How behavioural factors affect retail investors' investment decisions

15 We conducted our own behavioural analysis of Whereto Research's qualitative market research findings.

Note: In this report, we use the term 'market research' to refer to the third-party qualitative research conducted by Whereto Research.

16 Behavioural economics describes how and why people think and behave in certain ways. It draws from research across a number of social sciences, including economics, psychology, and decision science.

17 Our analysis shows that the market research identified a number of potential behavioural factors that may influence a retail investor's IPO investment decision. Section D details our behavioural analysis.

Impact of findings on ASIC's approach to IPOs

18 ASIC's main focus with regulating IPOs is to ensure that investors have sufficient information to make informed decisions. The legislation regulating IPO disclosure is predicated on retail investor participation. We also seek to ensure that the sector meets the needs of institutional investors because of the important role they play in IPOs.

19 Our perception of how institutional investors and retail investors assess an IPO is summarised in Table 1.

Table 1: Comparison of institutional and retail investors' approach to investing in IPOs

Institutional investors	Retail investors
Institutional investors rely on the pathfinder prospectus and the lodged prospectus because: • these are the main sources of information on an IPO offer; • directors and others have potential liability for the prospectus disclosure; and • there is regulatory oversight of the prospectus lodged with ASIC. However, institutional investors also seek out other sources of information about the IPO.	Retail investors read the prospectus but find it challenging. There is a perception that the prospectus, at least in part, is a marketing document and therefore does not provide the whole picture.
Institutional investors said that questioning the issuer's management was an essential part of their investment process.	Management is considered important, and retail investors want more information about the issuing company's management.
The institution's own technical analysis is important to assess the value of the offer.	Retail investors value 'independent' analysis, but their access may be limited to informal sources such as the media or online investor forums.
Institutional investors are sceptical of information if there is a conflict of interest.	Some retail investors do not trust brokers because of perceived conflicts of interest.

Note: The institutional investor findings are based on ASIC's informal meetings with institutional investors, while the retail investor findings are based on the third-party market research conducted by Whereto Research.

39 If the information comes from the issuer or someone connected with the offer, s734 should ensure that investors are alerted to the importance of the prospectus, and also the need to complete the application form attached to the prospectus.

40 For an explanation of how participants in the market research accessed information on IPOs, see Section C—in particular, paragraphs 137–139.

41 For detailed information about the IPO investment process from the perspective of institutional investors, see Section B.

Disclosure requirements

42 An IPO that involves an offer of securities to retail investors in Australia requires a prospectus to be prepared and lodged with ASIC.

43 The prospectus must contain all the information that investors and their professional advisers would reasonably require to make an informed decision about the IPO. This includes an assessment of:

(a) the rights and liabilities attaching to the securities offered; and

(b) the assets and liabilities, financial position and performance, profits and losses, and prospects of the body that is to issue the securities: s710.

Note: The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find that information in the prospectus: s710(1)(a). The Corporations Act also requires other specific information to be included in the prospectus: s711 and 716.

44 Offers to institutional investors do not require a prospectus on the basis that they do not require the same level of regulatory protection as retail investors. However, IPOs of securities that will be quoted on ASX are made under a prospectus as a result of ASX listing requirements, and the fact that the Corporations Act would otherwise restrict public trading of the securities: see s707. Disclosure in the IPO prospectus is important for informed secondary trading, and forms the basis for a listed company's future continuous disclosure obligations.

ASIC's role in IPOs

Our guidance on IPOs

45 We have published extensive guidance to help companies and their advisers conducting IPOs. Regulatory Guide 254 *Offering securities under a disclosure document* (RG 254) explains the procedural requirements for an IPO and how ASIC will exercise our specific powers under the Corporations Act. RG 228 explains how to prepare a prospectus that contains information

required by s710 of the Corporations Act and comply with the 'clear, concise and effective' requirement in s715A. Recently, we updated RG 228 to clarify the disclosure requirements for historical financial information.

46 We also communicate regularly with advisers on current fundraising issues at our Corporate Finance Liaison meetings and through publications such as our corporate finance reports.

Review of prospectuses after lodgement

47 In some overseas jurisdictions, regulators review all prospectuses, and often require that changes are made before the document can be registered. This can be a very lengthy process. This is not the case in Australia, where the requirement for ASIC to review and then register all prospectuses was removed many years ago, making the fundraising process more efficient for issuers.

48 While ASIC does not review prospectuses before they are available to retail investors, we do scrutinise a significant proportion of them after lodgement. In some instances, we conduct surveillances—including surveillances on whether proper procedures have been followed in preparing the prospectus (due diligence surveillance): see Report 484 *Due diligence practices in initial public offerings* (REP 484).

49 Section L of Regulatory Guide 254 contains information on the approach we take to reviewing prospectuses, and the powers we have under the Corporations Act to extend the exposure period, obtain corrective disclosure in the form of a replacement or supplementary prospectus, and impose stop orders.

50 We use these powers regularly. For example, in relation to prospectuses lodged with ASIC:

(a) in 2016 (12 months), we:
   (i) extended the exposure period 78 times;
   (ii) obtained corrective disclosure (other than under a stop order) 134 times;
   (iii) issued 56 interim stop orders; and
   (iv) issued five final stop orders; and

(b) in the first half of 2017 (six months), we:
   (i) extended the exposure period 34 times;
   (ii) obtained corrective disclosure (other than under a stop order) 63 times;
   (iii) issued 14 interim stop orders; and
   (iv) issued one final stop order.

Note: These figures include prospectuses that were lodged in relation to non-IPO offers.

51 We also recently took action against Sino Australia Oil and Gas Ltd (Sino Australia), including in relation to the IPO prospectus containing misleading and deceptive statements. On 8 December 2016, the Federal Court of Australia ordered that:

(a) Sino Australia pay a penalty of $800,000;

(b) former chairman Tianpeng Shao be disqualified from managing corporations for 20 years; and

(c) Mr Shao pay compensation to Sino Australia of $5,539,758 (being the company's estimated liability to shareholders).

Note: For further details, see Media Release (16-431MR) *Court fines Sino Australia Oil and Gas Limited and disqualifies former chairman, Tianpeng Shao* (9 December 2016).

Marketing practices in IPOs

52 If we decide to review a prospectus, we also monitor advertising of the offer. Section J of RG 254 sets out the factors that we take into account when determining whether to take action in relation to advertising.

53 We have noticed a trend where issuers or their advisers fail to correct advertising to make it consistent with changes we have required to be made to their prospectus. For example, we may require an issuing company to remove a misleading forecast from the prospectus but references to the forecast remain in various forms of marketing.

54 In the first half of 2016, we monitored a small sample of IPO prospectuses, and requested advertising to be removed or corrected in over 20% of the offers. We also have a stop order power over advertising if necessary.

Study on marketing practices

55 In 2016, we conducted a study on the way that IPOs were marketed to investors over a six-week period, and published a report of our findings: see REP 494.

56 We found that brokers primarily used traditional marketing methods, such as telephone calls, emails and professional investor roadshows. 'Investor education' reports were also distributed within an issuer's adviser networks, and to sophisticated or professional investors. Only small-to-medium brokers tended to use more innovative methods, such as social media and online investor forums.

57 REP 494 concluded that most firms were using acceptable marketing practices. Our main recommendation for traditional marketing focused on better compliance oversight of telephone calls, such as the use of standardised telephone scripts. We also recommended that firms take more

measures to ensure that institutional roadshows were restricted to Australian financial services (AFS) licensees.

58 We had more concerns relating to innovative marketing methods. In particular, our review of media coverage indicated that some issuers and their advisers may be providing information to the media before the prospectus was lodged with ASIC.

59 We also noticed that some posts on investor forums appeared to have originated from someone involved in the IPO, and that the messages were not balanced. There were also failures to ensure that videos and other multimedia were accurate and consistent with the disclosure in the prospectus.

B Our inquiries—How institutional investors make decisions about IPOs

Key points

We conducted interviews with institutional investors to explore what influences them when they are deciding whether to invest in an IPO.

We found that, when assessing an IPO, institutional investors:

- considered the prospectus (or pathfinder prospectus), meetings with management, and internal analysis to be the most important sources of information; and
- placed less weight on investor education reports provided by research analysts.

Background to our interviews

60 Institutional investors are integral to the functioning of Australia's IPO market. They comprise the bulk of IPO investment and often their views help determine the price of the offer—either through a formal bookbuild process or by more informally indicating whether they are prepared to invest at the suggested price during the roadshow.

Note: See the 'Key terms' for the meaning of 'bookbuild' and 'roadshow'.

61 Many larger IPOs do not have a retail public offer and it is likely that many retail investors' main exposure to IPOs is indirectly through their investments managed by financial institutions.

62 Given their involvement in the IPO investment process, we sought input from a range of institutional investors. In late 2016, we conducted interviews with a selection of institutional investors about how they assess IPOs. The interviews were conducted on a voluntary basis.

63 We sought to understand the institutions' decision-making process, and gain insight into the relative importance of different information sources. We were also interested to understand the different approach taken to the decision-making process by institutional investors in comparison with retail investors: see Table 1.

Note: Our interviews with institutional investors were conducted by ASIC officers experienced in regulating IPOs. This differed from the market research that we commissioned on retail investors, which was conducted by a professional market researcher.

64 While we conducted a behavioural analysis of the market research findings (see Section D), we did not conduct a behavioural analysis of the feedback we received from institutional investors because this was acquired through informal interviews. This lack of formal analysis does not suggest that institutional investors' decisions were not affected by behavioural biases.

65 The institutional investors we selected were managers of retail and wholesale investment funds and listed investment companies. They included both large and smaller institutions, and each had one or more actively managed investment offerings focusing on Australian equities (as opposed to passive, index-tracking funds or mixed asset class funds). Some focused on a particular subset of Australian equities, such as issuers with smaller capitalisations, while others offered a range of Australian equities funds with different kinds of mandates.

66 We also spoke to a selection of financial intermediaries who act as lead managers on both large and small IPOs. Lead managers play an important role in IPOs because they usually have the primary responsibility for coordinating the IPO process on behalf of the issuer.

67 The lead manager's role normally includes advising on the structuring of the offer, including timing, price and size. They also advise on and conduct marketing of the offer, including the coordination of investor roadshows. Lead managers can, but do not always, act as the underwriter to the offer.

68 Our conversations with these institutional investors and lead managers confirmed our understanding of the IPO process from the perspective of an institutional investor, and allowed us to understand the various sources of information used by institutional investors when making their investment decision.

69 This section outlines the investment process for institutional investors, and the information they said they considered when deciding whether to invest in an IPO.

Assessment of IPO investment opportunities

70 The institutional investors we spoke to said they generally considered all IPO opportunities within their mandate even if they did not ultimately invest.

71 They told us that they generally avoided speculative IPOs, including mining exploration companies and technology start-up companies. They were also cautious about investing in emerging market issuers (where the reason for listing in Australia was unclear, or they operated in a risky jurisdiction) and private equity sell-downs (where the timing or rationale was unclear).

Sources of information

72 The institutional investors reported that they used a range of information sources when determining whether to invest in an IPO. The relative importance of these sources is discussed in paragraphs 106–122.

Non-deal roadshow

73 The first time an institutional investor meets with a company that is considering an IPO may be through a 'non-deal' roadshow. We received feedback that non-deal roadshows were more common for larger IPOs because institutional investor support was critical for the success of the offer.

74 Sometimes, when a company is considering whether to proceed to an IPO, a non-deal roadshow will be used to:

(a) introduce the company's management to potential institutional investors, and give those investors an understanding of the business and industry; and

(b) give the company and its advisers an indication of the level of investor interest in the company, and help determine whether it is the right time to conduct an IPO.

75 No securities are offered for sale at this time. The non-deal roadshow is normally organised by the adviser firm who will often go on to play a role in managing the IPO if the company decides to proceed.

76 Documents provided to institutional investors at a non-deal roadshow usually contain only a high-level overview of the issuer's business and the industry it operates in. Historical benchmarks and industry comparables may be provided. The issuer's full historical financial statements and forecast financial information are not provided at this time.

77 We were told that sometimes a research analyst connected with the issuer's adviser would be involved in a non-deal roadshow, but this involvement was limited to giving information about the industry and relevant benchmarks.

78 Sometimes institutional investors are not allowed to keep any materials handed out during a non-deal roadshow. We were told that this practice was designed to reduce investor reliance on roadshow materials, and instead focus attention on the prospectus when it was later released.

Initial analyst meetings—'Investor education'

79 After it is decided that an IPO will proceed, and the lead manager's firm has a research analyst who is covering the issuer's shares, the firm managing the issue will invite some of its institutional clients to participate in 'investor education'.

80 Investor education generally involves institutional investors meeting with the lead manager's research analyst and being provided with a copy of the research analyst's investor education report. This report generally contains information about the issuer's business, industry, and relevant benchmarks and comparables.

81 At these meetings, which are held separately from the management roadshow, the research analyst will provide institutional investors with their views on the issuer's business, risks and prospects.

82 We understand that investor education reports may include an overall company value or value range, but do not usually contain price targets or recommendations. This may be attributed to concerns that, if the research is released too soon after listing, it may attract prospectus liability.

83 As a result, a number of AFS licensees impose a blackout period after the prospectus is lodged before a research analyst connected to the issuer's adviser can cover the stock. Following this period, the analyst will release their 'initiation report', which contains price targets and recommendations.

> Note 1: International firms may adopt blackout periods for research analysts in the immediate period following lodgement of the prospectus in order to comply with requirements in other jurisdictions, such as the United States, rather than in compliance with a requirement under Australian law.

> Note 2: Report 486 *Sell-side research and corporate advisory: Confidential information and conflicts* (REP 486) contains further information about the potential conflicts of interest associated with investor education. See also our proposed guidance in Consultation Paper 290 *Sell-side research* (CP 290).

84 In REP 486, we looked at investor education and found that this may provide potential institutional investors with an indication of a research analyst's approach to valuation: see paragraphs 72–78 of REP 486. We also found, however, that there was some cynicism towards this information: see paragraphs 121–122 below.

85 CP 290 includes our proposed additional guidance on the investor education process. This is intended to supplement the guidance in Regulatory Guide 79 *Research report providers: Improving the quality of investment research* (RG 79).

Pathfinder prospectus

86 A pathfinder prospectus is a draft, but near final, version of the prospectus which excludes the offer price. It is primarily used where the institutional bookbuild for the IPO is conducted at the front end of the offer—which is when most bookbuilds happen in Australia, apart from offers at the larger end of the market: see paragraphs 90–93.

87 The pathfinder prospectus is usually given to institutional investors at the start of the IPO roadshow period: see paragraph 88. Some institutional investors observed that sometimes the pathfinder prospectus is only given to them just before the IPO roadshow, which does not provide them with sufficient time to review the information.

IPO roadshow

88 The next step in the process is a roadshow where the issuing company's management gives a presentation to institutional investors about the issuer and the offer.

89 Roadshows are a key opportunity for the issuer to tell its story in person and can provide useful pricing feedback for lead managers and underwriters. For institutional investors, the roadshow presents an opportunity to evaluate the issuer's management—in particular, the executives' ability to respond to questions about their business.

Timing of IPO roadshows—Institutional bookbuild

90 The timing of the IPO roadshow can depend on the point at which the institutional bookbuild for the IPO takes place (if there is one). Many offers in Australia use a front-end bookbuild, which means that the price of the offer is set through the institutional bookbuild a short time (usually two to three days) before the prospectus is lodged with ASIC and the retail offer opens.

91 When a front-end bookbuild is used, the IPO roadshow will usually start two to four weeks before the prospectus is lodged with ASIC. Front-end bookbuilds are more common for offers that are smaller in size (under $500 million market capitalisation) and are primarily aimed at domestic institutional investors.

92 In larger IPOs, the bookbuild sometimes takes place after the prospectus is formally lodged with ASIC (a 'back-end bookbuild'). In these cases, the price of the offer is not set at the time the prospectus is lodged with ASIC but an indicative price range will be identified.

93 In these types of IPOs, the roadshow may take place after the prospectus is lodged with ASIC. Once the price has been determined under the back-end bookbuild, a replacement prospectus will be lodged with ASIC.

Information provided at IPO roadshows

94 There are usually two types of information provided to institutional investors as part of an IPO roadshow:

(a) management information—this is provided at group presentations and one-on-one meetings with institutional investors; and

(b) investor education reports—these typically include financial information from the prospectus, including forecasts.

Prospectus and supplementary disclosure

102 In IPOs that have a front-end bookbuild, institutional investors are required to make their investment decision before the final prospectus is lodged with ASIC. Instead, they rely on the draft (pathfinder) prospectus.

103 In other types of IPOs, such as those using a back-end bookbuild, institutional investors may not receive a pathfinder prospectus and will instead rely on the lodged prospectus to make their investment decision.

104 The institutional investors told us they believed it was rare for material changes to be made from the pathfinder version of the prospectus to the lodged version. However, they did rely on the lead manager to inform them of any changes. The institutional investors were aware that these changes were often, but not always, prompted by ASIC's review of the original prospectus.

105 Many of these institutional investors said they paid particular attention to supplementary or replacement disclosure that related to changes to the financial information. In contrast, less attention was paid to supplementary or replacement disclosure that merely clarified information or made changes to the presentation—for example, the more prominent disclosure of key information. Institutional investors who read the prospectus in full considered these kinds of changes were more important for retail investors.

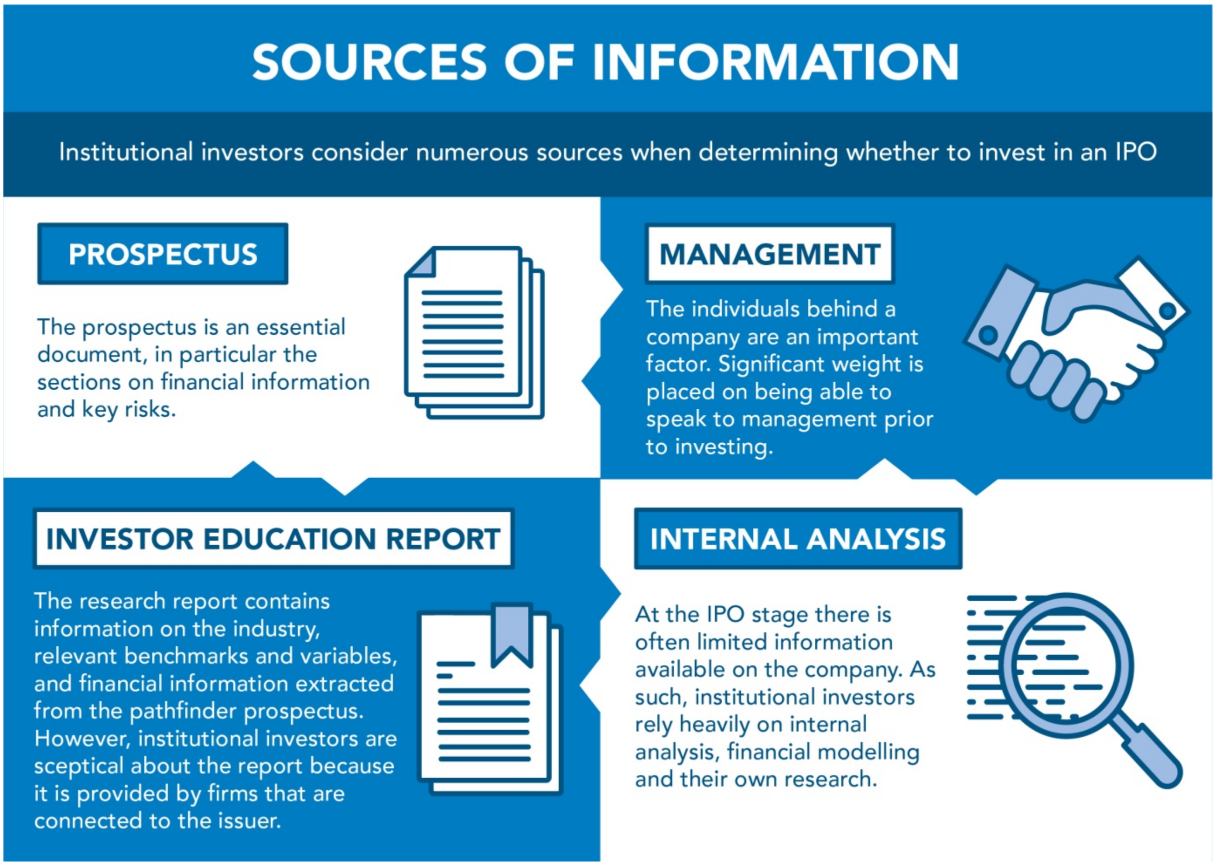
Information that is important to institutional investors

106 Institutional investors said that the prospectus and access to management were particularly important to their assessment of an IPO.

107 The Financial Conduct Authority (FCA) in the United Kingdom also found that the prospectus and access to management were central to institutional investors' assessment of an IPO. The FCA is exploring a range of proposals to enable investors to access the prospectus sufficiently early in the IPO process for the document to play its proper role in informing their investment decisions: see FCA Consultation Paper 17/5 *Reforming the availability of information in the UK equity IPO process* (March 2017).

108 The key sources of information that institutional investors consider when deciding whether to invest in an IPO are set out in Figure 2.

Figure 2: Sources of information institutional investors consider when deciding whether to invest in an IPO



Note: Paragraph 264 in the appendix sets out the information contained in this figure (accessible version).

Source: ASIC

Prospectus

109 Institutional investors said that the pathfinder prospectus (or the lodged prospectus if no pathfinder prospectus was used) was one of the most important sources of external information, and this was usually read thoroughly.

110 Institutional investors stated that the prospectus was the benchmark document from which all other information about the IPO was sourced, including information provided to retail investors by intermediaries such as brokers.

111 The directors' potential liability for the prospectus disclosure, and the consequent rigour around preparation of the prospectus, meant that the institutional investors considered it to be a reliable document. We did not receive any significant negative feedback about the quality of prospectuses from institutional investors during this project. However, some noted that a few issuers had recently failed to meet their prospectus forecasts, and

Access to management

117 Institutional investors place significant weight on meeting the issuer's management when assessing an offer, and meetings with the management were usually integral to institutions' assessment of an offer. All of the institutional investors we spoke with said they would not invest unless they had access to the management.

118 We were told that the roadshow gave institutional investors a valuable opportunity to get an impression about the issuer's management and its competence, which could sometimes be difficult to do through the prospectus alone.

119 During roadshows, the institutional investors can ask the issuer questions about their forecasts and the underlying assumptions. They can assess how readily the issuer's management is able to respond to questions, how well they know the business and industry, and how prepared they are for the future.

> 'Until we can meet with management, we're not willing to invest. We need evidence they know what they are doing and have a solid plan for the future.'

Internal analysis

120 All of the institutional investors we spoke to emphasised the importance of their in-house analysis of the offer. At the IPO stage, there is often limited information available on the issuer. Institutional investors therefore place heavy emphasis on their own internal analysis, financial modelling and research.

> 'We can't just rely on what the issuer says it's worth. Or what the lead manager says the issuer is worth. We need our own analysts to run the numbers and look at the sector more broadly.'

Investor education report

121 There was varied feedback from the institutional investors that we spoke to about the importance of investor education. Some institutional investors treated this information with scepticism because it was provided by the sell-side firm—however, others noted that background information on the industry could be useful.

122 CP 290 contains a number of proposed recommendations on how potential conflicts of interest that compromise investor education can be addressed: see Sections C and D of CP 290. The feedback provided by institutional investors on their concerns about the reliability of investor education may be an added incentive to improve practices in this area.

D Our analysis—How behavioural factors can affect retail investors' decisions about IPOs

Key points

We conducted our own behavioural analysis of Whereto Research's qualitative research findings.

The market research identified a number of potential behavioural factors that may influence a retail investor's IPO investment journey.

A brief introduction to behavioural economics

182 Behavioural economics describes how and why people think and behave in certain ways: how people *actually* behave. It draws from research across a number of social sciences, including economics, psychology, and decision science. Through decades of empirical research and testing, behavioural economics has added to traditional economics models, which are often based on assumptions about how an average person *should* behave in theory.

183 Behavioural economics is increasingly being applied in a government policy-making context, as well as in private industries. It provides a number of tools for understanding behaviour and designing solutions to market and consumer problems.

Behavioural analysis in the market research

184 Whereto Research's qualitative research—where retail investors talked in their own words about their IPO investment experiences—allowed us to gather in-depth insights from a sample of recent investors.

185 These subjective accounts were analysed by Whereto Research using both established qualitative techniques, and also by applying a separate behavioural economics perspective to identify and explore the potential presence of emotional or behavioural factors that may have had an influence on investors during their investment journey.

Note: While this analysis draws from the significant body of behavioural research to consider what types of biases or heuristics may play a part in these decision-making processes, further empirical testing would be needed to confirm the existence and extent of these behavioural biases in the IPO investment context.

186 Some of the behavioural factors identified have been raised in the Whereto Research report (attached to this report), and we build on this analysis in this section by focusing on certain behavioural factors that appear to have been present.

Online investor forums and social media

250 As discussed in paragraphs 174–176, social media and online investor forums were influential for a small number of retail investors, although most of the participants in the market research were unaware of these as a potential source of information about investing. REP 494 also found that social media was not commonly used by larger firms for marketing IPOs, but was more widely used by smaller firms.

251 It should be noted that many of the participants in the market research were over the age of 45, and that the average period they had been investing in the stock market was 15 to 20 years. These investors may have had a lower awareness, or use of, social media and online forums because they were from an older demographic. In addition, these forms of communication were not common, or had not emerged, when many of the participants first started investing (and therefore they may not have developed the practice of consulting these sources of information).

252 We consider there is potential for the influence of social media and online forums to increase over time—for example, as people who have grown up with social media and online content become more active investors or advisers in the IPO sector. The *ASX Australian investor study 2017* also predicts that the use of digital innovation could increase as 'the current generation of young, technology-savvy investors age'.[10]

253 We plan to proactively monitor social media and online forums because their influence may increase, and we have previously found some evidence of problematic practices in this area: see paragraphs 115–122 of REP 494.

254 Newer technologies allow regulators to more easily monitor online sources of information. We will use these newer technologies to increase our surveillance capabilities—for example, to monitor whether posts comply with the advertising restrictions, and whether posts are independent (or conflicts of interest are clearly disclosed).

Management

255 This project found that both institutional and retail investors placed great importance on the issuer's management. Institutional investors have much greater access to the issuer's management than retail investors, who may be limited to conducting general internet searches on the issuing company's directors.

[10] ASX Limited, *ASX Australian investor study 2017*, page 17.

Appendix: Accessible versions of figures

263 This appendix is for people with visual or other impairments. It provides the underlying information for any figures included in this report.

Table 5: Number of new ASX listings

Financial year	Number of listings
2011–12	99
2012–13	82
2013–14	107
2014–15	120
2015–16	124
2016–17	152

Note: This is the data contained in Figure 1.

Sources of information institutional investors consider when deciding whether to invest in an IPO

264 Institutional investors consider numerous sources when determining whether to invest in an IPO:

(a) *Prospectus*—The prospectus is an essential document, in particular the sections on financial information and key risks.

(b) *Management*—The individuals behind a company are an important factor. Significant weight is placed on being able to speak to management prior to investing.

(c) *Investor education report*—The research report contains information on the industry, relevant benchmarks and variables, and financial information extracted from the pathfinder prospectus. However, institutional investors are sceptical about the report because it is provided by firms that are connected to the issuer.

(d) *Internal analysis*—At the IPO stage, there is often limited information available on the company. As such, institutional investors rely heavily on internal analysis, financial modelling and their own research.

Note: This paragraph sets out the information contained in the infographic in Figure 2.

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the exchange market operated by ASX Limited
bookbuild	A process of determining the price at which an IPO will be offered. The book is filled with the prices that institutional investors indicate they are willing to pay per share. When the book is closed, these values are analysed by an underwriter to determine the issue price
Corporate Finance Liaison meetings	ASIC's Corporate Finance Liaison meetings held twice a year nationally for companies, lawyers, corporate advisers and compliance professionals working in corporate finance
corporate finance report	A report on our regulation of corporate finance, published by ASIC twice a year, for companies, lawyers, corporate advisers and compliance professionals working in corporate finance
Corporations Act	*Corporations Act 2001,* including regulations made for the purposes of that Act
CP 290 (for example)	An ASIC consultation paper (in this example numbered 290)
full-service broker	A brokerage firm that provides investment advice and related services in addition to facilitating transactions for clients
high net worth investor	A sophisticated or professional investor who is not an institutional investor
institutional investor	An investor that is a traditional institution such as an investment bank, hedge fund, insurance company, sovereign wealth fund, AFS licensee or equivalent overseas licence holder
'investor education' reports (also known as 'sell-side research')	Reports prepared by an AFS licensee mandated to advise on a capital raising transaction (usually an IPO) and released before the lodgement of a prospectus with ASIC

Term	Meaning in this document
investor forum	An online discussion group that enables investors to connect with other investors and to discuss investments in companies, including IPOs
investor presentation	See 'roadshow'
IPO	Initial public offering
marketing	Any advertising and publicity relating to an IPO, including information that may affect an investment decision
market research	The third-party qualitative research commissioned by ASIC and conducted by Whereto Research on the factors that influence retail investors in deciding whether to invest in IPOs
OnMarket BookBuilds	A platform used by issuers to obtain publicity and spread, and by retail investors to obtain information about IPOs and apply directly for securities in an IPO
pathfinder prospectus	Near-final draft of the prospectus, excluding the offer price if the offer is set under an institutional bookbuild
professional adviser	Professional advisers can include a lead manager or corporate adviser, investment banks, lawyers, accountants, and a range of other advisers, depending on the company undertaking the IPO. They may be involved in the preparation of the prospectus, and pricing of the IPO offer, assist with the marketing of the offer to investors, or provide general advice to the company throughout the IPO process
professional investor	Has the meaning given in s708(11) of the Corporations Act. In general terms, this is an investor who has, or controls, gross assets of at least $10 million
prospectus	A prospectus that is lodged with ASIC under s718 of the Corporations Act
REP 494 (for example)	An ASIC report (in this example, numbered 494)
retail investor	An investor who does not qualify as a professional or institutional investor—that is, a person who invests for their own personal account rather than on behalf of other investors or entities. Retail investors in this report may include SMSF investors and high net worth investors (who would qualify as sophisticated investors)
RG 228 (for example)	An ASIC regulatory guide (in this example numbered 228)
roadshow	A series of presentations by the senior management of an issuer about an upcoming offer of securities—generally to potential institutional investors, financial advisers and research analysts
s734 (for example)	A section of the Corporations Act (in this example numbered 734)

Term	Meaning in this document
SEC	US Securities and Exchange Commission
sell-side research	See 'investor education' reports
SMSF	Self-managed superannuation fund
social media	Websites, applications and other means of online communication that enable users to share information and interact with each other. These include microblogs (e.g. Twitter), social and professional networks (e.g. Facebook, LinkedIn, Google+ and WeChat), and image and video sharing platforms (e.g. YouTube, Instagram and Pinterest)
sophisticated investor	Has the meaning given in s708(8) and 708(10) of the Corporations Act. In general terms, this includes an investor: • who has net assets of at least $2.5 million, or gross income of at least $250,000 for each of the past two financial years; or • about whom an AFS licensee is satisfied that the person has sufficient previous experience in investing in securities
Whereto Research report	The report commissioned by ASIC and produced by Whereto Research detailing the findings of Whereto Research's market research

Related information

Headnotes

advertising, behavioural analysis, behavioural biases, bookbuild, brokers, financial media, initial public offering, institutional investor, investment decision, investor blogs, investor education, investor forums, IPO, issuers, management information, market research, marketing, pathfinder prospectus, prospectus, prospectus disclosure, publicity, retail investor, roadshows, social media

Instruments

ASIC Corporations (Market Research and Roadshows) Instrument 2016/79

Regulatory guides

RG 79 *Research report providers: Improving the quality of investment research*

RG 170 *Prospective financial information*

RG 228 *Prospectuses: Effective disclosure for retail investors*

RG 254 *Offering securities under a disclosure document*

Legislation

Corporations Act, s708, 710, 711, 716, 734, 769C and 1041H; Chs 6D and 7

Consultation papers and reports

CP 290 *Sell-side research*

REP 484 *Due diligence practices in initial public offerings*

REP 486 *Sell-side research and corporate advisory: Confidential information and conflicts*

REP 494 *Marketing practices in initial public offerings of securities*

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