

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

by Neupane, Marshall, Paudyal and Thapa

Renuka Sane  
Indian Statistical Institute

17 December 2016

## 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 FII's flip? And why should we care about flipping?
- ▶ Especially because Anagol, Balasubramiam and Ramadorai (2016) show that individuals don't flip.
- ▶ Does flipping send the IPO stock back down to its offer price?