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Initial public offerings on the UK when-issued market

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Initial Public Offerings on the UK when-issued market

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Abstract

We examine the determinants of an IPO firm's decision to trade on a when-issued market and find that better quality firms are more likely to trade on this market. Our 'what-if' analysis shows that for companies that choose to have when-issued trading, the actual offer price is almost 26% higher than it would have been had these firms chosen not to trade on this market. We interpret this higher offer price as a 'rent' that investors pay to acquire shares of such companies. We also show that the informational accuracy of the UK when-issued market is better than that of continental European when-issued markets.

Key words: IPOs, when-issued market, grey market, rent, retail investors, London Stock Exchange

JEL Classification: G12, G32

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