Discussion on “Do Investors Flip Less in Bookbuilding than in Auction IPOs?”

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This paper

- FII s flip less in bookbuilding IPOs relative to “auction” IPOs
- Influence of underwriter reputation is stronger in bookbuilding IPOs with frequent investors flipping less
- Benefits of allocation discretion
Data

- Why does the sample stop at December 2006?
- If the rules changed after that, might be useful to explain why - perhaps related to your story?
- If the rule change was unexpected, then perhaps you could use the timing of the change to find supporting evidence
- What determines what type of an IPO it is?
Results

- Negative coefficient on the first day return
- Positive coefficient on institutional demand: if it is high, underwriters shouldn’t care about flipping.
- All the action is in the interaction term: show the coefficient of reputation.
- Possibly show the results for different levels of under-pricing
- Possibly show the results for different levels of oversubscription
Earlier research

- Bubna and Prabala (2011)
  - When allocation power is removed from bookbuilding, there is no effect on underpricing
  - Allocation powers are used extensively - bidder identity is a significant determinant of allocation.
Questions

- Why would FIIs flip? And why should we care about flipping?
- Especially because Anagol, Balasumbramiam and Ramadorai (2016) show that individuals don’t flip.
- Does flipping send the IPO stock back down to its offer price?