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Joining the Conversation: How Quiet Is the IPO Quiet Period?

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Abstract

This study evaluates the IPO quiet period, which restricts managers' ability to publicly communicate in the weeks immediately following the IPO. I investigate the effectiveness of and compliance with the quiet period for a sample of 3,380 IPOs from 1996 through 2011, and report several key findings. Firms significantly increase their communication immediately after the quiet period expires, and this manifests in more firm-specific information in returns. While this suggests the quiet period rules are effective on average, I find that there is non-random variation across firms in this effectiveness. In particular, the marginal effect of increased communication on firm-specific information processed by the market is greater for firms which are harder to value or receive less-than-expected attention in the aftermarket. Moreover, notwithstanding overall effectiveness, I find wide variation in the level of compliance with the quiet period, and that firms benefit from non-compliance. In particular, firms with more quiet period "loudness" obtain more analyst attention and are more likely to meet or beat future consensus forecasts. Collectively, the results suggest that [1] the quiet period rules prevent investors from learning useful information in a timely manner, and [2] a lack of SEC enforcement provides advantages to firms that violate the spirit, if not the letter, of the rules. This calls into question whether the IPO quiet period rules — essentially unchanged for over 80 years — remain relevant and useful in modern equity markets.

Keywords: disclosure, quiet period, IPO, stock return synchronicity, press release, regulation**JEL Classification:** M41, M48, K22, G14[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/SSRN_ID2536004_code1531089.pdf?abstractid=2536004&mirid=1)

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