

Final Report Summary on Initial Public Offerings (IPOs)

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AMF Working Group Final Report on Initial Public Offerings (IPO)

SUMMARY OF THE WORKING GROUP PROPOSALS

1. Maintain the requirement to reserve a tranche for individual investors

Proposal 1

The working group (WG) does not wish to eliminate the mandatory requirement to systematically set aside an IPO tranche for retail investors even though many countries, particularly in Europe, do not have comparable rules. Consequently, it is in favour of maintaining the best-efforts obligation concerning the retail tranche, subject to greater flexibility of implementation.

Proposal 2

The WG notes that enforcing an obligatory retail tranche may lead to adverse selection in some cases. By this token, retail investors account for an overwhelming proportion of investors in IPOs that do not attract institutions. Ultimately, the WG decided not to make a recommendation on this issue, concentrating instead on the possibility for individuals to cancel their orders (see Proposal 5)

2. Make pricing rules more flexible

Proposal 3

Following the example of the other countries it studied, the WG believes in allowing greater flexibility when setting the indicative price range, particularly since the sole requirement under European law is to disclose either a maximum price or the price-setting criteria.

The WG considers the following arrangements to be appropriate because they allow issuers a degree of flexibility, yet are still efficient for investors:

- when the IPO is launched, the minimum information given in the approved prospectus should include a maximum price;
- no later than three trading days before the offer closes, information should be given about a maximum range of 15% either side of a central price.

Changes needed to accommodate Proposal 3

This proposal implies that the AMF would have to change its 30 June 2009 position on relaxing IPO pricing rules.

3. Changing the rules on presenting price range assessment criteria

Proposal 4

The French practice of outlining price assessment criteria in the prospectus is no longer consistent with European procedures, as ESMA pointed out in October 2013. Furthermore, because retail investors do not specifically take account of or analyse the technical presentation of the criteria used to assess the indicative price range, the WG saw an opportunity to modify the standard practice in France. In consequence, the AMF no longer requires this information to be disclosed in the prospectus.

Changes needed to accommodate Proposal 4

This proposal implies that the AMF would have to revisit its practices on this issue and come into line with what most other European countries do, as ESMA confirmed in October 2013, in terms of disclosing the price assessment criteria in the prospectus.

4. Allow individual investors to cancel orders in the open-price offer**Proposal 5**

The fact that orders placed for the open-price offer cannot be cancelled is not due to AMF regulations but to operational constraints of a legal and technical nature affecting the transmission of those orders (i.e. manual versus online reception).

The WG observes that between two-thirds and 90% of retail orders are now placed online (compared with paper-based orders placed at bank branches). Accordingly, it asks that retail banks, having examined the practical problems, should examine the possibility of allowing individual investors to cancel their orders at any time until the offer closes. Once this examination has been carried out, the WG recommends that the possibility to cancel retail orders should be adopted along with the rest of the measures put forward by the group.

5. Allow analysts from the underwriting syndicate to access information before the AMF-approved documentation is published**Proposal 6**

The WG is in favour of allowing analysts from the underwriting syndicate to access information before AMF-approved documentation is published. This would make it easier to identify market "windows" more easily by reducing the IPO execution schedule by two to three weeks and aligning French practices on those elsewhere in Europe. The group believes this shorter timeline would help make the Paris financial centre more competitive. The proposal has also been well-received by representatives of companies and investment analysts. It should be noted that the information disclosed at the first meeting and subsequently to analysts as a whole will be disclosed in the documentation submitted to the AMF.

To enable analysts outside the syndicate to carry on an in-depth dialogue with senior managers, the participants agree on the principle that companies applying for a listing should invite analysts to discuss with them once the base document has been published. Depending on the number of analysts interested, this dialogue could be conducted through a face-to-face meeting or a conference call.

Changes needed to accommodate Proposal 6

The WG members stress that this practice is not only authorised but also commonplace in the euro area. Furthermore, this kind of proposal is generally consistent with a literal approach to prevailing regulations, insofar as Article 223-10-1 of the AMF General Regulation, which covers equal access to information, applies only to companies with financial securities already admitted to listing.

In the particular case of companies with non-equity securities, such as bonds, that are already listed on a regulated market, this measure would entail an amendment to the aforementioned article, provided particular consideration is given to specific issues relating to the confidentiality of information disclosed in the run-up to an IPO. The question of inside information also arises in the special case of demergers.

6. Allow English to be used for drafting IPO prospectuses**Proposal 7**

Following an analysis by the WG, it emerges that the Toubon Act, which mandates the use of French in all official documents, does not actually disallow the use of a language other than French when drafting a prospectus for a public offering of financial securities in France, provided a summary in French is included.

Consequently, the WG proposes that IPO prospectuses may, where deemed necessary, be drafted in English and be published with a French summary.

Changes needed to accommodate Proposal 7

Article 212-12 of the AMF General Regulation would have to be changed so that English can be used for IPO prospectuses. The amended article would permit the use of a language other than French that is customary in the sphere of finance. In this case, the summary would have to be translated into French. This article would apply equally to French and foreign issuers.

To allow a French company to use English for its IPO prospectus, both the General Regulation and instruction 2005-11 would also have to be amended as regards the prospectus certification format and, in collaboration with audit firms, the completion letter issued by statutory auditors.