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The impact of pricing mechanism reform on underpricing of initial public offerings in China

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Abstract

Using a sample of initial public offerings (IPOs) (A-shares) at the Shanghai Securities Exchange from 2003 to 2007, we examine the effect of introducing the bookbuilding method upon IPO underpricing in China. The results show that after the pricing mechanism reform, the underpricing of IPOs was significantly higher than that of fixed price offerings. The possible reason is that underwriters have no discretionary allocation in the hybrid bookbuilding/open offer method.

Keywords:

initial public offerings

bookbuilding method

underpricing

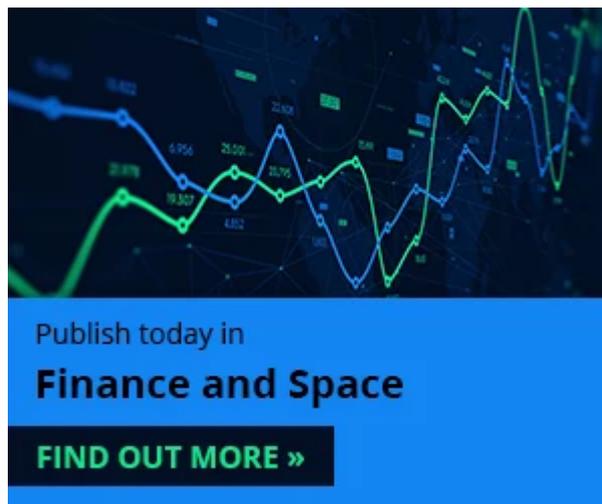
fixed price offerings

JEL Classification:

Additional information

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