AUM) in 2012 to more than $24.4 trillion AUM at the end of 2023.[58]

As evidenced by its growth, private capital has emerged as an attractive alternative to traditional sources of financing such as banking and the public capital markets. Bank lending is sometimes a problematic source of funding for new, innovative firms and high-risk projects involving new technologies.[59] Recently, higher interest rates and more volatile markets have caused banks to become more risk-averse and scale back lending, creating a gap in the credit

[56] Preqin, *What is Private Capital?*, https://www.preqin.com/academy/lesson-2-private-capital/what-is-private-capital; Allvue Team, *What is Private Capital?* (Aug. 24, 2022), https://www.allvuesystems.com/resources/what-is-private-capital/.

[57] For private credit, *see* Narine Lalafaryan, *Private Credit: A Renaissance in Corporate Finance*, 24 J. CORP. L. STUD. 41 (2024).

[58] EY Knowledge Analysis, *Are You Harnessing the Growth and Resilience of Private Capital?*, (Apr. 4, 2024), https://www.ey.com/en_gl/insights/private-business/are-you-harnessing-the-growth-and-resilience-of-private-capital.

[59] *See, e.g.*, OECD, NEW APPROACHES TO SME AND FINANCING: BROADENING THE RANGE OF INSTRUMENTS 13 (2015) ("Bank lending is the most common source of external finance for many SMEs and entrepreneurs, which are often heavily reliant on traditional credit to fulfil their start-up, cash flow and investment needs. However, traditional bank finance poses challenges to newer, innovative and fast-growing companies, with a higher risk-return profile.").

market that private capital has been well-positioned to fill.[60] And the comparative regulatory burden and cost of public market financing versus private markets play an important role in market participants' decisions to go or to stay private.[61] The rising incidence of shareholder activism may reinforce the perceived advantages of avoiding the scrutiny and challenges to control that come with public equity financing.[62]

One illustration of these considerations is renewable energy development company Solgenics' announcement of plans to delist from the AIM segment of the LSE.[63] The announcement cited the "considerable cost, management time and legal and regulatory burden" associated with trading of its shares on AIM.[64] The company also determined that its onerous reporting requirements as a publicly listed firm gave its privately owned peers a competitive edge.[65]

At the same time, the cost of remaining private or forgoing an IPO has declined over the past two decades due to the growing liquidity and expansion of private markets, venture capital, and private equity.[66] More permissive regulation has encouraged large-scale capital raising outside the public markets.[67] In a potentially far-reaching step, President Trump issued an executive order in 2025 directing the Department of Labor and the Securities and Exchange Commission to facilitate greater access to private funds and other alternative investments through public retirement plans.[68] The order seeks to clarify that investing in private assets is compatible with

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60 Ocorian, *What is Private Capital and Why is it So Attractive for Family Offices?*, Aug. 23, 2024, https://www.ocorian.com/insights/what-private-capital-and-why-it-so-attractive-family-offices.

61 Alexander Ljunqvist, *Causes and Consequences of Shrinking Stock Markets* (Nov. 27, 2023), https://www.hhs.se/en/houseoffinance/research/featured-topics/2023/causes-and-consequences-of-shrinking-stock-markets/. *See also* EY, *supra* note 58: "However, conditions in the public market have also played a part. These include increasing costs, and the daily, quarterly and annual public market disclosure requirements, which discourage companies from going and staying public."

62 Vijay Govindarajan, Shivaram Rajgopal, Anup Srivastava & Luminita Enache, *Should Dual-Class Shares Be Banned?*, HARV. BUS. REV. (Dec. 3, 2018), https://hbr.org/2018/12/should-dual-class-shares-be-banned.

63 AIM, formerly known as the Alternative Investment Market, was founded in 1995 to serve as a marketplace mostly for small and medium-size enterprises. *See* https://www.londonstockexchange.com/raise-finance/equity/aim.

64 Solgenics, *Proposed Delisting and General Meeting* (May 3, 2023), https://www.londonstockexchange.com/news-article/SGN/proposed-delisting-and-general-meeting/15940707.

65 Charlie Conchie, *As FCA rewrites listing rules, another firm ditches London due to 'regulatory burden'*, CITYAM (May 3, 2023), https://www.cityam.com/as-fca-rewrites-listing-rules-another-firm-ditches-london-due-to-regulatory-burden/.

66 Ljungqvist, *supra* note 61.

67 Elizabeth de Fontenay, *The Deregulation of Private Capital and the Decline of the Public Company*, 68 HASTINGS L. J. 445 (2017).

68 Executive Order, *Democratizing Access to Alternative Assets for 401(k) Investors* (Aug. 7, 2025), https://www.whitehouse.gov/presidential-actions/2025/08/democratizing-access-to-alternative-assets-for-401k-investors/.

fiduciary duties under ERISA-governed retirement plans. This move has been welcomed by some observers and heavily criticized by others.[69]

Adding to these developments, the expansion of secondary liquidity via venues such as Nasdaq Private Market has added to the attractiveness of private markets.[70] And finally, new technology is increasingly facilitating private market transactions on a global scale, closing the efficiency gap with public markets.[71]

As private markets are growing, public markets are in retreat. Although the total market capitalization of global stock markets has grown dramatically in the past twenty years (see Table 1) and the number of listed companies globally has grown, the number of publicly listed companies in most developed markets, especially the U.S., U.K., and the EU, have declined markedly (see Table 2).[72] Since 1990, the number of listed companies in North America and Europe has fallen by half, as companies opted either to stay private for longer or de-list from public markets altogether.[73] Financial economists speak of a "listing gap" in the United States, meaning that, on a relative basis, it has too few listed firms in comparison to the number of public firms in other developed countries.[74] Since 2022, the volume of "take-private" transactions has outpaced the volume of initial public offerings by more than 3.5 times.[75] In 2024, the global value of public equity shrank at its fastest pace in at least 25 years amidst concerns over inflation and economic and geopolitical uncertainty.[76] Today, a much larger number of firms are financed by private

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[69] Proponents argue that retail investors have been missing out on the higher returns and superior risk-mitigation potential that private markets offer. *See, e.g.*, Committee on Capital Markets Regulation, *Expanding Opportunities for U.S. Investors and Retirees: Private Markets* (August 2025), https://capmktsreg.org/wp-content/uploads/2025/08/CCMR-Expanding-Access-to-Private-Markets-08.07.25-Final.pdf. Critics warn that private capital will bring increased risks and costs to individual retirement accounts. *See, e.g.*, Statement of Senator Elizabeth Warren on President Trump's Executive Order Opening Up American's 401(k)'s to Risky Assets, Aug. 7, 2025, https://www.banking.senate.gov/newsroom/minority/statement-by-senator-warren-on-president-trumps-executive-order-opening-up-americans-401ks-to-risky-assets.

[70] At the same time, the inability of venues such as AIM to provide deep and continuous liquidity has reduced their value to many SMEs.

[71] Globacap, *Stagnation or Rebirth? The Future of Stock Exchanges* (2022), https://globacap.com/content-hub/articles/stagnation-or-rebirth-the-future-of-stock-exchanges/.

[72] A notable exception is Sweden, which has a highly developed stock market. *See* OECD, The Swedish Equity Market: Institutional Framework and Trends 20 (OECD Publishing 2025), https://doi.org/10.1787/0640a75c-en.

[73] FS Investments, *Shrinking Public Markets Mean Growth in Private Markets* (Oct. 4, 2024), https://fsinvestments.com/fs-insights/chart-of-the-week-2024-10-4-private-market-growth/.

[74] Doidge, et al., *supra* note 20. Importantly, however, these authors count as a "U.S. listed firm" only a "domestically incorporated firm that trades on a major US exchange" (*id*. at 3), excluding foreign firms listed on a U.S. exchange. For a critique of the focus on the number of listed firms, *see* Mark J. Roe & Charles C. Y. Wang, *Half the Firms, Double the Profits: Public Firms' Transformation, 1996-2022*, ECGI Law Working Paper N°771/2024 (October 2024), J. L. FIN. & ACCOUNTING (forthcoming).

[75] FS Investments, *supra* note 73.

[76] Jennifer Hughes & George Steer, *Global Supply of Equities Shrinks at Fastest Pace in Decades*, FIN. TIMES (Apr. 5, 2024).

capital compared to public markets,[77] although the public markets remain significantly larger in terms of total market capitalization.[78]

**Table 1: Global Market Capitalization**

| | |
|---|---|
| **2000** | $30.93 trillion |
| **2022** | $93.69 trillion |

Source: World Federation of Stock Exchanges.

**Table 2: Number of Domestic Listed Companies Globally**

| | **2000** | **2022** |
|---|---|---|
| **Total** | 39,892 | 47,926 |
| **Country/Region** | | |
| United States | 6,917 | 4,642 |
| United Kingdom | 2,428 | 1,646 (2021) |
| Germany | 744 | 429 |
| France | 1,185 | 457 (2018) |
| European Union | 6,751 | 5,880 |
| Japan | 2,055 | 3,865 |
| China | 1,086 | 5,079* |

Sources: World Federation of Stock Exchanges, World Bank, World Development Indicators.
*Corrected, Based on Chinese government statistics.

Stock exchanges have limited means of becoming more competitive vis-a-vis private capital. They can continue to lower or to improve listing standards and other regulatory requirements for public firms, but this path obviously cannot be pursued without limit. Moreover, stock exchanges face a collective action problem in the face of alternative financing options: as competitors, it is difficult for exchanges to implement common measures to increase their attractiveness compared to private capital. Defensive strategies have included consolidation of exchanges to pool resources and liquidity. For example, the once-planned merger of the LSE with the German Stock Exchange Deutsche Börse was seen as a means of improving liquidity.[79] Globally, stock exchanges have adapted to the declining number of public listings by innovating their offerings, such as integrating private market platforms or revising listing structures to attract

[77] *Id*.

[78] In 2024, total market capitalization of private markets was only 12% of total public market capitalization. HarbourVest, *Charting Private Markets: How does the Size of Private Markets Compare to Public Markets?*, Oct. 2024, https://www.harbourvest.com/insights-news/insights/cpm-how-does-the-size-of-private-markets-compare-to-public-markets/.

[79] Avinash Persaud, *The Puzzling Decline in Financial Market Liquidity*, in: MARKET LIQUIDITY: PROCEEDINGS OF A WORKSHOP HELD AT THE BIS, volume 2, 152 (Bank for International Settlements, ed., 2001).

high-growth companies.[80] For example, the U.K. has recently adopted a new sandbox-style framework named PISCES (Private Intermittent Securities and Capital Exchange System), which will allow stock exchanges to trade shares in privately owned companies in a controlled environment.[81] On this basis, the LSE seeks to launch its own private securities market to allow private companies access to the LSE's public market infrastructure.[82]

It remains to be seen how well stock exchanges will adapt to competition from private markets. Currently unforeseeable technological advances, together government policies and other factors we discuss below, may slow or reverse the declining trend of public market financing. But the trajectory to this point is clear.

The overall decline in public market financing may help explain why many public firms are gravitating to the NYSE. As the size of public capital markets worldwide is shrinking relative to private capital, total liquidity provided by public markets is also declining (see Table 3). Thus, firms planning to list publicly or planning to remain public are increasingly attracted to the exchange offering the highest liquidity. Network effects amplify the attractiveness of the largest exchanges: "All else being equal, firms want to be listed where other firms are listed . . . and especially where other intermediaries trade," due to higher levels of liquidity.[83] In this way, the intensifying decline of public markets may trigger a concentration of listings in the world's largest market, accelerating the downsizing of other markets. Put differently, the NYSE is winning a global competition for the largest slice of a shrinking pie. Note that economic factors and regulatory differences between public and private markets, rather than regulatory arbitrage opportunities among stock exchanges, appear most salient in this form of competition.

**Table 3: Global Market Liquidity Metrics**

| | 2000 | 2017 | 2022 |
|---|---|---|---|
| **Total Value of Shares Traded (% of GDP)** | 114.1% | | 118.3% |
| **Turnover Ratio of Domestic Shares* (%)** | 144.4% | 100.0% | |

Source: World Federation of Stock Exchanges.

*Value of domestic shares traded divided by market capitalization, annualized by multiplying the monthly average by 12.

80 Globacap, *supra* note 71.

81 *See* Eilís Ferran, *Regulating for Growth in an Era of Rising Economic Nationalism: UK and EU perspectives*, University of Cambridge Faculty of Law Legal Studies Research Paper Series No. 14/2025 (July 2025), https://ssrn.com/abstract=5360053.

82 *See* London Stock Exchange, *Private Securities Market*, https://www.londonstockexchange.com/raise-finance/equity/private-markets/private-securities-market?tab=benefits-for-companies.

83 Carmine Di Noia, *Competition and Integration among Stock Exchanges in Europe: Network Effects, Implicit Mergers and Remote Access*, 7 EUR. FIN. MGMT 39 (2001).

## II. State Interest in the Economics of Stock Exchange Competition

Thus far, consistent with prior literature, we have only considered two actors in stock exchange competition: firms seeking access to capital and the stock exchanges themselves. But *states* that host and regulate stock exchanges are also crucial actors in the competitive dynamic. Why are states motivated to promote a competitive stock market? At first glance, from a purely economic perspective, perhaps there is reason to doubt strong governmental interest. Unlike the stock exchanges themselves, governments are obviously not profit-seeking commercial enterprises with a direct stake in listing and other exchange revenues. The existence of a causal link between domestic stock market development and long-run economic growth is far from certain.[84] And all else being equal, if promising local firms can access capital at lower cost in foreign markets, their home governments might encourage them to do so. As we will explore, however, a variety of economic interests (discussed in this Section), as well as sovereign, geopolitical interests (discussed in Section III) motivate governmental attention to the competitiveness of local exchanges.

### A. Direct economic benefits

An obvious starting point to explain state interest is that domestic stock exchanges generate revenue for governments. For example, a domestic financial market will yield tax revenues from trading activities, listing fees, and franchise taxes on companies that list on domestic exchanges.[85] Trades executed on the local exchange are subject to domestic levies, such as securities transaction taxes. Governments may also collect taxes on dividends and capital gains generated through stock market transactions. These taxes contribute to the national treasury and support public finances.

Moreover, a stock exchange contributes directly to job creation in sectors related to the capital market, such as finance, investment banking, accounting, and law. For example, when China opened and expanded the STAR Market in Shanghai in 2019, it created a surge in IPO

[84] *See* Ross Levine, *Financial Development and Economic Growth: Views and Agenda*, 35 J. ECON. LIT. 688, 719 (1997) ("There are severe analytical problems linking financial structure to economic performance… [I]t is analytically difficult – and possibly reckless – to attribute [national] differences in growth rates to differences in the financial sector… The data indicate that both stock market liquidity … and the level of banking development … predict economic growth over subsequent decades.")

[85] Jonathan R. Macey & Maureen O'Hara, *The Economics of Stock Exchange Listing Fees and Listing Requirements*, 11 J. FIN. INTERMEDIATION 297 (2002).

activity, boosting hiring at Chinese and international investment banks operating in the Shanghai region.[86]

**B. Indirect benefits**

In addition to direct financial benefits, governments may derive indirect economic advantages from fostering robust public markets. As the OECD Principles of Corporate Governance note, "[c]apital markets play a key role in providing companies with funds that allow them to innovate and support economic growth, as well as efficiently diversify their financing sources."[87] Stock markets mobilize savings and help allocate capital efficiently. They provide an alternative to bank finance and foster investment in both large and small enterprises.[88] Research indicates that stock market development is correlated with national economic growth, although as noted above, no causal relationship has been established.[89]

However, the importance of maintaining a *domestic* exchange (rather than the existence of stock markets generally) hinges on a critical question: is there a "home bias" in firms' listing strategies and investor decisions? The full benefits of a domestic stock market accrue to the domestic economy only if a significant proportion of local firms choose to list on domestic rather than foreign exchanges, and if domestic retail and institutional investors disproportionately invest in shares of home country enterprises.

Absent this preference, domestic policy makers and regulators may have little incentive to prioritize development of the local capital market. In fact, they may even welcome or encourage local firms to list on major international exchanges such as the NYSE.[90] As the most liquid and sophisticated stock exchange in the world, the NYSE offers unparalleled growth opportunities,

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[86] Robin Huang, *The IPO and Listing of Foreign Companies in China: Market Developments and Regulatory Responses*, 60 TEX. INT'L L. J. 57, 60-61 (2024). See also Shi Jing, *Shanghai Gains Ground as Global Financial Hub*, CHINA DAILY (Feb. 26, 2021), https://global.chinadaily.com.cn/a/202102/26/WS60385257a31024ad0baab3ac.html; GT Staff Reporters, *Foreign Financial Firms Race to Recruit for Chinese Market*, GLOBAL TIMES (Jan. 13, 2021), https://www.globaltimes.cn/page/202101/1212733.shtml.

[87] G20/OECD PRINCIPLES OF CORPORATE GOVERNANCE 10 (2023).

[88] *See* Levine, *supra* note 84.

[89] Ross Levine, *Stock Markets: A Spur to Economic Growth*, FINANCE & DEVELOPMENT, March 1996, at p. 7; Felice B. Friedman & Claire Grose, *Promoting Access to Primary Equity Market: A Legal and Regulatory Approach*, May 2006. World Bank Financial Sector Discussion Series No 4434. However, the literature has yet to establish a robust causal relationship between stock market development and economic growth. *See* Luigi Zingales, *Presidential Address: Does Finance Benefit Society?*, 70 J. FIN. 1327 (2015). For a recent study, *see* Ishak Demir, *The Role of Stock Markets in Economic Growth: Empirical Evidence from Panel Data Analysis*, WFE Research Working Paper No. 7 (January 2025).

[90] *See, e.g.*, *The Bigger Apple*, THE ECONOMIST, March 11, 2023.

making it an attractive venue for firms seeking to maximize the liquidity of their shares, exposure to analyst coverage, and financial "brand value."

A significant body of scholarship, however, indicates that home bias does affect both listing and investment decisions. For example, literature has explored the role of institutional barriers, information asymmetries, and behavioral factors in promoting a home bias among investors.[91] At the same time, geographic, economic, and cultural factors, as well as industrial proximity, play dominant roles in the choice of a listing venue.[92] Moreover, the governments of numerous countries require or encourage local pension or mutual funds to invest a portion of their assets in domestically listed equities.[93] The Canadian government is currently working to create a more attractive investment environment for pension funds, with the objective of encouraging them to invest in the local economy.[94] The U.K. government is exploring the possibility of mandating minimum domestic investment levels for its pension funds.[95]

This evidence underscores the continued relevance of domestic stock exchanges in economic policymaking: given home bias on the part of listing companies and investors, domestic exchanges provide an important mechanism for funding local enterprises and generating returns to domestic savings.

By supporting a robust domestic financial sector, governments seek to stimulate economic development and facilitate access to capital for businesses of all sizes. Access is particularly crucial for small and medium-sized enterprises (SMEs), which are less likely to obtain (or even seek) a

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[91] For literature summarizing the causes of investor home bias, *see, e.g.*, Nicolas Coeurdacier & Hélène Rey, *Home Bias in Open Economy Financial Macroeconomics* 51 J. ECON. LIT. 63 (2012); Fernando Vega-Gamez & Pablo Alonso-Gonzales, *Home Bias in the Returns of Strategic Portfolios: Neither Always So Good Nor So Bad*, 42 J. BEHAVIORAL & EXPERIMENTAL FIN. 100927 (2024). Evidence indicates that U.S. investors are reluctant to hold foreign securities as well. John Ammer et al., Look at Me Now: The Role of Cross-Listing in Attracting U.S. Shareholders, Working Paper (Aug. 2004), available at https://assets.csom.umn.edu/assets/26139.pdf.

[92] Sergei Sarkissian & Michael J. Schill, *The Overseas Listing Decision: New Evidence of Proximity Preference*, 17 REV. FIN. STUDIES 769 (2004).

[93] For example, in 2025 the Chinese government mandated that mutual funds increase their onshore equity investments by at least 10% annually over the next three years. While not a legal requirement, Japan's Government Pension Investment Fund maintains a policy of investing 25% of its assets in domestic equities. South Korea's National Pension Service also invests significantly in locally listed companies. In South Africa, up to 75% of pension fund assets may be invested in equities, subject to an overall maximum offshore investment limit of 45% for all asset classes. South Africa Pension Funds Act, Art. 28. As of 2023, 24.4% of Malaysia's Employee Provident Fund's assets were invested in domestically listed equities. Other government-linked investment funds invested from 16% to 62% of their assets in companies listed on Bursa Malaysia. Ministry of Finance of Malaysia, https://www.mof.gov.my/portal/en/news/press-citations/epf-s-investment-funds-stand-at-rm1-1-trillion-as-of-august-2023-steven-sim.

[94] Government of Canada, *Unlocking Pension Investment in Canada* (Dec. 13, 2024), https://www.canada.ca/en/department-finance/news/2024/12/unlocking-pension-investment-in-canada.html.

[95] Mary McDougall & George Parker, *Government Could Force Pension Funds to Invest More in UK Assets*, FIN. TIMES (Nov. 18, 2024); Toby Nangle, *Maybe UK Pension Funds Should be Forced to Invest in UK Assets*, FIN. TIMES (Dec. 17, 2024).

foreign listing and disproportionately list on domestic markets.[96] A well-functioning capital market provides these businesses with opportunities to raise funds, driving innovation and expansion. Indirectly, promoting a strong domestic capital market also benefits investors who – due to behavioral biases or frictions such as lack of information about or access to foreign securities investments – only consider investments in domestic companies.

The indirect economic benefits of a robust domestic stock exchange may extend even further, generated by "economic embeddedness" in an initial listing decision. Domestic listings may promote capital retention, tax base stability, and job creation within the home country. For example, studies have found that while cross-border firms typically engage in aggressive tax planning, firms that are embedded in domestic capital markets are less likely to engage in such practices or to shift income offshore to avoid taxation.[97]

### C. Preventing an exodus of firms

As suggested above, in principle, policy makers may not be concerned where local firms list their securities, provided that they maintain their principal operations, work force, and central administration in the home jurisdiction and pay taxes domestically. However, a firm's decision to list abroad is frequently viewed as a first step toward relocation outright, or toward a reallocation of significant resources (jobs, technology, subsidiaries) to another jurisdiction. For example, as the Draghi Report on the European Union's competitiveness notes:

> EU companies often rely on non-European capital markets to become listed and support their growth. Entrepreneurs and investors of innovative EU companies seek financing and exit opportunities through initial public offerings (IPOs), mergers and acquisitions, getting listed in non-EU stock markets and involving non-EU investors and competitors.… IPOs of EU companies or their acquisition by foreign investors

[96] Technical Expert Stakeholder Group (TESG) on SMEs, *Empowering EU Capital Markets: Making Listing Cool Again – Final Report* (May 2021), https://finance.ec.europa.eu/system/files/2021-05/210525-report-tesg-cmu-smes_en.pdf; Ishak Demir, *Global Developments in SME Markets Over the Past Decade* (World Federation of Exchanges, Sept. 2024), https://wfe-live.lon1.cdn.digitaloceanspaces.com/org_focus/storage/media/Cally%20Billimore/SME%20Overview%202022.pdf. In particular, high administrative burdens and compliance costs deter SMEs from seeking public listings abroad, leading them to focus on domestic markets. Regulatory complexity, cost, and lack of familiarity with foreign procedures act as significant barriers. *See* TSEG, *ibid*.; European Parliament, *Challenges and Concerns for Small and Medium-sized Enterprises (SMEs) Doing Business in Third Countries*, Briefing, May 2021, https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/653629/EXPO_BRI(2021)653629_EN.pdf.

[97] Dhammika Dharmapala & Nadine Riedel, *Earnings Shocks and Tax-motivated Income-shifting: Evidence from European Multinationals*, 97 J. PUBL. ECON. 95 (2013); Dhammika Dharmapala, *What Do We Know About Base Erosion and Profit Shifting? A Review of the Empirical Literature*, 35 FISCAL STUDIES 421 (2014).

may also result in relocating the company's headquarters or part of its operations outside the EU.[98]

When European companies seek financial support in other parts of the world, many of them are eventually acquired by non-European investors, often leading to a relocation outside of Europe.[99] For these reasons, the Draghi Report concludes that the EU is unable to fully reap the benefits of innovation spillovers generated by European firms. Similarly, the European Investment Fund speaks of a "technology drain, a brain drain from Europe."[100] In response, the Draghi report recommends that Europe provide "adequate financial conditions for companies interested in expanding their businesses or for investors interested in exiting their ventures."[101]

Relocation concerns appear well founded. Local firms, particularly those from developing countries or emerging markets, often follow a pattern that begins with the issuance of foreign depositary receipts, continues with an overseas listing, and ends with a relocation of the corporate headquarters to a global financial center.[102] When a company is listed abroad and its shareholder base becomes increasingly international, corporate headquarters tend to embrace a more global perspective and to consider moving some or all of the headquarters activities overseas.[103] In a similar vein, research has documented that a substantial portion of startups receiving financing from foreign-based venture capital firms relocate abroad in the long term.[104]

Thus, the foreign character of the initial financing stage may not be inherently problematic – indeed, it may be beneficial to a local firm if the foreign market offers greater access to capital, along with higher liquidity and visibility. The legitimate policy concern, however, is that foreign startup finance or a foreign IPO will be the first step on a local firm's transition away from the home country, with the attendant loss of benefits the firm would have generated for the domestic economy. Promoting a domestic stock market is thus seen as an antidote to a potential exodus of promising local firms.

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98 Mauricio Draghi, THE FUTURE OF EUROPEAN COMPETITIVENESS – PART B | IN-DEPTH ANALYSIS AND RECOMMENDATIONS (Sept. 2024) ("Draghi Report"), at p. 243.

99 European Investment Fund, *Scale-up Financing Gap* (Sept. 12, 2023), https://www.eif.org/etci/scale-up-financing-gap/index.htm. *See also* Chelsey Dulaney & Joe Wallace, *America's Stock-Market Dominance Is an Emergency for Europe*, WALL ST. J. (Aug. 15, 2025): "Those [startups] who stay in Europe often get investment from American firms, which then want them to go public in the U.S. or shift operations there."

100 European Investment Fund, *supra* note 99.

101 Draghi Report, *supra* note 98.

102 Saul Klein, Albert Wöcke & James M. Hughes, *Leaving Home: Relocation Choices of South African Multinational Enterprises (MNEs)*, 8 AFRICAN J. BUS. MGMT. 253, 257 (2014); Julian Birkinshaw, Pontus Braunerhjelm, Ulf Holm & Siri Terjesen, *Why Do Some Multinational Corporations Relocate their Headquarters Overseas?*, 27 STRATEGIC MGMT J. 681, 697 (2006).

103 Birkinshaw et al., *supra* note 102, at p. 686.

104 Stefan Weik, Ann-Kristin Achleitner & Reiner Braun, *Venture Capital and the International Relocation of Startups*, 53 RESEARCH POLICY 105031 (2024).

## III. Sovereign and Geopolitical Dimensions of Public Capital Markets

As we noted in the Introduction, global stock exchange policy is shaped not only by regulatory competition and economic factors, but also by sovereign interests and geopolitical strategy. This marks a major shift in the policy environment for the public capital markets. Stock exchanges, once seen as neutral venues for capital formation, are now increasingly regarded by states as strategic assets, means of asserting financial sovereignty, and levers for advancing public policy or geopolitical objectives.

This development is a significant departure from the assumptions that underpinned the "issuer choice" debate at the turn of the twenty-first century. At that time, leading scholars such as Roberta Romano, Steven Choi and Andrew Guzman advocated regulatory competition in securities law as a means of respecting national autonomy and promoting efficient capital allocation.[105] Their proposals imagined a world in which foreign issuers could choose freely among regulatory regimes – in Romano's case between the U.S. or its home country regime; or for Choi and Guzman, "the regime of any country of their choosing."[106] Part of the attraction of this "market approach," Romano argued, was that it is "more respectful of other nation's policy decisions."[107] Paul Mahoney advocated devolving regulatory authority over securities markets from governments to the stock exchanges themselves.[108]

In hindsight, a striking aspect of these proposals is how little attention they paid to the possibility that capital markets might be sites of geopolitical competition or that national security concerns and safeguarding sovereign interests merit any weight in the analysis of how to regulate access to the capital markets. Today, such concerns are at the forefront of policy making. Capital markets are viewed as strategic infrastructure, entwined with national industrial policy, data sovereignty, and global supply chain security. Governments increasingly consider which companies list, where they list, and under what terms, as matters of significant national interest. The new environment is manifest worldwide in efforts to use stock exchanges as instruments of national policy and geopolitical screening devices. At times, these goals are pursued notwithstanding their economic costs.

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[105] *See, e.g.*, Roberta Romano, *Empowering Investors: A Market Approach to Securities Regulation*, 107 YALE L.J. 2359 (1998); Stephen J. Choi & Andrew T. Guzman, *The Dangerous Extraterritoriality of U.S. Securities Law*, 17 Nw J. Int'l L. & Bus. 207 (1996).

[106] Choi & Guzman, *supra* note 105, at 231-2.

[107] Romano, *supra* note 105, at 2415.

[108] Paul G. Mahoney, *The Exchange as Regulator*, 83 VA. L. REV. 1453 (1997).

## A. Stock Markets as Policy Instruments

### *1. Stock markets and strategic goals*

Given the economic benefits explored above, it is unsurprising that governments aim to bolster their domestic stock markets. Increasingly, however, stock market policy reflects larger strategic goals. China offers a major example. Beijing's approach to its domestic stock exchanges has always been closely linked to the state's broader national development plans, but recent events signal an even greater emphasis on political and policy goals.[109] Under Xi Jinping, China has tightly linked access to its public markets to national development goals, particularly in strategic sectors such as semiconductors, biotechnology and electric vehicles.[110] Recent efforts to support the Shanghai and Shenzhen exchanges include window guidance encouraging IPOs[111] and state-subsidized share buyback programs.[112] These measures reflect the government's attempts to both boost the economy and prepare for geopolitical rivalry with the United States. China's last-minute blocking of Ant Group's IPO[113] and Didi's forced delisting from the NYSE under Chinese government pressure highlight how listing decisions are now shaped by considerations of financial sovereignty, political loyalty, and data security.[114]

State control over domestic stock exchange listings to assert financial sovereignty is also evident in the United States. The Holding Foreign Companies Accountable Act (HFCAA), enacted in 2020, requires foreign companies and their auditing firms to submit to audit inspections or face delisting from U.S. stock exchanges.[115] Although ostensibly applicable to any foreign issuer, the law was clearly an outgrowth of U.S.-China rivalry and concerns about Chinese Communist Party (CCP) influence over companies listed on U.S. exchanges. The HFCAA is a legislative manifestation of longstanding tension between U.S. regulators and Chinese authorities over access to corporate information in China.[116] SEC regulations adopted pursuant to the law require firms to

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[109] See Huang, *supra* note 86, at p. 87 ff.

[110] Junhua Zhang, *The Politicization of Chinese Stock Markets*, GIS REPORTS (Aug. 28, 2024), https://www.gisreportsonline.com/r/chinese-stock-markets/.

[111] Arjun Neil Alim, Zijing Wu, Cheng Leng & Thomas Hale, *China Opens Path to Revival in A-Share Listings*, FIN. TIMES (Mar. 27, 2025).

[112] Thomas Hale & Wang Xueqiao, *Chinese Share Buybacks Hit Record High as Beijing Steps up Support*, FIN. TIMES (Oct. 21, 2024).

[113] Ryan McMorrow & Hudson Lockett, *China Halts $37bn Ant Group IPO, Citing 'Major Issues,'* FIN. TIMES (Nov. 4, 2020), https://www.ft.com/content/c1ee03d4-f22e-4514-af46-2f8423a6842e.

[114] James Kynge, Henny Sender & Sun Yu, *'The Party is Pushing Back': Why Beijing Reined in Jack Ma and Ant*, FIN. TIMES (Nov. 5, 2020), https://www.ft.com/content/3d2f174d-aa73-44fc-8c90-45c2a554e97b.

[115] Pub. L. No. 116-222, 134 Stat. 1063 (Dec. 18, 2020).

[116] The origin of the conflict was the refusal of Chinese companies to provide audit records to the Public Company Accounting Oversight Board (PCAOB) as required by the 2001 Sarbanes Oxley Act. Tension between U.S and Chinese regulators over the issue percolated for years prior to the legislative intervention.

disclose information about a company's ties to foreign governments and the CCP. The SEC publishes a provisional list of foreign issuers susceptible to being delisted.[117]

The 2025 listing of the world's largest battery maker CATL[118] is a recent example of the politicization of stock market listings. In the context of growing trade tensions between China and the United States, CATL decided to press ahead with its global expansion plans. In January 2025 however, CATL was added to a Pentagon list of companies that allegedly work with China's military.[119] In April 2025, the U.S. House Select Committee on China demanded that American investment banks JP Morgan and Bank of America withdraw from underwriting CATL's listing.[120] Both investment banks refused, however, and the listing took place in Hong Kong in May 2025. For commentators, this is evidence that "even a [routine] capital market activity like this has become politicized in this era of US-China tensions."[121]

Regulatory scrutiny is currently mounting on several fronts. In June 2025, the SEC issued a Concept Release on the eligibility of Foreign Private Issuers (FPIs), signaling a more rigorous approach to disclosure and compliance standards for foreign firms.[122] The proposed changes – ranging from stricter jurisdictional tests to tighter trading and listing requirements – could result in the loss of FPI status for certain companies, particularly those incorporated in offshore jurisdictions such as the Cayman Islands but conducting most of their business in China.[123] At the same time, Chinese regulators have increased their oversight of offshore listings. The China Securities Regulatory Commission has extended review periods, with a particular focus on smaller issuers, low-float and micro-cap companies, as well as businesses handling sensitive data.[124]

The strategic dimensions of capital market policymaking are not confined to U.S.-China rivalry, although they may be influenced by it. The EU has repositioned its long-planned but slowly progressing "Capital Markets Union"[125] as an instrument of geopolitical agency. This project, now

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[117] *See* https://www.sec.gov/rules-regulations/holding-foreign-companies-accountable-act.

[118] Contemporary Amperex Technology Co., Limited.

[119] John Liu, *This Chinese Company Shrugs Off Trade Tension to Surge in Stock Debut after Clinching Year's Biggest IPO*, CNN (May 20, 2025), https://edition.cnn.com/2025/05/20/business/china-catl-stock-surge-ipo-intl-hnk.

[120] *Id.*

[121] Arjun Neil Alim & Sonja Hutson, *CATL's IPO Pops in Hong Kong*, FINANCIAL TIMES NEWS BRIEFING (May 21, 2025).

[122] Securities and Exchange Commission, *Concept Release on Foreign Private Issuer Eligibility*, 17 CFR Parts 230, 239, 240, and 249 [Release Nos. 33-11376; 34-103176; File No. S7-2025-01] (Jun. 4, 2025), https://www.sec.gov/files/rules/concept/2025/33-11376.pdf.

[123] White & Case, *SEC Concept Release Regarding Foreign Private Issuer Eligibility* (Jun. 5, 2025), https://www.whitecase.com/insight-alert/sec-concept-release-regarding-foreign-private-issuer-eligibility.

[124] *See* EY, EY GLOBAL IPO TRENDS Q2 2025, HOW CAN YOU SHAPE UNCERTAINTY INTO OPPORTUNITY FOR YOUR IPO? (Jul. 16, 2025).

[125] The Capital Markets Union is an effort to link the EU's small, splintered national stock markets into a more competitive whole.

rebranded as the "Savings and Investment Union," is framed not merely as a financial integration project, but as a pillar of European economic sovereignty. The European Commission has stated that the rapidly shifting geopolitical landscape and ongoing technological advancements make economic revitalization of the EU a central priority.[126] Further integration of financial markets is emphasized as a "pre-condition for the EU to manage its own destiny."[127] In a similar vein, Norges, the massive Norwegian Sovereign Wealth Fund, has argued that the CMU project is crucial for Europe's competitiveness on a global stage.[128] A recent report frames the project's importance in explicitly geoeconomic terms:

> The increasing geopolitical competition between economic blocs (USA, China) means that the EU must speak with one voice in international negotiations on financial issues. The logic of competition between economic blocs and the nexus of economic policies and global power dynamics were visible during the pandemic and since the full-scale Russian invasion of Ukraine in February 2022: Shortages in critical materials and products and the disruption of energy supply underscore the importance for the EU to reassure and consolidate its role as a global economic powerhouse – capable of asserting its interests and values on the international stage. In overcoming the fragmentation of capital markets, the EU would reduce its vulnerabilities to external sources of funding and global disruptions while boosting its profile as a strong, stable, and secure union. [129]

In other parts of the world, governments have increasingly framed domestic listings as an exercise in economic nationalism and security. A Singaporean government official recently instructed local founders that it is their "national duty" to relist their companies on the SGX.[130] The Indian government has encouraged companies to list domestically before considering foreign markets. When Indian e-commerce company Flipkart chose to list in the United States, it spurred a backlash and calls for better domestic IPO support. The head of the Indian Department of Investment and Public Asset Management called domestic investor support for the IPO of domestic insurance company LIC an example of Prime Minister Narendra Modi's slogan,

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[126] European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions: Savings and Investments Union – A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM(2025) 124 final (Mar. 19, 2025).

[127] *Id*. at 2.

[128] Richard Milne, *Norway's Oil Fund Calls for Urgent Reform of European Capital Markets*, FIN. TIMES (June 9, 2025).

[129] Florian Heider et al., The Geopolitical Case for CMU and Two Different Pathways Toward Capital Market Integration, SAFE White Paper No. 102, April 2024, at 10.

[130] *See* Telling, *supra* note 17.

Aatmanirbhar Bharat ("self-reliant India").[131] Along similar lines, the Tel Aviv Stock Exchange (TASE) presents itself as playing a vital role in Israel, for example, by demonstrating its resilience and importance in the wake of the October 7, 2022 attacks: "As the war evolved, TASE has served as a crucial hub for raising equity and debt for companies and the Israeli government."[132]

Taken together, these examples suggest that there is a common playbook at work in many parts of the world. The competitive strength of domestic capital markets is viewed as geopolitically important because it underpins the host government's strategic autonomy, economic sovereignty and resilience to global shocks. Moreover, as explained below, stock exchanges provide governments with a means of controlling important policies and projecting their policy values internationally.

### *2. Control over policy choices*

In addition to the outward-facing objectives just discussed, a vibrant domestic stock market enables governments to shape corporate governance standards, financial disclosure obligations, and other rules integral to national economic policy. Japan is a good example of the utility of a stock exchange as a policy tool. The Japanese government has worked closely with the Tokyo Stock Exchange (TSE) to adopt measures to reform the Japanese capital market and corporate governance of Japanese listed companies. The TSE has repeatedly been prompted by government bodies, in particular the Japanese Financial Services Agency, to adopt regulatory changes.[133] Most notably, the TSE introduced the Japanese Corporate Governance Code in 2015 under a "comply or explain" approach.[134] Together with the Financial Services Authority, the TSE also adopted stewardship-like "Guidelines for Investor and Company Engagement" in 2018.[135] The Corporate Governance Code has specifically focused on promoting the appointment of independent directors and unwinding cross-shareholdings, aiming to alter insider-dominated boards of directors and stable shareholding by banks and trade partners that had characterized Japan's stakeholder-oriented post-war corporate governance system. In the past, the TSE also acted as the de facto

[131] *LIC IPO Lifted by Domestic Investors, Example of Aatmanirbhar Bharat: Dipam Secretary,* THE TIMES OF INDIA (May 9, 2022) (quoting the Secretary as saying, "It shows that the capacity of the Indian capital market has increased substantially, and it also shows that we can run our own capital market without depending on foreign investors.").

[132] *Q&A with Ittai Ben-Seev, CEO, Tel Aviv Stock Exchange (TASE)* WORLD FEDERATION OF EXCHANGES, (Feb. 2025), https://focus.world-exchanges.org/articles/qanda-benzeev-tase?utm.

[133] Takahito Kato, *Legitimacy and Limits of Self-regulation in Japan*, 10 J. JAPANESE L. 181, 184-188 (2018). This seems to have the additional advantage of allowing for regulatory changes without the involvement of parliamentary bodies, thus bypassing the traditional legislative process. *Id*. at 189-190.

[134] The Code was revised in 2018 and 2021. The most recent version is available in English at https://www.jpx.co.jp/english/news/1020/b5b4pj0000046kxj-att/b5b4pj0000046l0c.pdf.

[135] Revised in 2021. *See* https://www.fsa.go.jp/en/news/2021/20210611/01.pdf.

screener of the validity of takeover defenses adopted by listed firms.[136] In this way, the stock exchange has served as a mechanism of policy transmission, playing a significant role in Japanese corporate governance reform. The role of stock exchanges in policy transmission provides another reason for governments to prefer domestic listings for local firms: such listings shield national policy choices from exposure to conflicting legal regimes, as may occur when a local firm lists on a foreign exchange.[137]

The EU's ESG instruments further illustrate how public markets have become vehicles for normative policy enforcement. Among its most importance pillars, the early Non-Financial Reporting Directive (NFRD) imposed climate and human rights disclosure obligations on listed firms as early as in 2014.[138] Its successor, the Corporate Sustainability Reporting Directive (CSRD) will require specified large firms active in the EU (most of which are listed) to disclose detailed information on environmental impact, human rights issues, employee matters, and anti-corruption measures.[139] At the same time, the Sustainable Finance Disclosure Regulation (SFDR) imposes ESG disclosure obligations on specified financial market participants such as asset managers and pension funds.[140] The SFDR has ripple effects on listed companies, as they will need to align their reporting with SFDR standards in order to obtain capital from investors subject to the regulation. With minimal exceptions, the EU framework essentially imposes climate-related disclosures only on public companies.[141] Most strikingly, the controversial new Supply Chain

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[136] John Armour, Jack Jacobs & Curtis J. Milhaupt, *The Evolution of Hostile Takeover Regimes in Developed and Emerging Markets: An Analytical Framework*, 52 HARV. INT'L L. REV. 219 (2011). For more recent developments, *see* Bruce E. Aronson & Manabu Matsunaka, *Designing a New Framework to Regulate Hostile Takeovers in a Changing Japan*, ECGI Law Working Paper No. 782/2024 (June 2024), available at https://ssrn.com/abstract=4882079; Akio Hoshi, *The Peculiar Development of Anti-takeover Measures in Japan*, 24 J. CORP. L. STUD. 587 (2024).

[137] For example, when a South Korean company lists on the NYSE, it becomes subject to the NYSE Listing Rules and the governance standards they set. Those standards are inconsistent with certain features of South Korean corporate law, including the definition of directorial "independence" and audit committee requirements. For some of the differences between the two regimes, *see* Kyung-Hoon Chun, *Korea's Mandatory Independent Directors: Expected and Unexpected Roles*, in INDEPENDENT DIRECTORS IN ASIA - A HISTORICAL, CONTEXTUAL AND COMPARATIVE APPROACH 176, 191-195 (Dan W. Puchniak, Harald Baum & Luke Nottage, eds., 2017).

[138] The NFRD mostly applies to "public-interest entities," meaning firms whose transferable securities are admitted to trading on a regulated market. Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups [2014] OJ L330. Only private companies that have issued tradable bonds on a regulated market in the EU are within the scope of NFRD.

[139] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, [2022] OJ L322/15. Originally, the CSRD was much more ambitious in its scope of application and intended to apply to public firms as well as large private companies. However, during the recent ESG deregulation wave, the scope of CSRD was significantly reduced, and the implementation date was postponed.

[140] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector [2019] OJ L317/1.

[141] *See* Alperen A. Gözlügöl & Wolf-Georg Ringe, *Private Companies: The Missing Link on the Path to Net Zero*, 22 J. CORP. L. STUD. 887, 909-912 (2022). On the resulting arbitrage possibilities, *see* Alperen A. Gözlügöl &

Directive[142] imposes due diligence obligations throughout the entire value chain on large (mostly listed) companies operating in the EU.[143] Critics argue that the directive essentially functions as a vehicle for the extraterritorial projection of European values.[144] In any case, ESG regulation, similar to other normative policy choices imposed on listed companies, may undermine policymakers' efforts to create a globally attractive and successful stock market. The European Commission has now recognized this possibility and is currently scaling back the framework under the new "Omnibus" regime.[145]

Relatedly, listing decisions on major stock exchanges are now also shaped by considerations of human rights and reputational risk. As noted in the Introduction, Shein was forced to abandon its plans for an offshore IPO, first in New York and then in London, amid criticism of alleged use of forced labor in its supply chain.[146] As with the SFDR and CSRD, the Shein episode suggests that the public capital markets are becoming a site, not simply of economic or regulatory competition, but also normative policy contestation.

As a response to the growing importance of normative policy considerations in stock exchange standards, governments are increasingly challenging their domestic companies' plans to list abroad. As with the desire to shield domestic policy preferences from conflicting foreign regimes, listing decisions may also be influenced by a state's attempt to reduce exposure of an important domestic company to regulation in foreign jurisdictions. The Chinese government, for example, has been reluctant to allow large technology companies to be listed on U.S. exchanges as this would subject them to U.S. laws and independent audits.[147] Didi's delisting from the NYSE

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Wolf-Georg Ringe, *Net-Zero Transition and Divestments of Carbon-Intensive Assets*, 56 U.C. DAVIS L. REV. 1963 (2023).

[142] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859, [2024] OJ L/1760 ("Corporate Sustainability Due Diligence Directive" or CSDDD).

[143] Firms subject to the CSDDD must identify, prevent, mitigate, and remediate human rights violations and environmental impacts throughout their entire value chain. The CSDDD applies to firms with more than 1,000 employees and a global turnover of more than € 450 million. However, EU leaders are currently discussing whether to scale back the scope of application.

[144] Estelle Valentine Irambona, *The Extraterritorial Dimensions of the CS3D*, Consumer Competition Market Blog (Oct. 8, 2024), https://www.law.kuleuven.be/ccm/blog/posts/cs3d-part-2.

[145] The "Omnibus Package," currently still in the lawmaking process, seeks to simplify and reduce the regulatory burden of the sustainability regime. *See* https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en.

[146] Eva Roytburg, *Shein's CEO and Massive IPO are Both Incredibly Secretive*, YAHOO FINANCE (June 25, 2024), https://finance.yahoo.com/news/shein-ceo-massive-ipo-both-172904288.html. Zofia Zwieglinska, *Shein's IPO: Where it Stands and What's Next* (Oct. 22, 2024), https://www.glossy.co/fashion/sheins-ipo-where-it-stands-and-whats-next/; Saskia Koopman, *Shein Confirms Listing Plans with London in the Spotlight*, CITY AM (Mar. 14, 2025), https://www.cityam.com/shein-confirms-listing-plans-with-london-in-the-spotlight/. Isaac T. Tabner, *Shein Could be a Shot in the Arm for the London Stock Exchange – But the Fashion Giant Might Not Like the Added Scrutiny*, THE CONVERSATION (Feb. 18, 2025), https://theconversation.com/shein-could-be-a-shot-in-the-arm-for-the-london-stock-exchange-but-the-fashion-giant-might-not-like-the-added-scrutiny-249541.

[147] Zhang, *supra* note 109.

resulted from the Chinese government's concerns about the company's data security and the potential national security risks associated with its exposure to U.S. audits. The eventual decision to list Saudi Aramco on the country's domestic exchange rather than the NYSE was influenced by potential exposure to litigation in the United States under a statute that authorizes suits against Saudi Arabia for the September 11 attacks.[148] Alibaba's decision to undertake a secondary, and then primary, listing in Hong Kong came in the wake of U.S.-China tension and concerns about possible delisting after the passage of the HFCAA.[149]

***3. International prestige***

Like a national airline, domestic exchanges also serve as symbols of national prestige. High rankings in global financial center indices, such as those produced by Z/Yen Group, bolster reputational capital that can attract foreign investment and financial services.[150] A positive reputation can thus create a virtuous cycle, attracting more talent, business, and investment, which in turn reinforces the status of a city or country as a leading financial center.[151]

Conversely, political instability or regulatory uncertainty can deter listings and harm a financial center's attractiveness, as illustrated by Hong Kong's uncertain future as a global financial hub following passage of a draconian National Security Law and erosion of the rule of law.[152] This development has prompted an exodus of foreign lawyers from the city.[153] Many multinational firms and financial institutions have relocated staff or regional headquarters to Singapore and Tokyo.[154] The city's IPO market weakened substantially in the wake of the law's passage as investors became increasingly concerned about China's influence.[155] IPOs have

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148 Rania El Gamal et al., *Exclusive: Saudi Aramco Board Sees Too Many Risks for New York IPO – Sources*, REUTERS, Aug. 30, 2019.

149 Alibaba initially made a secondary listing in Hong Kong in 2019 and later upgraded it to a primary listing in 2024. Alibaba Group Holding Limited, *Dual Primary Listing on the Main Board of the Stock Exchange of Hong Kong Limited* (Aug. 28, 2024), https://www.alibabagroup.com/en-US/document-1765436812471304192.

150 Z/YEN REPORT 36, September 2024, https://www.zyen.com/publications/professional-articles/the-global-financial-centres-index-36/.

151 *Id.*

152 Dennis Kwok, Kevin Yam & Audrey Huxley, *Does Hong Kong's National Security Regime Threaten its Status as a Financial Hub?*, in CHINA THROUGH THE LENS OF RISK: BUILDING A STRATEGIC ASSESSMENT 24 (Dean Cheng et al., eds., China Strategic Risks Institute 2023).

153 Sharon Chau, *Hong Kong's Legal Exodus Leaves Law Students with Few Places to Go*, BLOOMBERG (Aug. 23, 2024).

154 The number of global companies with regional headquarters in Hong Kong has declined by 8.4% since 2019, and staffing levels have dropped by 30%. *See* Joyce Lok Yiu Lo, *Post – Security Law: The Dawn of Hong Kong Financial Hub?*, THE NEW GLOBAL ORDER (Jul. 2, 2024), available at https://thenewglobalorder.com/world-news/post-security-law-the-dawn-of-hong-kong-financial-hub/.

155 Alexandra Stevenson, *Hong Kong Says It Calls the Shots, Not Beijing. Investors Are Wary*, N.Y. TIMES (Sep. 22, 2023); *see also* Alexandra Stevenson, *Hong Kong Stocks Plunge to Losses for 4th Straight Year*, N.Y. TIMES (Dec. 29, 2023).

rebounded, however, partially in response to the increasingly hostile environment for Chinese IPOs discussed in the next section.[156]

**B. Politics and policy versus economics**

Strategic or political considerations in stock exchange policy can outweigh economic objectives. The Chinese government's scrapping of the Ant IPO led to an $800 billion drop in Alibaba's market capitalization, sent Jack Ma, its most prominent entrepreneur, into virtual exile, and sent a chill through the private sector. The abrupt halt of Ant's IPO also had serious repercussions for China's capital markets more generally, particularly for technology firms.[157] Political priorities clearly overrode economic logic, signaling a shift in regulatory attitudes, leading to increased uncertainty for companies seeking to go public, and contributing to a slowdown in Chinese listings and heightened investor wariness.[158]

Similarly, the Chinese government's unwillingness to relinquish capital controls, which it views as a matter of national security, has dulled Shanghai's ambition to become a global financial center.[159] Political science research has documented a gradual shift in Chinese government policy toward its capital market: after cautiously opening the market to Western-oriented standards and norms, the current emphasis is on subordinating the domestic capital market to state control and the pursuit of national development policies.[160]

In the United States, the Trump administration has publicly aired forcing the delisting of all Chinese companies from U.S. stock exchanges, an action that would require U.S. investors to liquidate $800 billion of ADR investments.[161] Senior Republican lawmakers have urged SEC chair Paul Atkins to delist several Chinese companies, including Alibaba, over alleged links to the

[156] Hong Kong is the global IPO leader as of mid-2025. *Hong Kong Set to Lead Global IPO Market in 2025*, TECH ASIA, May 27, 2025, https://www.techinasia.com/news/hong-kong-set-lead-global-ipo-market-2025. Regulatory reform has also played a role in boosting the attractiveness of Hong Kong IPOs, at least as compared to the mainland Chinese stock exchanges. Zijing Wu et al., *China's Star Tech Companies Rush to List in Hong Kong*, FIN. TIMES (Aug. 7, 2025).

[157] For evidence of a chilling effect on investor confidence and market stability, *see* Chen Zhu & Jiaxin Chu, *The Impact of Chinese Big Tech on the Traditional Financial Market: Evidence from Ant Group*, ELECTRONIC COMMERCE RESEARCH Mar 31:1–27 (2023).

[158] Yvonne Lau, *The Year Since Beijing Canceled the World's Biggest IPO is Proof that the Golden Era of Chinese Listings is Gone for Good*, FORTUNE (Nov. 3, 2021).

[159] Thomas Hale & Cheng Leng, *How Shanghai's Ambition to be the 'Future of Finance' Fell Apart*, FIN. TIMES (Nov. 26, 2024).

[160] Johannes Petry, *Wall Street in China: The Malleability of Global Finance in the Age of Geopolitics*, REV. INT'L POL. ECON. (forthcoming 2025).

[161] Paul R. La Monica, *Delisting Chinese Stocks is a Real Possibility for Trump. There is a Lot at Stake*, BARRONS (April 17, 2025), https://www.barrons.com/articles/alibaba-baidu-china-stocks-delisting-adr-b74b8443.

Chinese military.[162] Others have argued that Chinese companies on U.S. stock exchanges should be delisted for failing to comply with disclosure requirements and for undermining investor protection standards.[163] These initiatives disregard the economic impact of wholesale or high-profile delistings of Chinese firms from U.S. exchanges, and ignore the reality that such firms could simply relist on other global exchanges, where their shares would still be available to U.S. investors.[164]

To be sure, governments may be overestimating their ability to use the capital markets for geopolitical ends, with their policies leading to economically damaging balkanization of markets. At this stage, the decoupling/de-risking environment is still too nascent and fluid to predict a wholesale reshuffling of global listings based on political allegiance. But the politically frictionless world of listings and capital allocation envisioned by issuer choice scholars at the turn of the last century – a world in which economic considerations would prevail over other national policy priorities – has been replaced by a highly fraught geopolitical environment for raising capital.

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Taken together, the examples above indicate that the public capital markets now operate in a fundamentally altered strategic environment. No longer neutral conduits for capital, they have become instruments of economic statecraft. While private markets continue to expand and offer alternative access to finance, public exchanges remain uniquely positioned as levers of state policy and geostrategy. Through disclosure regimes, listing rules, audit inspections, and what might be called "geopolitical screening" of listed companies, governments are using public markets to filter foreign influence and protect sovereign interests. In some cases, these policy goals now appear to outweigh, or even conflict with, economic considerations.

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[162] Demetri Sevastopulo & Stefania Palma, *US Lawmakers Urge SEC to Delist Alibaba and Chinese Companies*, FIN. TIMES (May 2, 2025).

[163] Demetri Sevastopulo, Stefania Palma & Stephen Foley, *Top US State Republicans Urge SEC to Consider Delisting Chinese Companies*, FIN. TIMES (May 20, 2025).

[164] Amidst intensifying Sino-U.S. rivalry, Beijing is actively encouraging listings in Hong Kong. Chen Jing, *Chinese Stocks to Delist in US Amid Trade War Market Rout?*, THINK CHINA (May 5, 2025), https://www.thinkchina.sg/economy/big-read-chinese-stocks-delist-us-amid-trade-war-market-rout.

## IV. Conclusion

Larry Fink, chair and chief executive of BlackRock, the world's largest asset manager, recently argued that the ills of globalization and rising economic nationalism can be remedied by a world of open markets attuned to national goals.[165] He reasoned that capital markets "are at the heart of this new model" because they "are uniquely suited to transforming global wealth into local wealth."[166]

Ironically, however, Fink's "new model" ignores the complex competitive dynamics that we have explored in this paper. As we have argued, the global capital markets cannot be fully understood today without appreciating the ways in which commercial incentives, state strategic interests, and broader societal values have converged upon national and regional stock exchanges. This convergence does not bode well for the prospect of capital markets that are simultaneously open and closely attuned to national goals.

Recapping our key findings, our analysis reveals that while competition among exchanges for IPOs continues to garner disproportionate attention, the focus on listings obscures important limitations on their importance. Yet states remain deeply invested in the competitiveness of domestic exchanges, not only because of the direct and indirect economic benefits they provide, but also because exchanges serve as mechanisms of policy transmission and instruments of national strategy and financial sovereignty. In an era of rising nationalism and strategic decoupling, exchanges have become an important focal point for the exercise of economic statecraft – even though pursuit of broad policy goals via public capital markets risks undermining their economic function.

Our project to reconceptualize and holistically examine stock exchange competition demonstrates that the political economy of global capital markets demands greater scholarly attention, not only from lawyers and economists, but also from political scientists and international relations scholars.[167] Much more work is needed to understand the implications of the deepening interconnection between stock exchanges, financial sovereignty, and the quest for geopolitical advantage in the twenty-first century.

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[165] Larry Fink, *It's Time for the Second Draft of Globalization*, FIN. TIMES (June 3, 2025).
[166] *Id*.
[167] One such effort is the Global Capital Allocation Project, https://www.globalcapitalallocation.com/.

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