Appendix 1: Sample Invitation Email

Example for a single-stage, oral presentation selection process:

Dear Sirs,

Invitation to give a presentation for [company name]'s proposed IPO

On behalf of [issuer], I am pleased to invite your firm to give a presentation on its views on and recommendations for the proposed initial public offering on [stock exchange, if already decided] of the [issuer] group of companies.

The presentation will be held:
on: [date]
at: [time]
at: [address]
Telephone: [switchboard telephone number]

Please find attached a non-disclosure agreement (NDA) which your firm is kindly requested to sign and return by no later than [5.00pm] on [date], in order to receive the request for proposal document.

Please send two signed copies of the NDA to the above address, attention: [company representative], [email address], tel: [telephone number], together with a soft .pdf format copy to both him/her and [adviser/consultant representative], [email address], tel: [telephone number].

Should you have any questions regarding the attached, please contact [adviser/consultant representative].

Thank you also in advance for formally acknowledging receipt of this message by email to both the abovementioned.

We look forward to hearing from you.

Yours faithfully,

[Senior company representative: Chairman, CEO or CFO]

Appendix 2: Sample Score Sheets

Example of Score Sheet for Investment Banks/1

Long-form, for single stage selection process:

Bank/broker: Scored by:

Category	Contents	Score	Comments
Outlook for investor appetite:	Market trends (global, regional, sector) and review of past offerings	points out of XX (weight XX%)	
Positioning and recommendation on which entity to list:	Positioning and equity story, entity to list and comparables	points out of XX (weight XX%)	
Valuation:	Valuation methodology, impact of sector developments and valuation range	points out of XX (weight XX%)	
Listing location/s, investor targeting and marketing:	Listing location/s, possible concerns and mitigants, target investors, roadshow and marketing	points out of XX (weight XX%)	

[Continued]

Category	Contents	Score	Comments
Offer structure:	Capital structure (debt, dividend policy), offer structure (including retail offer), issue size, primary/secondary mix and syndicate structure	points out of XX (weight XX%)	
Research:	Assigned analyst/s and rankings, ECM experience and house policy for research	points out of XX (weight XX%)	
Team experience and credentials:	Relevant IPO experience, key staff, distribution capabilities and aftermarket support	points out of XX (weight XX%)	
Timing, process and terms:	Timing and work plan, absence of conflicts, clearances, litigation and other issues	points out of XX (weight XX%)	
Fees and expenses:	Fees structure and quantum and expenses budget	points out of XX (weight XX%)	

[Continued]

Category	Contents	Score	Comments
Any other issues:	Original ideas and suggestions, employee offer, prior relationship with the company, corporate broking capabilities, conferences	points out of XX (weight XX%)	
Total score:		/100	

Example of Score Sheet for Investment Banks/2

Short-form, for a second stage oral presentation:

Bank/broker: Scored by:

Category	Contents	Score	Comments
Positioning and equity story:	Articulation of the investment case and key elements of the equity story	points out of XX (weight XX%)	
Valuation:	Valuation methodology and suggested valuation range	points out of XX (weight XX%)	
Offer structure:	Listing location, capital structure (debt, dividend policy), offer structure (including retail offer), issue size, primary/secondary mix, target investors and syndicate structure	points out of XX (weight XX%)	

[Continued]

Category	Contents	Score	Comments
Research:	Assigned analyst/s and rankings, ECM experience, location of research analysts	points out of XX (weight XX%)	
Team experience and credentials:	Relevant IPO experience, key staff including team leaders, distribution capabilities and aftermarket support	points out of XX (weight XX%)	
Timing, process and terms:	Timing and work plan, suggested working groups and coordination	points out of XX (weight XX%)	
Fees and expenses:	Fees structure and quantum and expenses budget	points out of XX (weight XX%)	
Any other issues:	Original ideas and suggestions, employee offer, prior relationship with the company, corporate broking capabilities, conferences, term loan proposal, review of draft underwriting agreement	points out of XX (weight XX%)	
Total score:		/100	

Appendix 3: Example of Request for Proposal (RFP) Questionnaire

Example for a single-stage, oral presentation, where the listing location has already been identified:

Request for Proposal (RFP)

Proposed initial public offering and listing on [stock exchange] of [issuer]

Introduction

[Issuer] is inviting investment banks to provide their views and recommendations in relation to the proposed initial public offering (IPO) and listing on [stock exchange] of the [issuer] group of companies.

This RFP forms part of the Confidential Information as defined in the non-disclosure agreement (NDA) signed earlier by your firm and is released pursuant to the non-disclosure agreements entered into between [issuer] and the investment banks invited hereunder.

Specifically, your firm is invited to give an oral presentation to a panel comprised, *inter alia*, of senior representatives of [issuer], at the date, time and place indicated in the cover email to this RFP.

Your presentation should last approximately one hour, including around 20 minutes for a questions and answers session.

It is expressly requested that the senior executive/s from your firm responsible for the corporate finance phase of the execution of the entire IPO (including, as appropriate, [region/country], [industry] sector and equity product specialists), as well as (a) senior representative/s from your regional equity capital markets department, should attend this presentation.

Please limit the number of attendees from your firm to a maximum of six, and advise both [company representative], [email address], tel: [telephone number] and [adviser/consultant representative],

[email address], tel: [telephone number] of their names by no later than close of business on [date].

Please can you also email soft copies of any slides or documents to be used for your presentation to both the above by no later than the day on which you have been asked to present. In any case, such slides or documents should not total more than [40] pages in length, including any executive summary and appendices. To this should be added a (separate) checklist, showing that all the requested items have been covered.

Lastly, please advise of details of any projector/s or other devices, which you might need for your presentation. Requests for dial-in facilities to link-in executives not physically attending your presentation will not be entertained.

Items to be covered during your presentation:

Your presentation should cover at least the following:

1. Market conditions (weighting: 5 per cent)
   1.1. An assessment of current and forecast equity market conditions for [region] and [country], and for the [industry] sector in the region.
   1.2. An assessment of current and forecast primary equity market conditions, including a pipeline of disclosable new issues, highlighting any comparable or relevant offerings, as well as relevant IPOs and ECM transactions for which your firm has been mandated in a senior role.
2. Market positioning (weighting: 20 per cent)
   2.1. An equity story and market positioning for [issuer], as it would be marketed to investors by your firm, together with possible concerns that may be raised by investors and your suggested, potential mitigating factors.
3. Valuation (weighting: 15 per cent)
   3.1. An attempt at valuing (on a fully distributed basis) the business of the [issuer] group of companies, explaining the various methodologies used and likely to be favoured by investors. Please provide your valuation on a pre-new money basis.

3.2. Specific recommendations for the capital structure of [issuer] upon IPO, as well as for [issuer]'s dividend policy.

4. Execution considerations and team (weighting: 10 per cent)
   4.1. A summary of the execution process/work plan for a listing on [stock exchange], together with any anticipated execution issues, and your suggestions for how best to resolve these. Investment banks should assume that *pro forma* accounts and M&A/consolidation will be necessary.
   4.2. Key likely regulatory and/or due diligence issues, including a detailed list of legal opinions, due diligence reports, disclosure and comfort letters (both domestic and international) provided from all sides in connection with the transaction, bearing in mind your recommended offer structure for the IPO.
   4.3 Your firm's suggestions for third-party legal, PR and other advisers to be appointed in connection with the IPO, bearing in mind your recommended offer structure, and a proposed [year] timetable for the transaction (key events only), having regard to company-specific, market and other factors.
   4.4. Details of your firm's proposed transaction leader/s and of the proposed execution team, specifically highlighting their experience of similar transactions in [region], [country] and in the [industry] sector in [region].
   4.5. An undertaking that the key individuals will remain committed to [issuer] and to the transaction throughout its entire duration, with time commitments on a percentage basis highlighted for each team member.

5. Marketing considerations (weighting: 25 per cent)
   5.1. Your suggested offer structure (Rule 144A private placement and/or Reg. S) for the IPO, including jurisdictions in which investors of various types will be targeted, and in how many tranches the global offering should be divided, together with targeted percentages for the allocation of stock to each of these tranches (ranges are acceptable).
   5.2. Your proposed syndicate structure for the global offering.
   5.3. Your firm's recommended approach for research coverage of the company, specifically highlighting the experience, current coverage and rankings (if any) of your proposed

research analyst/s to be assigned to [issuer], including where they are normally based.

5.4. The/these research analyst's/s' IPO experience in [region].

5.5. A description of your firm's policy on research commitment and internal processes in the event that research coverage is not approved by your equity research management, or that such management is not supportive of the IPO valuation, timing or other issues.

5.6. Your firm's proposed deal captain/s within equity sales for the transaction, and the size and scope of your equity distribution capabilities for a transaction of this nature.

5.7. A list of key, target investors, together with likely demand expected from such investors. Please specifically identify possible cornerstone and anchor investors.

5.8. Acknowledgement of your understanding in principle that any best efforts underwriting obligations entered into by your firm in connection with the IPO would fall away upon default by cornerstone investors (if any) representing a set number of shares (to be agreed) only, rather than as a result of a single cornerstone investor defaulting on its subscription obligations.

5.9. A tentative roadshow schedule, bearing in mind your recommended offer structure for the transaction.

5.10. An explanation of the mechanisms to be put in place with a view to stabilizing the share price of [issuer] post-listing, should this prove necessary.

5.11. Acknowledgement of your understanding that any stabilization profits arising from such activities would be shared 50/50 between [issuer] and the underwriters.

5.12. Details of any post-IPO research coverage, investor relations (including investor conferences), trading and market-making capabilities (including up-to-date trading market shares for relevant stocks) that may be provided by your firm to support the stock in the aftermarket.

6. <u>Fees and expenses (weighting: 10 per cent)</u>

6.1. Your proposed fees for the IPO and a comprehensive schedule of likely expenses (to be incurred by both [issuer] and the underwriters, as well as their respective advisers and broken down by major categories, and for the avoidance of doubt, also specifying likely out-of-pocket expenses) for the transaction.

Any fees quoted should cover all your remuneration requirements under the IPO.

7. Credentials and other considerations (weighting: 15 per cent)
   7.1. Details of your firm's securities and other licences held in [country] and in which capacities your firm could act in the proposed IPO.
   7.2. Your firm's relevant credentials for a transaction of this nature, including Dealogic league tables for global coordinator and/or bookrunner roles for IPOs in [region], [country] and in the [industry] sector in [region] over the last three years (in aggregate).
   7.3. A list of all the IPOs of or above US$[amount] million in which your firm has acted as a global coordinator and/or bookrunner in [region], [country] and in the [industry] sector in [region] over the last three years, highlighting for each offering the role/s held by your firm, together with the first day and 30th day closing share price performance (expressed in percentage terms), and what percentage of the over-allotment option (if any) was exercised.
   7.4. Details of where these IPOs were ultimately priced relative to their initial price ranges.
   7.5. Details of your firm's demand and allocation as a percentage of the global institutional book in IPOs of or above US$[amount] million in which your firm has acted as a global coordinator and/or bookrunner in [region], [country] and in the [industry] sector in [region] over the last two years.
   7.6. An indication as to your firm's ability and willingness to commit to [issuer] as your priority client and not to engage in assignments that would potentially conflict with [issuer] or its IPO. Please indicate the names of relevant [industry] companies which you have advised, or for which you have acted in a corporate finance/financing capacity in [region] over the last 12 months.
   7.7. An indication as to whether your firm is involved in any legal proceedings, litigation or investigation at the request or direction of any governmental, regulatory or similar authority or issuer that may impede your execution of the proposed IPO of [issuer] as one of its lead banks.

7.8. Any other major issue/s not covered above to which you may wish to draw attention.

Should you have any further questions on this RFP, please do not hesitate to contact any of the following for further information:

[Company representative], [email address], tel: [telephone number]

[Adviser/consultant representative], [email address], tel: [telephone number]

Additional information:

[Information on the issuer and its financials to be compiled and included over not more than 2–3 pages]

Appendix 4: Example of Decline Email

After submission of a first stage, written presentation, to be followed by a formal letter on letterhead of the issuer:

Dear Sirs,

[Issuer]

Proposed initial public offering

We are sorry to inform you that, after careful review of your response to our request for proposal, your firm has not been short-listed by the IPO Committee to attend oral presentations for the selection of lead banks.

We very much appreciate the hard work and effort that have gone into the drafting of your presentation, and sincerely thank each and all of the members of your team for the keen interest shown in our project.

We would also like to take this opportunity to remind you of your firm's confidentiality obligations with respect to the proposed transaction.

Yours faithfully,

[Senior company representative: Chairman, CEO or CFO]

Appendix 5: Example of Request for Bank Financing

Example for banks that have been shortlisted after an initial written submission process:

Dear Sirs,

We wish to thank you for your team's written submission in relation to our proposed IPO earlier this week. At this juncture, and in addition to your oral presentation, details of which have already been communicated separately, we would like to request [bank] to also submit an indicative terms sheet for a loan facility to be granted to [issuer], as follows:

(a) [Currency and principal amount], [maturity] year committed term loan facility;
(b) the facility should be provided on a clean basis;
(c) please indicate any up-front fees, commitment fees, as well as the required spread over [LIBOR] for the facility;
(d) bullet repayment; and
(e) the facility should have ease of pre-payment without penalties, entirely at [issuer]'s discretion.

Thank you in advance and we would very much appreciate if your team could reply by 5pm on [date].

Yours faithfully,

[Senior company representative: Chairman, CEO or CFO]

Appendix 6: Example of Terms Sheet for an IPO

Terms sheet to be sent to selected global coordinator banks and without specifying their appointments, which are to be confirmed only upon acceptance:

Dear Sirs,

On behalf of [issuer] and its shareholders, we would first like to thank you for having taken the time to share your thoughts with us on the proposed IPO of [issuer] on [date] in [location].

As we are about to appoint global coordinator, bookrunner and lead manager banks, we would be most grateful if you could confirm by return, and in any event by no later than [time] on [date], your acceptance of the following terms and conditions for the transaction, to be more fully developed in an engagement letter to be signed with the mandated banks.

Base offer size:	Approximately US$[amount] million equivalent
Over-allotment Option:	[15] per cent of the base offer size (secondary)
Distribution:	Reg. S and Rule 144A
Offer structure:	Mostly primary, with a small secondary component
Tranching:	- Institutional offering: [percentage] per cent (including [percentage] per cent of the global offering as a cornerstone tranche) - Retail offering: [percentage] per cent (including a possible reserved tranche)

Syndicate:	Bank 1:	- Joint sponsor - Joint global coordinator - Joint bookrunner (institutional offering) - Joint bookrunner (retail offering)
	Bank 2:	- Joint sponsor - Joint global coordinator - Joint bookrunner (institutional offering)
	Bank 3:	- Joint global coordinator - Joint bookrunner (institutional offering)
	Bank 4:	- Joint bookrunner (institutional offering) - Joint bookrunner (retail offering)

Underwriting:

Institutional offering:

- Bank 1: [percentage] per cent
- Bank 2: [percentage] per cent
- Bank 3: [percentage] per cent
- Bank 4: [percentage] per cent
- Co-leads: [percentage] per cent

Retail offering:

- Bank 1: [percentage] per cent
- Bank 4: [percentage] per cent
- Others: [percentage] per cent

Fees:

- [percentage] per cent base fee (of which [percentage] per cent as a global coordinator *praecipium*, payable on all shares sold in the IPO)
- [percentage] per cent discretionary incentive fee (to be paid in full, but allocated solely at [issuer]'s and its shareholders' discretion between the joint bookrunner banks)
- Co-lead managers for the institutional offering to be paid fixed fees of US$[amount] equivalent each only, irrespective of their underwriting

Brokerage:	[percentage] per cent may be charged by the banks to investors in accordance with market practice
Fee sharing:	The global coordinator *praecipium* to be split equally among the global coordinator banks
	In proportion to underwriting amounts for the institutional offering and the retail offering (except for the co-lead manager banks, as outlined above)
	Brokerage to be shared in proportion to underwriting amounts
Expenses:	The costs of the legal advisers to the underwriters to be shared 50/50 between the underwriters and [issuer] and its shareholders, as appropriate
	Only the out-of-pocket expenses of the joint global coordinators and joint bookrunners to be reimbursed, and to be capped (pooling accepted) at US$[amount] equivalent (per joint global coordinator)/US$[amount] equivalent (for the non-joint global coordinator and joint bookrunner). This expense cap to include PDIE-related expenses, but to exclude roadshow-related expenses

We agree to the above terms and conditions for the proposed IPO of [issuer], which are to be more fully developed in an engagement letter to be signed with the mandated banks.

Date:

Bank:

Signatories:

_____

Name:
Title:

_____

Name:
Title:

Appendix 7: Example of Reminder on Confidentiality

Email message to be sent to each of the investment banks

Dear Sirs,

It has unfortunately come to our attention that one or more unidentified party/ies has/have been leaking information to the newswires about the proposed IPO of [issuer]. Please see the attached articles, which are self-explanatory.

Reading between the lines, it would appear that such party/ies is/are well informed – only a small, selected number of firms know of this confidential information.

Accordingly, can you please:

(a) formally confirm by return (copying all) by [time] tomorrow that none of your team members have been talking to the media; and
(b) remind all of your team members of the critical importance of retaining absolute confidentiality in respect of the proposed flotation – and as per the non-disclosure agreements you have signed.

Thank you in advance.

Yours faithfully,

[Company representative or adviser/consultant representative]

Appendix 8: Useful Clauses for Mandate Letters

The clauses below are set out for illustration purposes only and do not purport to constitute legal advice. These may not necessarily ultimately be enforceable, depending on the governing law for the mandate or engagement letter, and should in any event be reviewed by relevant and appropriate legal advisers, if ever included in any mandate or engagement letter.

On engagement teams:

The banks shall ensure that their respective engagement teams for the execution of the transaction will consist of members who possess the appropriate level of competency required for the provision of the services. Any changes of members within a bank's core engagement team will have to be consulted with [issuer] (but also agreed with [issuer] for any changes made to the banks' respective execution team leaders), save in circumstances where a member ceases to be in that bank's core engagement team due to the resignation of that member from such bank. Each bank shall ensure that its core engagement team prioritizes the transaction and dedicates sufficient time and resources to working on the transaction.

Each bank hereby confirms on behalf of itself the following: (a) none of the members of its engagement team has been convicted or is involved in criminal and/or illegal activities; and (b) in its opinion, it does not have any conflicts of interests which will materially and adversely affect the performance of its obligations hereunder. For the avoidance of doubt, in this clause the phrase 'criminal and/or illegal activity' does not include any misdemeanour, non-indictable offences or offences under road traffic legislation.

On confidentiality:

Unless expressly permitted under this agreement, the banks shall not use to their benefit or disclose, and shall ensure that members

of their engagement teams shall not use to their benefit or disclose, to any of the banks' employees outside the engagement teams or to any third party, without the prior written consent of [issuer], this agreement and its content and any confidential information which is received from [issuer] or any of its other advisers in connection with the transaction ('Confidential Information') except to the banks' affiliates and their respective directors, officers' agents and employees within their group of companies or advisers and consultants, (the 'Authorized Representatives'), that are consulted in the transaction on a strictly need to know basis, provided that each Authorized Representative shall undertake the same level of confidentiality stated herein. The respective banks shall take responsibility to ensure that all their Authorized Representatives comply with the level of confidentiality stipulated in this agreement.

In the event that the banks are required by law, a court of competent jurisdiction, legal process or regulatory authority, to disclose all or any part of the Confidential Information as described [in the confidentiality clause herein], or that the banks anticipate such disclosure may be required, they must promptly: (a) to the extent permissible, notify [issuer] in writing of such actual or anticipated requirement; (b) take all reasonable and lawful measures available to oppose or restrict such disclosure, or to make disclosure on terms which will preserve as far as possible the confidentiality of such information; and (c) take such steps to allow [issuer] to have a reasonable opportunity to oppose or to restrict such disclosure by lawful means. If disclosure is thereafter still required, the banks agree that they will use their reasonable efforts to ensure that the requesting authority/ies treat/s the Confidential Information as confidential.

On liability:

Each bank shall exercise due skill and care in its provision of the services set out in this agreement.

Without prejudice to any other right which [issuer] may have in law, each bank accepts liability (on a several basis) to pay damages for any and all claim, loss, damage, liability, cost and/or expense suffered by [issuer] (including, without limitation, the reasonable disbursements of legal advisers incurred in connection with the investigation

of, preparation for and defense of, any pending or threatened claim and any litigation or other proceeding) arising as a direct result of any act or omission which is finally judicially determined to constitute fraud, breach of this agreement or negligence on its part in respect of the services provided in connection with, or arising out of, the appointments hereunder on the terms set out in this agreement (which include any variation or addition thereto from time to time) and any claims that arise out of an untrue statement or alleged untrue statement or omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading contained in any preliminary or final offering document in reliance upon or in conformity with written information provided by such bank. Subject to any statutory limitations, this provision shall survive and continue notwithstanding any other provision in this agreement, provided that this provision shall only be effective until the signing of any placement or underwriting agreement in relation to the transaction.

On IPO expenses:

In the event that the transaction proceeds to completion or a joint decision is taken by [issuer] and/or any selling shareholders and the banks not to proceed with the transaction due to market conditions, the costs of the legal advisers to the underwriters (which will include disbursements and any taxes) will be shared [sharing ratio] between the underwriters as appropriate in proportion to the amounts underwritten (or to be underwritten) by each bank under each tranche on the one hand, and [issuer] and/or any selling shareholders on the other, as appropriate. In the event the transaction does not proceed to completion as a result of [issuer] and/or the selling shareholders deciding unilaterally not to proceed further with the transaction, the costs of the legal advisers to the underwriters shall be borne by [issuer] and/or any selling shareholders.

[Issuer] shall pay, after completion of the transaction, the out-of-pocket expenses (OPE) of the joint global coordinators and joint bookrunners only, properly incurred and capped (other than costs of legal advisers as stated above) at the equivalent of US$[amount] for each of

the joint global coordinators and at the equivalent of US$[amount] for each of the joint bookrunners (where such joint bookrunners are not also joint global coordinators). For the avoidance of doubt, the reasonable travelling and accommodation costs of a limited number of staff from the banks accompanying the management of [issuer] (and, for each bank, pre-agreed with [issuer]) on the roadshow (and site visits by the regulators, if any) will be reimbursable and will not be included in such cap. For the avoidance of doubt, costs incurred by the banks as part of their respective pre-deal investor education (PDIE) process will be included in such cap. The banks shall itemize the OPE in a single, joint invoice and OPE expenditure incurred will be subject to documentary evidence (where required by [issuer]). [Issuer] reserves the right to refuse to reimburse extraordinary expenses deemed unnecessary in the performance of the services unless such amounts were pre-agreed by [issuer] in writing, to be incurred under the performance of the services.

On termination:

[Issuer] may terminate the appointment of all or any of the banks under this agreement at any time without assigning a reason thereto by giving [number of days] days' prior written notice. In such a case, unless otherwise determined by [issuer] in its sole discretion, no engagement fees will be payable to the bank/s (other than any milestone fees payable to the banks acting as sponsors) in respect of which this agreement has been terminated; however, such bank/s will be entitled to reimbursement of OPE in accordance with clause [clause number].

Each of the banks may terminate this entire agreement at any time by giving [number of days] days' prior written notice. In such a case, no engagement fees will be payable to the bank/s in respect of which this agreement has been terminated (except for milestone fees due to the banks acting as sponsors); however, such bank/s will be entitled to reimbursement of OPE in accordance with clause [clause number]. Notwithstanding the termination of or by any one or more banks under this agreement, or the addition of any other bank or financial institution to the transaction, this agreement shall continue with full effect between [issuer] and the remaining banks.

On appointing further lead banks to the transaction:

Notwithstanding any other provision of this agreement, [issuer] is entitled to appoint additional banks and financial institutions to provide any services in connection with the transaction, provided that the banks shall be entitled to at least [percentage] per cent of their respective underwriting amounts and associated fees as detailed in clause [clause number].

On advertising and marketing activities to be conducted by the banks:

Each bank shall not, at any time before the transaction is publicly announced by [issuer], without [issuer]'s express written permission, use [issuer]'s or any of [issuer]'s subsidiaries' logos or other trade marks, or make public any reference to, and/or make any reference whatsoever to, [issuer] and/or its subsidiaries (including but not limited to references to [issuer] as the bank's client), in any of the bank's proposals, advertising activities, marketing materials, brochures and similar documents. Any public announcement made by all or any of the banks in connection with the transaction must be approved in writing by [issuer] in advance of publication.

On international placement agreement principles:

In connection with the transaction, the banks and their counsel will be expected to follow customary principles in relation to the international placement agreement for the offering. These principles, which will be agreed between the banks and [issuer], will be based on precedent documentation for similar transactions. Material deviations from such principles will not be expected, except in accordance with the terms of the principles.

While no decision has been made as to whether there will be a secondary share sale in connection with the transaction, the principles will also include those that are expected to apply to any selling shareholder entities who participate in the offering and sign the underwriting documentation.

Scope of work for sponsor banks:

a) Arrange as necessary all relevant meetings and calls with stock exchange and relevant regulators in [country], as appropriate at all relevant stages throughout the transaction;
b) coordinate together with the joint global coordinators the work of all advisers and other relevant third parties, including legal advisers to both [issuer] and the underwriters, reporting accountants, property valuers, industry consultants and other parties as appropriate, for the drafting of all required offer and other documents and at all relevant stages throughout the transaction;
c) work together with the joint global coordinators to devise a comprehensive documentation timetable for the contemplated listing on [stock exchange/s];
d) attend all relevant meetings and calls including due diligence, drafting, committee and all other calls and meetings as required;
e) coordinate with other advisers and relevant third parties all responses to queries from regulators and/or (the) stock exchange/s and other parties on the offer and other documents;
f) arrange for the submission, display and filing of all required offer and other documents with all relevant authorities in [country] as appropriate;
g) advise together with the other advisers to be appointed by [issuer] on compliance with all relevant steps at all relevant times to secure the relevant listing/s for [issuer] on [stock exchange];
h) coordinate, and participate together with, the other advisers to be appointed in the commercial, financial and other due diligence (including site visits and third party enquiries) as appropriate;
i) coordinate for the legal advisers to be appointed by [issuer] to document all due diligence investigations as would ordinarily be required for an international initial public offering with a listing in [country];
j) coordinate together with the legal advisers, to be appointed by [issuer], any verification exercise with any relevant parties for the offer documents;
k) provide relevant advice, guidance and recommendations, together with the legal advisers and other advisers to be appointed by [issuer], in relation to the listing/s on [stock exchange/s];

l) ensure that all relevant and required authorizations, together with the legal advisers to be appointed by [issuer], are obtained in relation to the contemplated stock exchange listing/s; and
m) generally carry out, without limitation, and at all times (including on a 24/7 basis if necessary) all the tasks reasonably expected from a bank acting in the role of sponsor for an international initial public offering with (a) listing/s in [country/ies].

Scope of work for global coordinator banks:

a) Make recommendations for the appointment of third parties to be appointed to work on the transaction and obtain relevant quotes as appropriate;
b) arrange for the appointment of such third parties as appropriate in agreement with [issuer] and its shareholders;
c) devise an overall timetable for the transaction and ensure it is being adhered to;
d) coordinate all the work required for the execution of the transaction, including, without limitation, liaising with all relevant advisers and third parties, including legal advisers to both [issuer] and the underwriters, reporting accountants, property valuers, industry consultants, public relations firms, roadshow consultants, financial printers, translators, receiving banks, registrars and any other parties to be appointed in connection with the execution of the transaction;
e) establish committees comprised of all relevant working parties as required to focus on the documentation, corporate structure, financial, valuation, marketing and regulatory aspects of the transaction;
f) establish and head (on a rotation basis) a steering committee to oversee the work of other committees, ensure that the timetable for the transaction is being adhered to and address critical path items as and when appropriate;
g) convene all relevant committees as appropriate and document all decisions by way of minutes to be circulated to all relevant parties;
h) work jointly with the sponsor bank/s and all relevant advisers and third parties and attend all meetings for commercial and financial due diligence (including site visits and third party enquiries) and drafting sessions as appropriate for the required

offer and other documents, agreements, letters, opinions, certificates, comfort letters and the like;

i) ensure to the extent practicable that all relevant agreements and required documents are in agreed form ahead of launch of the transaction;

j) build a financial model to assist in deriving an appropriate theoretical valuation for [issuer], make recommendations on the appropriate valuation methodology for [issuer] and provide regular updates to management and shareholders on valuation;

k) draft a comprehensive presentation for research analysts, roadshow presentation slides (including slides for questions and answers sessions), roadshow script, roadshow video and all other required marketing documents as appropriate;

l) make arrangements for an electronic roadshow as appropriate;

m) arrange for training sessions for management ahead of the roadshow;

n) devise a comprehensive marketing plan for the proposed transaction including making recommendations on an appropriate offer and syndicate structure (within the framework included in this agreement as well as taking into account market conditions prevailing at the time of launch) across all investor classes both domestic and international as well as retail and institutional;

o) suggest and coordinate all responses (if desired) to enquiries from the media in liaison with legal advisers and any public relations firm to be appointed in connection with the transaction;

p) promptly address all relevant issues that may arise in connection with the transaction, including in the event of emergencies, to ensure appropriate outcomes;

q) for the joint global coordinator to be later designated as stabilization manager, make recommendations on, all arrangements for, and effect stabilization trades as necessary and always in accordance with prevailing rules and regulations. Any profit derived from stabilization activities shall be split on a [split ratio] basis between [issuer] and the banks (which are free to determine any split among themselves);

r) make, in agreement with [issuer] and its shareholders, all calculations for fees and the reimbursement of agreed expenses for the transaction;

s) generally carry out, without limitation, and at all times (including on a 24/7 basis if necessary) all the tasks reasonably expected from a bank acting in the role of joint global coordinator for an international initial public offering with (a) listing/s in [country/ies]; and
t) carry out a post-transaction '*post-mortem* review' of the global offering, including the provision of details on investors, initial trading performance of [issuer] shares and contact details for key investors (subject to the banks' confidentiality obligations to such investors).

Scope of work for bookrunner banks:

a) participate in calls and meetings as convened by the joint global coordinators, [issuer] and/or its shareholders;
b) attend due diligence meetings, review drafts of the offer and other documents at regular intervals and make comments as appropriate;
c) identify and agree on target cornerstone investors for the transaction and jointly engage in a coordinated and pre-agreed fashion such investors with the objective of securing a comprehensive cornerstone investor tranche ahead of the launch of the transaction;
d) work with the joint global coordinators on the contents of the roadshow presentation, including the slides (incorporating slides for questions and answers sessions), script, video and make comments as appropriate;
e) attend training sessions for [issuer]'s management ahead of the roadshow;
f) make recommendations to and agree with [issuer] and its shareholders the main marketing messages to provided to investors;
g) arrange internal briefings for the joint bookrunners' respective sales forces;
h) devise and carry out a comprehensive global investor education programme/PDIE ahead of the launch of the transaction as appropriate for an international initial public offering of this magnitude;
i) provide comprehensive feedback to [issuer] and the selling shareholders arising from such investor education programme;

j) provide feedback to and agree with [issuer] and the selling shareholders on an appropriate book building price range for the transaction;
k) devise jointly with the joint global coordinators a comprehensive global roadshow programme including large and small group presentations, one-on-one meetings (to be hosted as agreed and in a coordinated fashion), video and conference calls and an electronic roadshow;
l) liaise as agreed and in a coordinated fashion with any appointed roadshow consultant for all logistics for the roadshow;
m) prepare and coordinate daily briefings on the progress of book building for the management of [issuer] and shareholders during the roadshow;
n) prepare investor profiles and brief [issuer]'s management ahead of all and any investor meetings;
o) coordinate the book building exercise;
p) make recommendations to [issuer] and the selling shareholders on the offer price (including any discount for retail investors) for the transaction;
q) subject to the terms of this agreement and the mutually agreed underwriting documentation, underwrite the institutional tranche following the book building and (as applicable) other tranches in accordance with market practice and the terms of their respective underwriting and other agreements;
r) provide feedback to and agree with [issuer] and the selling shareholders on the overall allocation policy and objectives and individual institutional investor allocations and liaise with the registrar for retail balloting;
s) make all relevant arrangements under the instructions of the joint global coordinators, [issuer] and its shareholders for the closing and settlement of the transaction and start of trading; and
t) generally carry out, without limitation, and at all times (including on a 24/7 basis if necessary) all the tasks reasonably expected from a bank acting in the role of joint bookrunner for an international initial public offering with (a) listing/s in [country/ies].

Appendix 9: Example of International Placement Agreement Principles

The principles below are set out for illustration purposes only and do not purport to constitute legal advice. These principles may not necessarily ultimately be enforceable depending on the governing law for the international placement agreement and should in any event be reviewed by relevant and appropriate legal advisers.

In connection with the proposed initial public offering (henceforth 'the Offering') of [issuer], set out below are the principles that the underwriters and their counsels expect to follow in relation to the institutional placement agreement for the Offering.[1] The principles do not cover commercial matters such as the form of underwriting, fees, expenses, manager default provisions, contribution and interconditionality between various offering tranches. These will be separately discussed with the investment banks. The principles also do not cover the representations, warranties, etc. expected from the managers; it is however expected that these will be appropriate and customary for a transaction such as the Offering.[2] Material deviation from the approach suggested below will not be expected, except that the issuer may consider necessary modifications which the banks may reasonably require as a result of specific due diligence findings, final offer structure/group holding structure or other transaction-specific issues.

Principles applicable to the issuer and the group

Representations and warranties:

The issuer expects to provide the following representations and warranties in relation to itself and, where appropriate, its subsidiaries,[3] its material subsidiaries,[4] or the group as a whole. The issuer expects that appropriate representations and warranties will be, subject to

customary materiality, disclosure and knowledge carve-outs, as indicated below:

a) capacity: due incorporation, organization, good standing and valid existence;
b) underwriting documentation: due authorization, execution and enforceability, all consents and governmental authorizations required to undertake the offering being obtained;
c) the shares: due authorization, fully-paid when issued, title, no encumbrances, freely transferable, *pari-passu* with existing shares, no outstanding options;
d) subsidiaries: due incorporation, organization, good standing and valid existence and confirmation as to the shareholding structure of the group, including ownership of shares in the subsidiaries by the relevant holding companies and power to conduct its business;[5]
e) no prohibition on any group company from paying dividends, making distributions or repaying loans to relevant holding companies, except any that are disclosed;
f) no violation, defaults or conflicts of constitutional documents, law, agreements;[5]
g) disclosure: in the prospectus/disclosure package, in customary '10b-5' form, publicity materials,[6] accuracy of submission documents,[7] description of material contracts and other customary disclosure representations;
h) the issuer does not disagree with the contents of, or the assumptions made in the independent market research and valuation report, and confirms the independence of the experts;
i) restructuring: depending on the timing and status of the restructuring/acquisitions, representations relating to the restructuring/acquisition documentation and restructuring exercise;[8]
j) no material adverse change in condition, prospects, earnings, business or operations of the group since the date of the latest [audited] financial statements disclosed in the prospectus/disclosure package;
k) financial statements: audited (and reviewed, if applicable) financial statements, *pro forma* financial statements (if any), contingent liabilities and indebtedness;

l) each forward-looking statement and expressions of opinion and forecasts (if any) contained in the prospectus/disclosure package have been made after due and careful enquiry and consideration;
m) accounting matters: independence of auditors, internal controls and procedures;
n) insurance;[5]
o) litigation and no winding-up, judicial management, petition or order;[5]
p) environmental laws;[5]
q) intellectual property;[5]
r) labour and pensions;[5]
s) tax;[5]
t) no stabilisation or price manipulation;
u) related-party transactions;
v) regulatory: licenses and permits, good and marketable title to real property/material assets,[9] regulatory compliance, authorizations and maintenance of approvals; no defaults or encumbrances;[5]
w) employees share option scheme (if applicable);
x) international placement: customary Rule 144A/Regulation S eligibility provisions, Passive Foreign Investment Company (PFIC), Investment Company Act, Employee Retirement Income Security Act (ERISA);
y) waiver of sovereign immunity (if applicable); and
z) Office of Foreign Assets Control (OFAC) (including in respect of the use of proceeds), Foreign Corrupt Practices Act (FCPA)/ Bribery Act, money laundering.[8]

Closing conditions:

The issuer expects the closing conditions to be limited to the following:

a) delivery of each of the following documents:
   - comfort letters;
   - customary legal opinions, disclosure letters, tax and expert opinions (if applicable);
   - issuer closing certificate as to no breach of its representations and warranties; compliance with its obligations; no order

suspending the use of the prospectus or listing; and no material adverse change in the group taken as a whole;
- if applicable, selling shareholders certificate/s attesting to no breach of representations and warranties; and compliance with obligations;
- appointment of process agent; and
- lock-up and cornerstone agreements (if any);

b) regulatory clearance and listing approval;
c) restructuring being completed, assuming this is contemplated in the final transaction structure;
d) domestic retail underwriting agreement becoming unconditional and not terminated;
e) no failure by cornerstone investors to subscribe or any termination of cornerstone agreements by cornerstone investors with respect to an aggregate number of cornerstone shares exceeding such threshold number to be agreed;
f) resolutions duly and validly passed in accordance with constitutive and organizational documents (scope of resolutions for issuer and selling shareholders (if any) to be discussed);
g) lock-ups are in full force and effect, not breached, not terminated; and
h) no stop order on offering by regulatory, governmental authorities or court.

Covenants:

The underwriting agreements shall also contain covenants from the issuer and the managers in line with similar domestic and international market practice for similar transactions.

Termination:

The issuer expects the managers' termination conditions to be limited to the following:

a) breach by the issuer or any selling shareholders of their representations and warranties;
b) trading suspended or materially limited on [relevant stock exchanges];[10] general moratorium on banking activities in [relevant jurisdictions]; material adverse change or development involving a prospective material adverse change in monetary,

financial, economic, legal, regulatory or taxation conditions in [relevant jurisdictions]; outbreak or escalation of hostilities/calamities/states of emergency affecting [relevant jurisdictions], force majeure events;

c) material adverse change in future condition, management, assets, operation business or prospects of the issuer;
d) the issuer or any selling shareholders fail to comply with its obligations in any material respect;
e) the offering is cancelled by the issuer, selling shareholders or any regulatory authorities or the listing not occurring by the agreed time and date for listing on [relevant stock exchange/s]; and
f) the retail underwriting agreement is terminated.

The termination standard should be circumstances or events which in the opinion of the managers, after prior consultation (to the extent practicable) with the selling shareholders and issuer, make it impracticable or inadvisable to market the shares or enforce contracts to be sold in the IPO.

Indemnities:

The issuer's indemnity will cover the following:

a) prospectus/disclosure package/publicity materials[11] disclosure in customary '10b–5' form; and
b) breach or alleged breach of the issuer's representations, warranties or obligations.

Exclusions will be expected in respect of losses finally and judicially determined to arise from mis-statement by a manager with respect to information pertaining to itself specified in the institutional placement agreement for disclosure in the prospectus/disclosure package.[12]

Principles applicable to the selling shareholders

The following remains subject to the views of the selling shareholders, but we expect that the proposals below represent the maximum the selling shareholders would be willing to accept:

Representations and warranties:

Representations and warranties to be given by each selling shareholder entity severally and not jointly (in each case in relation to itself and/or the sale of the shares held by it, as appropriate, only) as to:

a) capacity: due incorporation, organization, good standing and valid existence;
b) underwriting documentation: due authorization, execution and enforceability;
c) underwriting documentation: all consents (if any) and governmental authorizations (if any) obtained to the extent required for participation in the offering;
d) the shares: title, no encumbrances, freely transferable, no outstanding options;
e) no violation, defaults or conflicts: constitutional documents, law, agreements (limited to execution and performance of obligations under the underwriting documentation);[5]
f) disclosure: in the prospectus/disclosure package under specific captions to the extent they relate to information about the selling shareholder in customary '10b-5' form;
g) no stabilisation or price manipulation;
h) OFAC, FCPA/Bribery Act, money laundering;[13, 8]
i) the proceeds received by such selling shareholder from the IPO will not be used by it for OFAC-prohibited purposes;
j) litigation and no winding-up, judicial management, petition or order affecting sale of the shares;[5]
k) lock-up agreements (if applicable);
l) waiver of sovereign immunity (if applicable); and
m) international placement: customary Rule 144A/Regulation S eligibility provisions and mechanics.

Covenants:

The underwriting agreements shall also contain covenants from each selling shareholder and the managers in line with similar domestic and international market practice for similar transactions.

Indemnities:

Each selling shareholder entity will indemnify, severally and not jointly, for:

a) prospectus/disclosure package/publicity materials under specific captions to the extent such information relates to the selling shareholder, in customary '10b-5' form; and
b) breach or alleged breach of representations, warranties or obligations of such selling shareholder.

Exclusions will be expected in respect of losses finally and judicially determined to arise from[14] mis-statement by a manager with respect to information pertaining to itself specified in the international placement agreement for disclosure in the prospectus/disclosure package. Each selling shareholder's liability under the agreement (including pursuant to the indemnity) will be limited in the aggregate to the net proceeds received by such selling shareholder in the offering.

Appendix 10: Examples of Items for Work Allocation Among Lead Banks

General:

Timetable preparation and updates
Working group list
Weekly conference calls
Steering committee meetings and board papers (on a rotation basis)
Financial modelling
Valuation presentations
IPO restructuring (if any)

Due diligence, drafting, legal and regulatory issues:

Submissions to the regulator/s and stock exchange/s
Coordination of drafting meetings for domestic prospectus
Coordination of drafting meeting for international prospectus/es
Strengths & strategies/future plans section
Industry write-up/independent market research (IMR) report
Coordination of drafting for legal documents:

- international placement agreement
- cornerstone subscription agreement
- domestic underwriting agreement
- reporting accountant letters/comfort letters
- legal opinions and due diligence reports
- other

Marketing and investor selection:

Weekly market updates
Cornerstone investor process (memo, tracking of NDAs, teaser and script)
Flights and hotels for cornerstone roadshow

Marketing plan for the institutional offering
Marketing plan for the retail offering

Marketing presentations and Q&As:

Presentation to research analysts
Cornerstone investor presentation
Management roadshow presentation
Management roadshow updates
Briefings on one-on-one/small group roadshow investors
Investor and research analyst Q&As

Other issues (joint responsibility among all bookrunner banks):

Book building management
Timing and launch strategy
Pricing and allocation

Appendix 11: Other Parties to be Appointed for an IPO

- Legal advisers to the issuer (local law)[1]
- Legal advisers to the issuer (international/US or New York law)[1]
- Legal advisers to the underwriters (local law)[1]
- Legal advisers to the underwriters (international/US or New York law)[1]
- Other legal advisers
- Reporting accountants/auditors[1]
- Property valuers
- Roadshow consultant
- Public relations (PR) firm
- Depositary bank (in the case of an issue/sell down of depositary receipts)
- Specialist consultant/expert/independent market research firm
- Financial printer/translator
- Registrar/s
- Remuneration consultant (where share schemes are part of the IPO and/or established on an ongoing basis)
- Website consultant (often sub-contracted by the PR firm)
- Market research firm (in the case of a mass retail offering/privatization, often sub-contracted by the PR firm)
- Retail offer adviser (in the case of a mass retail offering/privatization)
- Call centre (in the case of a mass retail offering/privatization)
- Advertising agency (often sub-contracted by the PR firm)
- Stock exchange/s
- Regulator/s (if different from, or in addition to the stock exchange/s)

Glossary

'Active' bookrunner: a bookrunner that oversee and largely controls the book building process and the opposite of a 'passive' bookrunner. A term most particularly used in the US, although generally not in prospectuses that are registered with the SEC.

Advertised trade volume: the trading volume in a security over a period of time as communicated by an investment bank or broker to a database provider, for example Autex Block Data.

Adviser: another term for IPO sponsor. Distinct from Independent Adviser.

Aftermarket: refers to the market for an equity security after an IPO, once the issuer has secured a listing on a stock exchange.

Allocable investor demand: demand under a book building process that is deemed to be of sufficiently high quality to receive an allocation of stock.

Allocation: the number of shares an investor receives as part of an IPO (or follow-on equity offering).

Alternative investment fund: another term for a hedge fund.

American depositary receipt (ADR): a security that represents the economic interest in underlying equity shares and denominated in US dollars. ADRs, which can have several levels of sponsorship or be unsponsored, are quoted in the US. However, not all ADRs are listed on a US stock exchange. ADRs remain in the clearing system while the instruments that are actually traded by investors are American Depositary Shares (ADSs).

Anchor investor: An investor in an IPO that places a significant order at an early stage of book building. Unlike cornerstone investors, the names of anchor investors are not disclosed and they are also not subject to a lock-up (in markets where lock-ups are applicable). They are, however, well looked after with respect to their allocations by the bookrunner banks.

Anchor market: the main listing location and principal place of trading for a company that is listed on more than one stock exchange.

Appearance: the order in which the names of the senior banks in a syndicate of underwriters are listed on the cover of a prospectus, or in a tombstone advertisement published in the financial press. When the banks are not listed in alphabetical order, the top left position is usually reserved for the most senior bank in the pecking order.

Application forms: forms completed by members of the public and remitted to a receiving bank to subscribe for shares under a retail offering. Payment is normally made in advance for shares subscribed for under public offer tranches.

Application to listing: one or (usually) more forms that are filed by an issuer with a stock exchange and with the help of a sponsor bank, to seek a listing on that exchange.

Asset injection: when a shareholder transfers assets against payment onto the balance sheet of a company.

Asset manager: an institutional investor that manages investments across one or more asset classes and as determined by portfolio managers (often called PMs). These are made through funds or collective investment schemes that focus on certain types of investments, such as global, regional, country and industry sector funds, or funds with particular themes or concepts.

Assets under management (AUM): the monetary amount of financial assets managed by an institution, a fund manager, a portfolio manager or a private banker.

Association of Southeast Asian Nations (ASEAN): an association of countries based in Southeast Asia with a variety of political, economic and cultural objectives. The members of ASEAN are Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (PDR), Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Audit committee: a subset of the board of directors of a company responsible for oversight of financial reporting and disclosure. It is normally chaired by an independent, non-executive director. The majority of its members are also usually comprised of the same.

Audited accounts: the accounts of a company, when subject to audit procedures and on which an audit opinion is issued by a firm of auditors.

Audit opinion: an opinion expressed by a firm of auditors on the audited accounts of a company. An audit opinion can be clean or unqualified (that is with no reservations on the part of the auditors), qualified (when the auditors disagree with the treatment or disclosure of certain financial information) or, more rarely, adverse.

Auditor: A firm of accountants tasked with auditing the accounts of a company – often one of the 'Big Four' for IPO issuers. Also called reporting accountants in the UK.

Authorized representative: one or more individuals appointed by a listed company to communicate with a stock exchange on its behalf.

Average daily trading volume (ADTV): the average daily volume of trading in the shares of a listed company, usually calculated over a period of five, ten, 20 or 30 days.

Balloting: the mechanism through which shares are allocated by a share registrar to members of the public applying under the retail offer for an IPO.

Base offer size: the number of shares offered to investors in an IPO, excluding the shares comprised in an over-allotment option or Greenshoe.

Bear market: a market that is expected to trend lower.

Beauty parade: a term used when a company or an independent adviser asks a number of investment banks or brokers to formally compete, at the same time and on similar terms and conditions, for an advisory or financing mandate, with a view to selecting one or more of these firms to subsequently lead the transaction.

Benchmarking: the action of using other securities or traded instruments, or comparable companies, to determine the performance and appropriate valuation of another.

Best efforts underwriting: the equivalent of soft underwriting, that is when one or more investment banks only underwrite the risk of settlement by investors. The opposite of a best efforts underwriting is a hard or full underwriting.

Big Four: a term used to designate Deloitte, Ernst & Young, KPMG and PwC, the four largest global firms of accountants.

Blackout period: also called quiet period. The period during which equity research analysts of a syndicate of underwriters are prevented from issuing written reports on a company that has just undergone an IPO, usually for 40 days after listing.

Block trade: the sale of shares in a company over a period of generally not more than a few hours, at a fixed price or using a price range. Block trades are often hard underwritten.

Board committees: a term used to designate the audit committee, remuneration committee and nomination committee of a company, each comprised of a subset of its board of directors. Other committees may also be appointed, depending on the business of the company. Board committees are usually chaired by an independent, non-executive director and comprised of a majority of the same.

Board lot: the multiple of shares in which a company is traded on a stock exchange. A high board lot may impede trading by retail investors.

Board of directors: a group of elected or appointed individuals that are selected to oversee the activities of a company and that meets on a regular basis. A board of directors is normally comprised of executive and non-executive directors, including independent, non-executive directors, and includes several committees, including an audit committee, a nomination committee and a remuneration committee.

Bonus issue: another term for a scrip issue.

Bonus shares: a retail incentive mechanism whereby members of the public applying in an IPO can receive additional shares provided that their initial allocation remains unsold over a period of time.

Book: another term for the inventory of a market maker or trader. In the context of an IPO, the book is the list of orders received from institutional accounts during book building.

Book building: the mechanism through which orders are taken from institutional investors in an IPO, usually on the basis of a price range. An investor roadshow by the management of the issuer is conducted simultaneously as part of the marketing effort for the shares. Also called price discovery.

Bookrunner: one of the most senior roles in a syndicate of underwriters. A bookrunner coordinates (often alongside other investment banks acting in the same capacity) the compilation of the book of demand, as well as the allocation of stock to individual institutional investors. The role of bookrunner may be cumulated with other senior roles.

Book value: see net asset value.

Bottom-up demand estimate: an overall estimate of the institutional orders to be gathered in an IPO that is generally compiled by adding up potential individual amounts of allocable demand for a number of target investors.

Bought deal: an equity offering that is hard underwritten by one or several investment banks. A frequent practice for block trades.

Bribery Act: a law enacted in 2010 in the UK, similar to the Foreign Corrupt Practices Act (FCPA) in the US.

Bridge loan: a loan with a short maturity that is contracted until longer-term or permanent financing can be put in place.

Bringing over the wall: see crossing.

Broker: refers to an investment bank that carries out capital markets activities and researches, sells and trades commodities, currencies or securities.

Brokerage fee: a fee paid by an institutional investor or member of the public to an investment bank or receiving bank in connection with its IPO allocation. Brokerage is usually in the order of up to one per cent.

Bulge-bracket investment bank: a term for a major, global investment bank.

Bullet repayment: a term used when a one-time payment of a loan or debt security is made at maturity, rather than through several instalments.

Bull market: a market that is expected to trend higher.

Bumiputera: literally 'sons of the soil'. Ethnic Malay investors who benefit under local legislation from positive discrimination measures for the allocation of stock in IPOs of predominantly domestic businesses in Malaysia.

Business due diligence: a component of the due diligence investigations undertaken in connection with an IPO that focuses on the business and commercial affairs of a company, and with a view to ascertaining its reality, legality and sustainability.

Business trust: a listed equity instrument common in Singapore and certain other Asian jurisdictions for the securitization of a variety of assets and broadly similar in concept to a real estate investment trust. Like common law trusts, business trusts are not separate legal entities and their trustee-managers have legal ownership over the assets, which they manage for the benefit of unit holders. At the time of writing, business trusts had also been accepted for listing in Hong Kong, Malaysia and South Korea.

Buy-side: a term used to describe the institutional investor universe, by opposition to the sell-side, another term for brokers and an investment banks that are active in researching, selling and trading securities.

Capital increase: a term used when additional share capital is raised by a company through a rights issue, another equity capital markets transaction or through a cash injection.

Capital injection: when one or more shareholders make an investment involving cash, equity or assets into a company in exchange for a stake in the business.

Capitalization issue: another term for a scrip issue.

Capital markets: refers to both debt capital markets (DCM) and equity capital markets (ECM).

Capital structure: the ratio between the equity and the debt (usually, net of cash and cash equivalent securities) components on a company's balance sheet.

Chinese walls: barriers established for compliance purposes to prevent conflicts of interest between the advisory and capital raising activities of an investment bank and its securities, wealth and asset management businesses.

Classes of shares: types of shares that may be issued by a company, usually with different voting rights attached.

Claw-back: a term used to describe the reallocation of shares from an institutional offering to a public offer tranche. The reverse mechanism is called claw-forward. In another context, a claw-back provision refers to all or part of a discretionary bonus already awarded to an investment banker that may be reclaimed by his or her employer in certain circumstances.

Closing: the delivery (subject to conditions precedent and usually on a DVP basis) of shares to investors against payment. This is usually simultaneous with listing and start of trading.

Closing conditions: contractual obligations precedent included in an underwriting or sale and purchase or placement agreement pursuant to which the closing of an IPO can proceed.

Club deal: a capital markets transaction that is marketed and allocated to a few investors only.

Co-lead manager: a junior role in an IPO, whereby underwriters are normally not expected to conduct marketing activities beyond the drafting and publication of pre-deal research and a limited amount of pre-deal investor education. Co-lead managers are usually paid a fixed monetary amount as a fee for their efforts.

Co-manager: a very junior underwriting role in an IPO. Co-managers are normally not expected to conduct any marketing activities and are usually paid a fixed monetary amount for participating in the IPO. In the US, co-manager is a generic term for a junior underwriter.

Comfort letter: a letter, usually issued in several versions and delivered by the auditors of a company to its directors and to the IPO underwriters to provide comfort pursuant to certain procedures on the financial information included in the various versions of the listing document. See also SAS 72 and SAS 100.

Commitment fee: a fee payable by the borrower under a credit facility to the lender or lenders for making the funds available on agreed terms.

Committed loan facility: a loan facility made available to a borrower by a lender or lenders under specific and agreed terms and conditions.

Comparables: companies used in a benchmarking exercise for the positioning and valuation of an IPO issuer.

Compliance: in the context of an IPO, the set of procedures that a bank must follow to adhere to internal and external regulations and avoid conflicts of interest. All investment banks have a dedicated compliance department.

Concurrent retail offering: an offer of shares to members of the public that takes place simultaneously (although usually towards the end only) with the institutional book building process. Retail investors pay a maximum price equal to the top end of the institutional price range, subject to refund if the IPO price is ultimately set below that level.

Confidentiality agreement: also called non-disclosure agreement. A contract entered into between two parties whereby one agrees to keep confidential certain information provided by the other for a period of time, and subject to agreed terms and conditions.

Conflict of interests: a situation that arises when an investment bank takes on a mandate on behalf of a company when it is already engaged by one of its direct competitors for a similar or fairly similar transaction. A conflict of interests may also arise between different divisions of a financial institution, as well as when dealings conducted with third parties by the management or directors of a company negatively affect the interests of the shareholders of the company as a whole.

Connected-parties transactions: see related-parties transactions.

Consolidated accounts: the financial statements of a group, incorporating those of the parent company as well as those of its subsidiaries and its share in the profits of affiliated or associate companies.

Core growth investor: an institutional investment style that focuses on companies exhibiting good growth earnings potential.

Core value investor: an institutional investment style that focuses on large companies trading at low valuations, but that also exhibit relatively high dividend yields.

Cornerstone investor: typically, a well-known, high quality institutional investor, sovereign wealth fund or ultra high net worth individual that receives a guaranteed allocation at the offer price ahead of the book building phase of an IPO. The names of, and allocation of stock to cornerstone investors are normally disclosed in the listing document. They may also be required, in some jurisdictions, to abide by a lock-up.

Corporate finance: a term generally used for the provision of financial advisory and mergers and acquisitions services and the execution of financing activities by an investment bank on behalf of its corporate clients.

Corporate governance: best practice recommendations for arrangements regarding the senior management and directors of a listed company. This includes for example the formation of board committees as well as executive compensation.

Counter: another word for a listed stock.

Country banker: an investment banker specializing in the coverage of clients and on the execution of transactions within a specific country or region only.

Covenants: conditions, generally under a bilateral or syndicated loan facility, or under a bond or convertible bond, that require the borrower to meet certain obligations, or that can impose additional payment amounts upon the occurrence of certain events. For example, financial covenants may require a borrower to maintain a minimum, net interest cover, failing which the loan may be declared in default, or penalties applied under the facility.

Credentials: league tables, case studies of past transactions, testimonials or other materials used by an investment bank in support of a pitch for a new mandate.

Cross-border listing: the listing of a company incorporated in a certain jurisdiction on a stock exchange that is in another jurisdiction.

Crossing: the action of making aware a research analyst, salesperson or trader (or any party outside of an investment bank's Chinese wall) of certain confidential information that may impact the share price of a security. The crossing is normally effected by the investment bank's compliance department and results in that particular research analyst, salesperson or trader being prevented from researching, selling or trading that security for a period of time. Investors may also be crossed or brought over the wall when an investment bank conducts soundings in advance of an ECM transaction, or gathers interest from potential cornerstones.

Deal captain: a senior salesperson that is appointed to help coordinate the marketing efforts of the various equity sales teams of an investment bank in connection with an IPO.

Debt-to-equity ratio: a measure of the gearing of a company in percentage terms, equivalent to the short-term and long-term borrowings of a company, together divided by its shareholders' equity. This can also be computed on a net basis, in which case, cash and cash-equivalents included on the company's balance sheet are subtracted from the amount of borrowings.

Delivery versus payment (DVP): the simultaneous delivery by a company or its shareholders of shares to investors against payment by the investors for such shares.

Designation: part of the commission payable by an institutional investor on its allocation under an IPO payable to an investment bank or broker other than the one with which it has placed its order, usually to reward the contribution of that firm's research analyst(s) to the offering.

Disclaimer: a warning to potential investors in an IPO about certain facts relating to the company or to an investment in its shares.

Discounted cash-flow (DCF): a methodology used to determine the theoretical value of a business that involves the discounting of its expected future cash flows at a weighted average cost of capital (WACC). A DCF takes into account the capital structure of the company, the pricing (or expected pricing) of its equity and debt, as well as its tax rate. The output of a DCF is strongly correlated to the set of assumptions used for its calculation.

Discretionary bonus: the variable amount of compensation paid to an investment banker, on top of his or her salary. This may take the form of cash or, increasingly nowadays, stock options, shares or other instruments. This may also include claw-back clauses, whereby all or part of the discretionary bonus may be reclaimed by the investment bank under certain circumstances. Recently, the EU has introduced legislation to cap the amount of bonuses that may be earned by investment bankers as a proportion of their salary, resulting in significant increases in base pay levels for senior front-office staff in particular.

Discretionary fee: an optional, additional fee that the issuer and/or the selling shareholders in an IPO may choose to pay to all or some of the underwriters only. This may sometimes be expressed as an 'up to' percentage or amount, where only some of that discretionary fee may ultimately be paid.

Dividend: an annual or periodic payment that is made to the shareholders of a company or to the unit holders of a REIT or business trust.

Dividend yield: a percentage calculated as the dividend per share/unit divided by the price per share/unit of a company, REIT or business trust.

Documentary due diligence: also called legal due diligence. A component of the due diligence enquiries undertaken in connection with the IPO of a company and most particularly focused on the review by legal advisers of the material contracts/documents entered into by that company, for example service agreements, bank facility agreements, insurance policies or tax records.

Double-dipping: the practice whereby cornerstone investors also place an order for shares or units in a company or REIT or business trust during the book building process, on top of their guaranteed allocations. Double-dipping is not allowed in some jurisdictions, such as in Hong Kong.

Dual listing: listing by a company on two distinct stock exchanges. This includes a primary listing on the company's home or anchor market, as well as a secondary listing in another country.

Due diligence: investigations into the affairs of a company for legal and disclosure purposes that comprise of commercial due diligence, financial due diligence and legal/documentary due diligence. Due diligence also usually includes site visits and interviews with third parties such as customers, suppliers, business partners, lending banks or the company's auditors.

Due diligence report: a report by a firm of legal advisers delivered to the underwriters in connection with an IPO for the purposes of documentary due diligence and covering a number of aspects, for example the company's due incorporation, past minutes of the board of directors, tax and banking records, insurance arrangements, service and other material contracts, acquisitions, disposals and other issues.

EBITDA: earnings before interest, tax, depreciation and amortization. EBITDA is not a financial line item under generally accepted accounting principles (GAAP).

ECM team: a team within an investment bank that specializes in the origination and execution of ECM transactions.

e-IPO: a retail offer under which members of the public can apply for shares in the IPO through dedicated internet portals set up by receiving banks.

Emerging market: a financial market in a jurisdiction that is still relatively undeveloped.

Employee Retirement Income Security Act (ERISA): a federal law enacted in 1974 in the US that sets out minimum standards for private pension plans.

Engagement letter: also called mandate letter. A formal contract through which an IPO issuer and/or its shareholders mandate one or more investment banks or other parties for the transaction.

Enlarged share capital: the share capital of a company, as calculated following a capital increase.

Enterprise value (EV): the market capitalization of a company, plus its net debt, or minus its net cash position.

Equity capital: capital securities that can be raised through an ECM transaction and/or count as shareholders' equity for accounting and credit rating purposes.

Equity capital markets (ECM): a term used to describe financing transactions involving the issue or sale of equity capital (or equivalent or related securities), including IPOs.

Equity corporate finance team: a team within an investment bank that focuses more particularly on the corporate finance execution of ECM transactions, that is the phase that precedes the marketing of the offer to investors, including due diligence and documentation work.

Equity securities: see equity capital.

Equity story: another term for market positioning or investment case. The highlights of the issuer's business, strengths and strategies that are communicated to investors in an IPO.

Equity syndicate: a subset of an ECM team that focuses on liaising with similar teams at other investment banks and also tasked with coordinating the marketing aspects of IPOs and other ECM offerings by equity research and sales teams. This includes in particular pre-deal investor education, roadshow, book building, pricing, investor allocation and stabilization activities.

EV/EBITDA ratio: the EV of a company, divided by its EBITDA, a ratio that is often used to value businesses that are highly cash generative, but in many cases also highly geared.

Execution: depending on the side of the Chinese wall, this can mean the actual execution (rather than the origination) of an IPO, or the execution of an order placed by an investor with a salesperson to buy or sell a security.

Expense cap: a cap that is imposed on the level and amount of out-of-pocket or other expenses that may be reimbursed by an IPO issuer and its shareholders to its underwriters, or to other parties engaged to work on the transaction.

Expert: a firm that is usually appointed to report on the industry in which the company operates for the purposes of the listing document, or to provide a technical report on some or all of its assets, for example in the case of an oil & gas, mining or property company. See also independent market research (IMR) report.

External growth: another term for growth through acquisitions. The opposite of organic growth.

Extraordinary general meeting (EGM): a meeting of the shareholders of a company that is convened and held in addition to the annual general meeting (AGM).

Fee cap: the level beyond which fees payable to all or certain parties on a transaction cannot be exceeded, for example when the fee structure includes a ratchet or variable component linked to the satisfaction of certain objectives.

Final offering circular: the version of the offering circular used to market an IPO to institutional accounts that states the final offer price and related information, as well as information that has been updated since the publication of the preliminary offering circular. Often nowadays, a pricing schedule is published instead of a comprehensive, final offering circular.

Financial due diligence: a component of the due diligence investigations that is most particularly focused on a company's finances.

Financial listing requirements: the requirements for the listing of a company under the listing rules issued by a stock exchange that specify a minimum market capitalization, turnover, profit, cash-flow or other quantitative criteria in relation to a company's financial accounts.

Financial model: a computer model that includes key line items of a company's past financial statements, as well as financial projections for financial due diligence or valuation purposes.

Financial year-end: the date at which a company's annual accounts are closed, generally 31 December or 31 March.

Firm shares: the shares issued or sold under the base offer size of an IPO, that is excluding shares comprised in the over-allotment option or Greenshoe.

Firm underwriting: another term for full or hard underwriting.

Flotation: another term for an IPO.

Flow-back: the process through which the trading volume for securities that are listed on more than one stock exchange flows over time from one market place to another. As part of the flow-back, trading normally increases on the primary place of listing or anchor market, and decreases on those exchanges where a company has one or more secondary listings.

Follow-on offering: an ECM transaction that takes place after the IPO of a company. This may include marketed offerings or block trades, among other transactions.

Force majeure: a clause that may be invoked by the underwriters to relinquish their obligations upon the occurrence of certain extraordinary circumstances.

Foreign Corrupt Practices Act (FCPA): a federal law enacted in the US in 1977 that addresses certain corrupt practices by companies or individuals, for example the bribery of foreign officials.

Free float: the shares of a listed company in public ownership. For an IPO, the free float is typically in the order of 25 per cent, although this can sometimes be lower in the case of very large flotations.

Free retention: an allocation that is made to an underwriter rather than to individual institutional investors, for that broker or investment bank to allocate in turn to some of its accounts as it chooses. This is generally done to ensure that a number of smaller institutions can receive stock in an IPO to create liquidity in the aftermarket.

Frontier market: a type of emerging market at a very early stage of development, characterized by low liquidity, a limited number or type of financial products, domestic investors and transactions, as well as limited regulation.

Fully distributed: a type of valuation for a company undergoing an IPO that ignores any IPO discount that may be required by investors.

Fundamental analysis: the detailed analysis of a business, in particular using its financial statements as well as an assessment of the strength of its management, looking at both macro and company-specific factors. Fundamental analysis is the opposite of technical analysis or charting, which are primarily concerned with movements in share prices.

Fundamentals: the factors used in the fundamental analysis of a business.

Fund manager: an employee of an institutional investor or private bank who focuses on the management of one or more investment funds.

Global capital markets: refers to capital markets (both debt and equity and, often, also including derivatives), on a worldwide basis. Often used as the name of a division within an investment bank.

Global coordinator: a senior underwriter that is responsible, either on a sole or joint basis, for the overall coordination and execution of an IPO, including documentation, valuation and marketing. This may be cumulated with other roles.

Global depositary receipt (GDR): a security representing the economic interest in underlying shares, normally denominated in US dollars. GDRs remain in the clearing system while global depositary shares (GDSs) are actually sold to and traded by investors. GDRs were historically listed only in London and Luxembourg but can now be quoted on a variety of market places, including Hong Kong, Singapore and Tokyo.

Governing law: in a contract for a financial transaction, the legal system that will be used to settle any disputes. The contract also usually identifies which courts will have exclusive or, as the case may be, non-exclusive jurisdiction under that governing.

Greenshoe: also called over-allotment option. A device that is used by an investment bank appointed as a stabilizing manager to stabilize the share price of a company (if necessary) in the first few weeks after its IPO. This entails the allocation of additional shares to institutional investors that may then be brought in the market in an attempt to bring the share price back to, or above the offer price. When the share price trades above the IPO price, an option may be exercised by a shareholder or the company, as part of the Greenshoe, to sell down or issue more shares in the company.

Growth at a reasonable price (GARP): an investment style whereby institutions seek both value and growth in the companies they invest in.

Guarantee: a compensation practice common in investment banks where the variable component paid to the recipient on top of his or her salary is already known in advance. Guarantees are generally agreed for a period of one or two years.

Guaranteed economics: fixed fees paid to junior underwriters for their participation in an IPO.

Hard underwriting: the opposite of a best efforts, soft or settlement underwriting. When investment banks commit in advance to buying shares in a company at a certain price prior to actually selling them on to investors. A usual practice for block trades.

Hedge fund: an unregulated institutional investor that usually focuses on liquid assets, often using short-selling or derivatives for hedging purposes.

High net-worth (HNW) individual: an individual investor with liquid financial assets of US$1 million equivalent or more.

Holding company: the company at the top of a group, and which holds stakes in its operating subsidiaries.

Holding company discount: a term used to describe the valuation at which a holding company trades when it is below the sum of its constituent parts.

Home market: the primary or anchor market where a company is listed.

House style: the typeface and layout used for an offering circular that identify it with a particular investment bank. When several senior underwriters are appointed in the same role and on the same fees, a neutral style is usually adopted.

Incentive fee: see discretionary fee.

Income investor: an investment style where institutions pick stocks on the basis of their payout ratio and dividend yield.

Increasing the range: the practice of changing the book building price range in an IPO for another one with both higher bottom and top ends, in response to investor demand. This happens reasonably frequently for IPOs listed on one of the US exchanges, but is less common in other markets.

Indemnity clause: a clause in an engagement letter, sale and purchase, subscription or underwriting agreement pursuant to which one party agrees to indemnify another one, typically upon a breach of certain representations and warranties.

Independent adviser: a boutique firm, investment bank or consultant advising the issuer and its shareholders on an IPO, separately from the underwriters. An independent adviser is also frequently involved in the appointment of the lead banks.

Independent market research (IMR) report: a report compiled by a market research firm or expert and included in the offering circular or prospectus for an IPO. The IMR report typically includes market share and market size information for the industry in which the company operates.

Independent, non-executive director (INED): a non-executive member of the board of directors of a company, and whose other activities are completely unrelated to those of the company or to its management.

Index: in the context of an IPO, one of the market indexes followed by investors to benchmark returns and in which a newly listed company may be included. Such inclusion generally triggers significant 'passive' stock purchases by index funds.

Infrastructure fund: a listed or unlisted fund that makes investments in cash-generating infrastructure assets such as airports, fibre-optic cables, power plants, toll roads or utilities.

Initial listing requirements: the financial and other requirements that can be found under the listing rules established by a stock exchange for the listing of a company.

Initial public offering (IPO): the process of listing a company's shares on a stock exchange. This entails the sale of new and/or existing shares to institutional investors as well as, usually, members of the public.

Institutional investors: investors that manage, in a professional manner, funds invested by subscribing underlying investors or on behalf of other parties. Institutional investors include sovereign wealth funds, mutual funds, charities, insurance companies, private banks, pension funds, hedge funds and other types of institutions.

Institutional offering: the portion of an IPO that is marketed to institutional investors rather than to members of the public. Sometimes called institutional tranche or placement.

Interim accounts: the quarterly or semi-annual accounts published by a company. More rarely, interim accounts may also be computed for other periods in connection with an IPO.

Internet roadshow: an electronic roadshow presentation that is made available to institutional investors through a dedicated, password-protected website.

Inter-syndicate agreement: the agreement between the underwriters of the institutional offering and those of the retail offering for an IPO. Among other things, the inter-syndicate agreement is where claw-back and claw-forward arrangements can be found.

Investment case: see equity story.

Investment committee: a committee established by a financial institution that is usually comprised of senior executives tasked with making decisions on investments entered into by the firm.

Investment Company Act of 1940 (or Investment Company Act): see 1940 Act opinion.

Investor conference: a conference organized usually from one year to another by an investment bank for institutional investors, and normally with a country, regional or industry theme, and where attendees can meet with, and hear presentations by, the senior management of a wide range of companies.

Investor relations (IR): the process or processes through which a company interacts with institutional investors and sell-side research analysts.

Investor surveys: surveys conducted periodically with institutional investors by the financial press to rank the sell-side research analysts or equity sales teams of various investment banks or brokers, within a region, country or industry sector.

IPO work plan: the various working groups established for the execution of a new listing.

Issue manager: the equivalent of a sponsor bank in Singapore.

Joint and several: contractual obligations whereby one obligor is required to pick up the obligations of another. Several rather than joint and several obligations are the norm in the agreements and contracts entered into for an IPO.

Joint venture (JV): a type of business agreement or partnership through which equity contributing parties agree to share assets, liabilities, profits and losses. A JV has a finite life.

Jurisdiction: a defined market that is subject to a particular rule of law. Distinct from (and usually smaller than) a country.

Kick-off meeting: a meeting that is held between the issuer (and perhaps its major shareholders), the senior underwriters, the legal advisers and the auditors at the start of the execution work for an IPO.

Large cap: a company with a market capitalization greater than US$1 billion equivalent.

Lead bank (or broker): a term used to describe a senior bank within a syndicate of underwriters, such as a sponsor, global coordinator, bookrunner, or lead manager.

Lead manager: a relatively senior underwriting role that is usually (but not always) combined with that of bookrunner.

Lead underwriter: a generic although fairly vague term for a senior member of a syndicate of underwriters. Similar to lead bank. The 'left lead', whose name appears in the top left position on the cover of the offering circular, is normally the most senior lead underwriter for the transaction when such names do not appear in alphabetical order.

League table: a ranking among investment banks compiled by a database provider for a defined period of time, region, country, industry sector, type of transaction and level of seniority within an underwriting syndicate.

Legal opinion: a document delivered generally at closing of an IPO to the issuer and its underwriters in relation to certain legal aspects of the company. This may, for example, cover its constitutive records, power to execute the IPO or the execution and delivery of other documents. Generally, all the law firms involved in an IPO will deliver one or more legal opinions pursuant to the jurisdiction on which they are providing advice, in addition to due diligence reports.

LIBOR: The London Interbank Offered Rate, a daily, reference rate at which banks borrow from each other in the money market in London. LIBOR is often used as a reference rate for the margins at which corporates or institutions are able to borrow funds under a bilateral or syndicated loan facility.

Licensed firm or individual: in most jurisdictions, investment banks, brokers and individuals employed by them in a front-office capacity need to be licensed or authorized by the relevant stock exchange or regulator to carry out their activities.

Liquidity: the degree of activity in the trading of a listed company, usually expressed as a monetary amount and calculated or averaged over a period of one, five, ten, 20 or 30 days.

Listing by way of introduction: a listing on a stock exchange without any sell-down of shares by a shareholder or the raising of new money in the form of equity by the company. This is normally conducted by companies already listed on another exchange, and who therefore already meet the quantitative listing requirement for a minimum number of shareholders.

Listing committee: a committee elected or appointed by a stock exchange to vet applications to listing made by companies.

Listing costs: the costs associated with the listing of a company on a stock exchange.

Listing fees: the fees paid by a company to a stock exchange in connection with its listing on one of its boards. This normally includes initial fees at the time of the IPO as well as ongoing fees for the maintenance of the listing.

Listing requirements: the financial, quantitative and other requirements issued by a stock exchange for the listing of companies. This normally includes initial requirements at the time of the IPO as well as ongoing requirements for the maintenance of the listing.

Listing rules: the rules issued by a stock exchange that govern the listing of companies on its platform.

List of documents: a comprehensive list of documents required for an IPO, including contracts, legal opinions, comfort letters, forms to be filed as part of the listing application, as well as documents to be made available for due diligence purposes.

Lock-up: a restriction on the sale or issue of shares by certain parties such as cornerstone investors, controlling or major shareholders or the issuer after the IPO of a company, typically for a period of at least several months.

Long-only: a term used to describe institutional investors that do not conduct short position hedging and often invest for the long-term.

Long/short: an institutional investment strategy that involves short position hedging in other securities.

Lowering the range: the practice of changing the book building price range in an IPO for another one with both lower bottom and top ends, in response to investor demand. This happens reasonably frequently for IPOs listed on one of the US exchanges, but is less common in other markets.

Management discussion and analysis (MD&A): a narrative discussion of the reasons for the underlying changes in certain financial line items and other financial information of a company that is included in its listing document.

Mandate letter: also called engagement letter. An agreement for the appointment of one or more parties, such as investment banks or legal advisers, in connection with an IPO.

Market capitalization: the market value of a listed company, calculated as the number of its shares multiplied by the price per share.

Market maker: a broker or a broker–dealer in the US that facilitates trading in securities, currencies or commodities by making prices through buying and selling stock it keeps as an inventory in a book.

Market positioning: see equity story or investment case.

Maturity: the number of years after which a debt instrument becomes repayable in full, or when an option expires, or when a loan, a bond or a convertible bond becomes repayable (for example, a bond with a five-year maturity).

Maximum price: the top end of an indicative book building price range and the price paid by members of the public when applying for shares under a concurrent retail offering. The maximum price paid by retail investors is subject to reimbursement if the IPO price is ultimately set below that level.

Mergers and acquisitions (M&A): the activities of an investment bank pursuant to which they advise corporate, financial sponsor or other clients on the sale and purchase of companies.

Mid-cap: a company with a market capitalization generally comprised between US$500 million and US$1 billion equivalent.

Momentum investor: an investment style whereby institutions focus on stocks of companies that experience rapid growth. Alternatively, a type of investor that follows trends or news to achieve market gains.

Multiple listings: when a company is listed on more than two stock exchanges. In such a case, there are several secondary listings on top of the primary listing on the home or anchor market.

Multiples: the financial ratios that are used to calculate the current and expected valuation of listed companies.

Net asset value (NAV): the book value of a company, calculated as its assets minus its liabilities, and often expressed on a per share basis.

Net asset value (NAV) ratio: see price to book ratio.

Net debt-to-equity ratio: see debt-to-equity ratio.

Net gearing: a measure of the indebtedness of a company in relation to its equity and calculated as a percentage, also taking into account cash and cash equivalents included on its balance sheet. See also debt-to-equity ratio.

Net proceeds: the amount of money raised by a company in an IPO, after fees and other costs.

New issue: an offering of securities pursuant to a capital markets transaction.

1940 Act opinion: a legal opinion delivered by a firm of US legal advisers on whether a company constitutes an investment company under the Investment Company Act of 1940 in the US. These are often conglomerates or holding companies and a series of tests may be conducted to ascertain whether they fall under the ambit of the Act.

Nominated adviser (Nomad): the equivalent of a sponsor bank for the Alternative Investment Market (AIM) in the UK.

Nomination committee: a committee of the board of directors of a company, responsible for the appointment of management and directors. The nomination committee is normally chaired by an independent, non-executive director and comprised of a majority of the same.

Non-deal roadshow: a roadshow by the management of a company that visits institutional investors although not in connection with a capital markets transaction.

Non-disclosure agreement (NDA): see confidentiality agreement.

Non-executive director: a member of a board of directors that is not employed in an executive capacity by a company, although not necessarily independent from the company or some of its major shareholders.

No registration opinion: a legal opinion delivered by a firm of US legal advisers on whether an IPO is not required to be registered with the Securities and Exchange Commission (SEC) in the US, that is, when no offering to the public is conducted there, and when only onshore, qualified institutional buyers (or QIBs) are targeted in the US under a Rule 144A private placement.

Offer for sale: equivalent to secondary offering. When existing shareholders sell shares that they own in IPO.

Offer for subscription: equivalent to primary offering. When a company raises new money in the form of equity through the issue of new shares to investors.

Offering circular: generally meant to describe the listing document that is used to market an IPO to institutional investors. By contrast the prospectus is that issued under the retail offer for the benefit of members of the public. An offering circular is usually published in preliminary form (that is, without pricing information) and subsequently updated after determination of the final offer price. It may also be issued in several versions, typically at least a Reg. S and a Rule 144A version for IPOs of a sufficiently large size targeting onshore qualified institutional buyers in the US.

Offer price: the price ultimately paid by investors in an IPO. This can also mean the price at which a seller is willing to sell a quoted security. Also known as IPO price.

Offer structure: the various underwriting and marketing tranches in which an IPO may be divided. For example, this will include the split between any primary and secondary offering, or between an institutional offer (itself split between a Reg. S and a Rule 144A tranche for an IPO of a sufficiently large size targeting onshore qualified institutional buyers in the US), and an offer to the public.

Office of Foreign Assets Control (OFAC): an agency of the US Department of the Treasury that administers and enforces economic and trade sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, persons engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the US.

One-on-one meetings: part of an IPO roadshow that involves individual meetings of approximately 45 minutes each with major and higher quality institutional investors around the world.

Ongoing listing fees: see listing fees.

Ongoing listing requirements: see listing requirements.

Oral presentation: when banks physically pitch or are invited to physically pitch for an IPO, rather than submit written responses under a request for proposal. An oral presentation may, however, follow a written submission, in which case it is normally conducted with investment banks that have been shortlisted.

Ordinary share: a share in a company, normally with one vote attached, and distinct from other types of shares that may be issued, such as preferred shares or shares with different voting rights.

Organic growth: growth in a company that is not achieved through acquisitions, but through the business' 'organic' activities only. The opposite of external growth.

Origination: the practice of marketing to clients with a view to obtaining mandates for investment banking transactions. Generally, the more senior investment bankers become, the more they focus on origination rather than execution.

Outselling: the process through which an investment bank gathers orders for more shares or is allocated a higher amount of stock than other houses jointly appointed in the same role in an IPO.

Over-allotment option: see Greenshoe.

Over-subscription: demand obtained from investors in excess of the number of shares available in an IPO (or part thereof, for example the institutional or public offer tranche). Generally expressed as a multiple of the size of the IPO or tranche therein.

'Passive' bookrunner: a bookrunner that, while still participating in the book building process, essentially takes more of a back seat and also normally receives lower fees for its efforts. The opposite of an 'active' bookrunner and a term most particularly used in the US, although generally not in prospectuses that are registered with the SEC.

Passive Foreign Income Company (PFIC): refers to tax on US investors that may be levied in certain circumstances on gains or dividends derived from investments in holding companies, companies with significant cash positions or start-up ventures.

Pathfinder: see preliminary offering circular.

Pension fund: an institutional investor that manages retirement funds.

PER: See P/E ratio.

P/E ratio: a financial ratio sometimes also called PER and calculated as the price per share of a company divided by its net earnings per share, either on an actual or forecast/prospective basis.

Physical due diligence: part of the due diligence investigations into a company that involve the touring or visit of physical assets, such as mines, oil fields, factories or other major production or storage facilities.

Pitch: an action, written document or physical presentation by an investment bank seeking to obtain a mandate for a transaction.

Pitch book: a written document, often in the form of PowerPoint slides, drafted by an investment bank in support of a pitch.

Placement: another term for an institutional offering or institutional tranche.

Placing agent: a broker or investment bank appointed to sell shares but without an underwriting role in the transaction. In the context of an IPO, similar to a selling group member. Most common in private equity and unlisted funds, but less so in publicly listed transactions.

Plan of distribution: a section in an offering circular, sometimes known as the underwriting section, that sets out the key terms and arrangements for the marketing and underwriting of an IPO.

Portfolio manager (PM): Another term for fund manager.

Post-deal research: refers to research reports on a company published by investment banks after its IPO has taken place and, for the underwriters of the IPO, after the blackout or quiet period has expired.

Post-listing: refers to activities or events that take place after the listing of a company on a stock exchange.

Post-money: a type of valuation for a company undergoing an IPO that takes into account equity to be raised by the issuer as part of the transaction.

Post mortem: a detailed case study of a past investment banking transaction used in pitches for prospective or existing clients. These usually highlight (in a good light) the bank's relative performance to others, especially in the case of jointly mandated transactions.

Praecipium: part of the fees set aside for banks appointed as global coordinators and (more rarely nowadays) lead managers to reward their coordination role in an IPO.

Pre-agreed allocation: an allocation to an investor that is made irrespective of the overall quality of the book of demand and agreed prior to, or at the outset of book building, most typically for cornerstone investors.

Pre-agreed economics: fees paid to junior underwriters in an IPO to reward their participation, irrespective of their performance.

Pre-deal investor education (PDIE): equivalent to pre-marketing, and a term more commonly used nowadays. The practice whereby research analysts of the underwriters travel around the world to communicate the investment case of a company to institutional investors and obtain feedback on the same, as well as on the company's valuation, with a view to setting a price range for book building.

Pre-deal research: research reports on an IPO issuer produced by the research analysts of the investment banks underwriting the deal and published ahead of the PDIE process.

Pre-IPO investment: an investment in a company by a strategic or institutional investor ahead of an IPO, and usually at a discount or with other preferential terms. These may include, for example, price adjustments, put or exit options, director nomination rights, veto rights, anti-dilution rights, profit guarantees, negative pledges, prior consent for certain corporate actions or changes in articles, exclusivity rights, information rights, representation and attendance rights, rights of first refusal or tag-along rights or compensation provisions when the company fails to secure a stock exchange listing over a certain period of time.

Preliminary offering circular: a version of the offering circular, sometimes also called pathfinder, red or red herring, that doesn't include pricing information. A preliminary offering circular is subject to changes and amendments. See offering circular.

Pre-marketing: see pre-deal investor education (PDIE).

Pre-money: a type of valuation for a company undergoing an IPO that does not take into account equity to be raised by the issuer as part of the transaction.

Presentation to research analysts: an event when the management of a company undergoing an IPO brief the research analysts of the underwriters on the investment case. Such briefing then enables them to draft pre-deal research reports to be published ahead of the PDIE process.

Price discovery: see book building.

Price range: the book building price range, normally of around 15–20 per cent, set at the end of the PDIE process, based on feedback gathered by the research analysts of the underwriters from institutional investors.

Price talk: the market's views on the valuation of a company undergoing an IPO.

Price-to-book ratio: a financial ratio calculated as the share price of a company divided by its book or net asset value per share and most relevant for banks and property companies in particular.

Pricing: an event that follows book building and a concurrent retail offering when the final offer price is determined based on the level of subscription by investors and the quality of the institutional book of demand.

Primary equity market: another term for the new issue market for equity securities.

Primary listing: the main place of listing for a company that is listed on more than one stock exchange. The primary listing generally drives disclosure and is also usually where most of the aftermarket trading volume takes place.

Primary offering: the issue of new shares by a company to raise equity. By contrast, a secondary offering is a sell-down by an existing investor.

Principal: the amount borrowed under a loan or issued under a debt capital markets transaction. Can also mean the capacity in which a broker undertakes a security transaction for its own account, in which case the term proprietary (or 'prop' for short) is sometimes also used.

Principal adviser: the equivalent of a sponsor bank in Malaysia.

Private bank: a financial institution that manages money, usually on a discretionary basis, on behalf of individuals with an ultra high, or high net-worth.

Private banker: a person working for a private bank that serves ultra high or high net-worth clients.

Private equity: a firm that invests equity capital generally in unlisted companies and often over a period of several years prior to exiting through an IPO or trade sale and, generally, at a much higher price.

Private placement: the sale of shares under an IPO to usually up to a prescribed number of institutional investors in a defined jurisdiction pursuant to an exemption from local listing requirements (that is without the requirement to make an offer to public in that jurisdiction).

Privatization: a sale to investors of assets owned by a government, either through an IPO (or follow-on offering for companies that are already listed), or trade sale. Alternatively, the process through which a company gets de-listed by a controlling shareholder.

Pro bono: refers to work conducted by a firm of legal advisers without any remuneration being charged to its client.

Product banker: an investment banker who focuses on a certain type of financing transaction, for example ECM offerings.

***Pro-forma* accounts**: the accounts of a company re-computed so as to show the financials as if the company's structure today had been in existence in preceding years. It is often necessary to compute *pro-forma* accounts when material mergers, acquisitions or disposals have happened in the years immediately preceding an IPO.

Property valuer: a firm of experts appointed in connection with the execution of an IPO and mandated to value material property assets owned by the company. Their report is included in the offering circular and prospectus.

Prospectus: usually, a listing document that includes specific information for subscription by the public. Broadly similar to an offering circular for institutional investors.

Public float: see free float.

Public offering: a tranche within the offer structure for an IPO under which retail investors can subscribe for shares, either through a concurrent or sequential retail offering.

Public offering without listing (POWL): a mechanism that is used to target retail and high net-worth investors in Japan, without the need to list shares on one of the Japanese stock exchanges. A POWL is sometimes included as part of the offer structure for large, liquid IPOs by well-known issuers, most particularly in Asia.

Publicity guidelines: a set of written guidelines published by the legal advisers to the underwriters in connection with an IPO, and expected to be followed by the issuer and all the other parties executing the transaction in relation to their dealings with the media or in public events, in order not to trigger a breach of the applicable listing rules and other relevant regulations.

Public relations (PR): a series of actions undertaken with a view to creating awareness of a company and its business among the general public, through the media or other means. PR is often used in an IPO, although subject to certain legal and regulatory restrictions.

Pulling an IPO: the decision made by the issuer of an IPO and its shareholders, normally on recommendations from the underwriters, to discontinue the transaction, often on the grounds of adverse market conditions or subdued demand on the part of investors.

Qualified institutional buyer (QIB): one of up to several thousand large, onshore US institutional investors that may buy shares in a non-US company pursuant to a Rule 144A private placement. QIBs include fund managers with discretionary AUM above US$100 million, smaller banks and savings and loan associations with equity of at least US$25 million, and registered brokers or dealers managing discretionary assets of at least US$10 million.

Qualified opinion: see audit opinion.

Quiet period: see blackout period.

Ranked analyst: see investor surveys.

Ratchet: a fee scale whereby the level of commissions increases based on certain pre-agreed criteria. Common for M&A transactions but rare for IPOs, where discretionary incentives are more frequent.

Real estate investment trust (REIT): a listed equity vehicle set up to securitize rental income generated by, usually, commercial real estate assets. This involves the owner or sponsor of the REIT transferring its ownership through the sale of units to IPO investors, as well as a REIT manager receiving management and performance fees in relation to the deposited property. Acquisition and divestment fees may be, and are often also charged.

Receiving bank: a commercial bank engaged under the retail tranche of an IPO to distribute and receive application forms, as well as money from members of the public. Their role also involves the distribution of prospectuses.

Red (or red herring): another term for a preliminary offering circular.

Registrar: see share registrar and transfer agent.

Regulation S of the Securities Act of 1933 (Reg. S): an exemption from registration for the sale of shares by a non-US issuer to US institutional investors that are located offshore. A Reg. S offering may be conducted alongside a Rule 144A private placement when onshore QIBs are also targeted in the US.

Related-parties transactions: one-off or continuing transactions involving the management, directors, controlling shareholder or one of the major shareholders of a company undergoing an IPO that may give rise to a conflict of interests when not conducted on an arm's length basis. Generally, such transactions must be discontinued before the shares of the company can be listed, although waivers are sometimes granted (and must be disclosed) by the stock exchange or regulator in specific circumstances. This may also involve the parties entering into certain arrangements such as rights of first refusal to mitigate the effect of such transactions.

Remuneration committee: a committee appointed by the board of directors of a company and responsible for devising the remuneration policy for directors and senior management. The remuneration committee is normally chaired by an independent, non-executive director and comprised of a majority of the same.

Re-organization: the transfer or sale of certain assets and liabilities prior to, or upon the IPO of a company and with a view to creating a vehicle that is suitable for listing.

Reporting accountant: see auditor.

Representations and warranties: contractual obligations on the part of the issuer, its shareholders and the investment banks that can be found in the banks' engagement letter(s), as well as in the various agreements entered into in connection with an IPO.

Request for proposal (RFP): an invitation letter sent by a company or a financial adviser on behalf of a company to investment banks and brokers and inviting them to send a proposal or to give a presentation on their views and recommendations on its proposed initial public offering. RFPs may also be issued to select and appoint other parties in connection with a new listing.

Research analyst: an employee of the securities side of an investment bank that covers and issues regular reports on companies, usually within a region, country and/or industry sector to institutional investors.

Research analyst rankings: see investor surveys.

Research coverage: means all the companies that are covered by one or more research analysts.

Research guidelines: guidelines for the drafting and publication of pre-deal research reports issued by the legal advisers to the underwriters for an IPO.

Re-structuring: see re-organization.

Retail broker: a broker that sells securities to retail investors.

Retail discount: the difference between the price paid in an IPO by institutional investors and that paid by members of the public, when different. A retail discount is a type of retail incentive.

Retail incentives: devices normally used in large privatization IPOs to encourage the participation of members of the public. These include retail discounts, bonus shares, bill vouchers or other methods.

Retail investor: a member of the public that participates in an IPO.

Reverse merger: a stock exchange listing that is obtained through the acquisition of a listed, shell company rather than through an IPO. In recent years, fairly common by mainland Chinese companies on the US stock exchanges.

Reverse roadshow: a roadshow where investors visit the management of the company.

Reverse scrip issue: the process through which the outstanding shares of a company are consolidated into a lower number of shares with a view to increasing the price per share.

Review: limited procedures performed by auditors that are narrower in scope than an audit.

Ring-fencing: the action of isolating a particular business or activity. In the context of an IPO, often used to describe a group of investors that can only be contacted by certain investment banks.

Roadshow: a marketing exercise for an IPO where the management of a company visits and makes presentations to investors. This normally takes the form of large, theatre-style presentations, small group meetings and one-on-one meetings. It may also include an internet roadshow.

Roadshow consultant: a firm that specializes in travel logistics for financial roadshows. This includes the booking of airplane tickets, hotel rooms and ballrooms, limousines as well as other arrangements.

Roadshow presentation: the slide show, script and suggested answers to questions used by the management of a company during an IPO roadshow. Copies of the slides and script are usually not handed out to, and in any event never left with, attendees.

Rule 144A of the Securities Act of 1933: a rule for the marketing and sale of securities issued in the US by foreign companies in a private placement to onshore QIBs. Rule 144A was enacted in 1991.

Sale and purchase agreement: an agreement that governs the best efforts or settlement underwriting of securities under an institutional tranche.

Sales trader: See trader.

SAS 72: a type of comfort letter issued by auditors in connection with an international version (that is targeted at Reg. S or Rule 144A investors) of an offering circular. SAS 72 'lookalike' letters pursuant to other jurisdictions are also often issued by auditors in connection with the domestic tranches of IPOs.

SAS 100: procedures for the issue of a comfort letter by auditors in connection with an international version (that is targeted at Reg. S or Rule 144A investors) of an offering circular and pursuant to a review of accounts (rather than in the case where an audit has been conducted).

Scrip issue: an issue of bonus shares to shareholders by a company with a view to lowering the price per share.

Secondary listing: see dual listing and multiple listings.

Secondary offering: a term used to describe the sale of existing shares by one or more shareholders in an IPO. This may be conducted alongside a primary offering that raises new money in the form of equity for the company.

SEC-registered offering: an equity capital markets transaction registered with the Securities and Exchange Commission (SEC) in the US, and therefore usually targeted at US retail investors and institutional investors in the US (and, often, internationally).

Sector banker: an investment banker who focuses on the origination and execution of mandates for companies within a defined industry sector (and, usually, region).

Securities: a generic term for financial instruments that can be traded between investors, usually through brokers and on a stock exchange.

Securities regulator: a public institution established to regulate the securities and financial industry in a particular jurisdiction. When banks rather than brokers conduct securities business, however, they are generally primarily regulated by the applicable central bank or monetary authority.

Sell-down: see secondary offering.

Selling group: junior banks appointed to sell, but not to underwrite shares in an IPO.

Selling restrictions: a subset of the plan of distribution or underwriting section of the offering circular for an IPO that details the jurisdictions in which shares may be sold under the transaction, as well as the type of investors that can be targeted in each of them.

Sell-side: a term used to describe investment banks or brokers – by opposition to investors (also known as the buy-side).

Sequential retail offering: unlike a concurrent retail offering, a sequential retail offering is an offer to the public that follows the determination of the offer price. It is therefore conducted using a fixed rather than a maximum price.

Settlement: also known as closing. An event within the timetable for an IPO when investors pay for the shares they receive. This is usually simultaneous with listing and start of trading in the shares of the company.

Several: see joint and several.

Shareholders' agreement: an agreement made among the shareholders of a company, which, for example, may include pre-emption rights.

Share registrar and transfer agent: a financial institution that keeps a record of the shareholders in a public company on an ongoing basis, and that conducts balloting for the allocation of shares for members of the public under an IPO.

Small cap: a company with a market capitalization below US$500 million equivalent.

Soft underwriting: see best efforts underwriting.

Sovereign wealth fund (SWF): a fund established by a government to manage State-owned holdings in companies and invest public funds in the financial markets, including in IPOs. SWFs normally have a long-term investment horizon and are seen as high quality investors, often taking cornerstone positions in new listings.

Special dividend: a dividend that is paid to the shareholders of a company prior to an IPO, often simultaneously with an increase in gearing by the issuer.

Spin-off: the separate stock exchange listing of part of the business owned by a company that is already listed. Spin-offs can generally only be conducted after several years after the IPO of the parent company have elapsed.

Split orders: when an institutional investor places distinct orders with two or more underwriters. An alternative to split orders is a designation.

Sponsor: also called IPO sponsor. An investment bank, broker or financial adviser that advises and provides guidance to an IPO issuer on listing matters and that is more particularly responsible for the filing and negotiation of the listing application with the stock exchange or regulator.

Stabilization: see Greenshoe.

Stabilization profit: the difference between the price at which shares comprised in a Greenshoe are allocated to investors (that is the IPO offer price) and the lower price at which such shares are bought back by the stabilizing manager in the market in an attempt to stabilize the share price in the aftermath of an IPO. The stabilization profit is traditionally kept by the underwriters, although increasingly nowadays shared with the issuer or its shareholders.

Stabilizing manager: see Greenshoe.

Steering committee: a committee established in connection with the execution of an IPO and comprised of senior investment bankers and members of management of the company who regularly convene to discuss and resolve important issues pertaining to the new listing.

Stock borrowing agreement: in an IPO other than in the US, the agreement whereby the stabilizing manager borrows shares, usually at no cost, from one of the major shareholders of the company, to allocate the shares comprised in the over-allotment option to investors.

Subscription agreement: the agreement signed by cornerstone investors in an IPO, evidencing their acceptance under certain terms and conditions of guaranteed allocations at the offer price.

Syndicate: in an IPO, the underwriters and selling group members (if any) appointed by the issuer to market the transaction.

Syndicate desk: see equity syndicate.

Syndicated loan facility: a loan facility under which a corporate borrows funds from a number of banks that come together to form a syndicate through an arranging bank.

Syndicate structure: the number of banks, and their respective titles and underwriting levels under an IPO syndicate.

Target investors: institutions identified as likely participants in an IPO and whose expected demand may be tallied in a bottom-up demand estimate.

10-b-5 letter: a disclosure letter issued by a firm of US legal advisers and addressed to the underwriters effectively confirming, subject to certain terms and conditions, the accuracy and completeness of the information included in an offering circular. One or more 10-b-5 letters may be received by investment banks from law firms in an IPO that is marketed on a Rule 144A basis, and these constitute an important element of the banks' due diligence defence. Increasingly, 'domestic' 10-b-5 equivalent letters are also being issued by firms of legal advisers advising on jurisdictions other than the US in connection with IPOs.

Termination: the circumstances upon which the underwriting obligations under an underwriting or sale and purchase agreement may automatically be relinquished.

Terms sheet: a summary of the key terms and conditions for a securities transaction or loan facility.

Top-down demand estimate: an estimate of the investor demand that may be gathered for the IPO of a large company that involves assumptions for the inclusion of that company after its listing in various global, regional, country or industry sector market indexes.

Trader: an employee of the securities side of an investment bank or broker that is involved in buying and selling shares or other securities for institutional investors that are clients of the firm's salespeople, or for the bank's own account. Sales traders directly engage such institutional accounts rather than through their sales colleagues.

Trading: see liquidity.

Trading floor: a large, open-space room where the securities activities of an investment bank are conducted. This generally includes research, sales and trading for one or more types of securities.

Tranche: a component of the offer structure of an IPO, either for marketing or underwriting purposes (or both).

Transaction team: the employees of an investment bank involved in the execution of an IPO.

Transfer agent: a role usually cumulated with that of registrar and held by a bank, insurance company or trust company. A transfer agent keeps track of the ownership of securities and also acts as an intermediary for the payment of interest and dividends.

Ultra high net-worth (HNW) individual: a person with liquid financial assets of at least US$30 million (or the equivalent in other currencies). Some private banks sometimes apply a higher threshold, such as US$50 million.

Under-subscription: where investor demand achieved in an IPO is below the number of shares offered in the transaction.

Underwriting: the subscription of securities by investment banks or brokers pursuant to a contract at an agreed price, subject to certain representations and warranties by the issuing company and/or selling shareholders, as well as the satisfaction of conditions precedent.

Underwriting agreement: an agreement that evidences an underwriting of securities. The term underwriting agreement is normally used for retail or public offer tranches, whereas sale and purchase or placing agreements are more commonly used for institutional offerings or placings.

Underwriting committee: a committee within an investment bank that makes decisions about new IPO mandates and also authorizes the firm to proceed with important stages throughout the execution of the transaction, including, ultimately, the pricing and underwriting of the deal.

Underwriting section: see plan of distribution.

Upsize option: an option to increase the number of shares issued or sold in an IPO as a result of investor demand.

Virtual data room (VDR): a password-protected website used by investment banks, legal advisers and other parties involved in the execution of an IPO for documentary due diligence purposes, and on which copies of corporate and other documents can be uploaded.

Waiver: the permission granted in specific circumstances by a stock exchange or regulator not to apply some of the listing rules in connection with the IPO of a company.

Waiver of immunity: a contractual arrangement under which a State-owned company waives its immunity in the event of litigation with other parties.

Wealth management: see private bank.

Working group list: a list with contact details for the various parties mandated in connection with an IPO and that is updated periodically as new parties are appointed.

Working groups: distinct clusters pertaining to the execution of an IPO, each comprised of investment bankers and other parties working on certain aspects of the transaction.

Yield investor: an institutional investment style that focuses more particularly on the dividend yield offered by securities.

Notes

Preface

1. Dealogic: 'Global ECM Review – Final figures for full year 2013'.
2. www.reuters.com: Kylie Maclellan, 'Bankers expect IPOs to be greater portion of share sales in 2014', 22 October 2013.

Part I Assessing Candidate Banks

2 Using an Independent Adviser or Consultant

1. www.efinancialnews.com: Richard Partington, 'Lazard vs. Rothschild vs. STJ Advisors', 8 October 2013.
2. www.efinancialnews.com: Richard Partington, 'PwC takes on independent IPO advisers', 8 November 2013.
3. Company prospectus for the IPO.

3 How an Adviser/Consultant Can Best Add Value

1. www.stjadvisors.com, 22 October 2013.
2. Securities and Futures Commission, 'Consultation conclusions on the regulation of IPO sponsors', 12 December 2012.

4 The Beauty Parade

1. www.financeasia.com: Anette Jönsson, 'Agricultural Bank of China ready to pick banks for IPO', 7 April 2010.

Part II The Request for Proposal (RFP)

2 Market Positioning

1. Transaction executed by the author while an investment banker at UBS.

3 Valuation

1. *South China Morning Post:* Sandy, Li, 'Jingrui pays dividend almost twice its profit ahead of Hong Kong IPO', 21 October 2013.

4 Execution Considerations and Team

1. www.ft.com: Paul J. Davies and Arash Massoudi, 'Alibaba abandons $60 billion Hong Kong listing', 25 September 2013.

2. *South China Morning Post*: Charlotte So, 'US bourses accept board plan: Alibaba', 21 October 2013.
3. *South China Morning Post*: George Chen and Ray Chan, 'Alibaba in talks with London bourse after Hong Kong snub', 22 October 2013.
4. *South China Morning Post*: Sophie Yu and Eric Ng, 'Alibaba drops share sale to revive hopes of a Hong Kong listing', 25 October 2013.
5. Transaction executed by the author while an investment banker at UBS.
6. IPO prospectuses for the transaction.
7. www.mining.com: Cecilia Jamasmie, 'Glencore Xstrata to list in S. Africa, ignores country's issues', 10 September 2013.
8. www.reuters.com: Elzio Barreto, 'Prada raises $2.1 billion in HK IPO', 17 June 2011.
9. www.reuters.com: Antonella Ciancio, 'Italy's Ferragamo shines in Milan debut', 29 June 2011.
10. Transaction executed by the author while an investment banker at UBS.
11. www.bloomberg.com: Stefania Bianchi, 'Dubai spurned for London as U.A.E. companies sidestep IPO rules', 26 November 2013.
12. Transaction executed by the author while an investment banker at Nomura.

5 Marketing Considerations

1. Company prospectus for the IPO.
2. *Capital Markets Law Journal*: Tze-Gay Tan and Jeanne Ong, 'Cornerstone investors in IPOs – an Asian perspective', 2013, Vol. 8, No. 4.
3. Company prospectuses for the respective IPOs.
4. Dealogic ECM Statshot: 'Royal Mail plc prices largest EMEA IPO in 2013 for $2.8bn', 11 October 2013.
5. IPO executed by the author while an investment banker at UBS.
6. www.bloomberg.com: Ksenia Galouchko, 'MegaFon beats IPO price on MSCI Fast-Track Index addition', 29 November 2012.
7. IPO executed by the author while an investment banker at Macquarie.
8. *The Philippine Star*: Zinnia B. Della Peña, 'SM Investment loses 3.6% in stock market debut', 23 March 2005.

6 Fees and Expenses

1. www.bloomberg.com: Sarah Frier, Jeffrey McCracken and Serena Saitto, 'Twitter said to pay 3.25% bankers' fee for market debut', 12 October 2013.
2. Company prospectus for the IPO.
3. www.efinancialnews.com: Richard Partington, 'Bankers face pressure on IPO fees', 14 October 2013 and 'The dangers of IPO aftermarket fees', 18 October 2013.
4. www.telegraph.co.uk: 'Cable: Royal Mail advisers won't get bonuses for "years"', 27 November 2013.
5. Company prospectus for the IPO and conversations between syndicate members and the author.

6. Company prospectus for the IPO.
7. www.efinancialnews.com: Richard Partington, 'The dangers of IPO after-market fees', 18 October 2013.
8. Company prospectus for the IPO.

7 Credentials and Other Considerations

1. www.bloomberg.com: Lee Spears and Brian Womack, 'Facebook increases IPO price range to $34–38 a share', 16 May 2012.

Part III Interviewing Investment Banks

3 Obtaining Financing

1. www.reuters.com: Michelle Sierra, 'Twitter wrapping up $1 billion revolver', 14 October 2013 and Gerry Shih, 'Twitter obtains $1 billion credit line on road for IPO', 22 October 2013.
2. IPO filing with the Securities and Exchange Commission.
3. www.online.wsj.com: Juro Osawa, 'Alibaba secures $8 billion loan from 9 banks', 2 May 2013.
4. www.efinancialnews.com: Matt Turner, 'Bankers alerted to new IPO tactic', 18 November 2013.

Part IV Formally Appointing Lead Banks

1 How Many Lead Banks?

1. Securities and Futures Commission, 'Consultation conclusions on the regulation of IPO sponsors', 12 December 2012.
2. Company prospectus for the IPO.
3. Company prospectus for the IPO.
4. *South China Morning Post*: Ray Chan, 'BOCI, JPMorgan among 10 banks to join Cinda IPO syndicate: source', 22 October 2013.
5. Company prospectus for the IPO.
6. Company prospectus for the IPO.
7. Company prospectus for the IPO.
8. Company prospectus for the IPO.
9. www.reuters.com: Michael Flaherty and Elzio Barreto, 'Goldman, HSBC spat over Huishan IPO highlights Chinese squeeze on banks', 19 September 2013.

5 The Engagement Letter(s)

1. Securities and Futures Commission, 'Consultation conclusions on the regulation of IPO sponsors', 12 December 2012.

9 Conclusion

1. www.bloomberg.com: Kari Lundgren and Thomas Penny, 'Royal Mail stock jumps 38% on first trading day after IPO', 11 October 2013.
2. www.ibtimes.co.uk: Lianna Brinded, 'Royal Mail shares: Vince Cable and Lazard bankers to face parliamentary inquiry over IPO price', 16 October 2013.

Appendix 9 Example of International Placement Agreement Principles

1. The relevant provisions of the institutional placement agreement will generally be duplicated, without material negotiation and subject only to reasonable, consequential or customary modifications, into the domestic underwriting contracts.
2. Usually, nothing in these underwriting principles is construed as creating any obligation or commitment on any of the underwriters to underwrite or purchase any securities, or enter into a placement agreement and each underwriter may, without any obligation to the issuer, under the underwriting principles, decline to proceed further with or participate in the transaction.
3. The identity of subsidiaries for which customary representations will be provided are normally determined during the due diligence process.
4. The number and identity of the 'material subsidiaries' is usually determined after consultation with the issuer and the auditors, and as part of the due diligence process.
5. This is normally qualified by reference to a material adverse effect on the group taken as a whole, unless already qualified by materiality.
6. The issuer will usually consult with/provide to the managers (for their comments) all publicity materials issued in connection with the offering.
7. A 'not false or misleading in any material respect' standard is generally acceptable in respect of regulatory submissions.
8. Appropriate, reasonable and customary formulations are normally expected.
9. Any material assets are usually clearly and specifically identified by, and agreed between, the issuer and the managers.
10. This is usually subject to final offer structure and marketing activities.
11. Any representation/warranty/indemnity relating to the contents of the publicity materials is normally predicated on the publicity materials being read with the prospectus.
12. Such mis-statement by a manager is normally not covered by the '10b-5' indemnity.
13. In each case, this is usually limited to the selling shareholder entity, individually, in respect of itself.

14. Normally, exclusion for losses, claims or damages arising from fraud, gross negligence or wilful misconduct by a manager will only apply to a breach of warranty.

Appendix 11 Other Parties to be Appointed for an IPO

1. To attend the kick-off meeting in addition to the issuer/shareholders, any adviser/consultant and the sponsor banks, global coordinators and bookrunner banks.

Index

advertised trade volume, 51, 151
Agricultural Bank of China, 16
AIA, 45
Alibaba, 35, 69
allocable investor demand, 43, 151
allocations, 45–46, 87, 151
Amadeus Global Travel Distribution, 36
American depositary receipts (ADRs), 37, 151
anchor investors, 46, 81, 122, 151
application forms, 48, 151
arbitration, 22, 96
assets under management (AUM), 42, 152
Association of Southeast Asian Nations (ASEAN), 36, 152
Astro Malaysia, 45, 54
audited accounts, 38, 104, 152
auditors, 38–39, 101, 104–105, 150, 152
Autex Block Data, 51, 151
average daily trading volume (ADTV), 51, 152

bank financing
  documentation, 69–72
  maturity, 69–72, 167
  requests for bank financing (example), 126
bank roles/titles
  'active' bookrunners, 4–5, 12, 151
  advisers, 4, 82, 151
  bookrunners, 4–5, 82, 102, 139–140, 154
  co-lead managers, 5, 156
  co-managers, 5, 156
  global coordinators, 4, 81–82, 137–139, 162
  issue managers, 4, 165
  lead managers, 5, 165
  'passive' bookrunners, 4–5, 12, 170
  principal advisers, 4, 172
  selling group members, 5, 177
  sponsors, 4, 80, 82, 96, 97, 136–137, 178
  stabilizing managers, 5, 50, 178
base offer size, 49, 86, 153
beauty parades
  dual stage, 14–16
  number of invitees, 14–15
  oral interviews, 65–66, 73–75
  single stage, 14–16
  written submissions, 23–25
'Big Four', 39, 153
block trades, 79, 153
Bloomberg, 57
board lot, 48–49, 153
bottom-up demand estimates, 43, 154
Bribery Act, 143, 146, 154
bulge-bracket banks, 91, 154
Bumiputera investors (Malaysia), 87, 154

CapitaMalls Asia, 53
checklists for RFPs, 60
China (mainland of), 16, 50, 80, 81, 82, 111
China Cinda Asset Management, 81
China Galaxy Securities, 80
China Huishan Dairy Holdings, 8, 50, 81
Chinese walls, 18, 155
Chow Tai Fook Jewellery, 7, 50
Chunghwa Telecom, 37
claw-back rules, 45, 49, 155

closing conditions, 99, 143
comfort letters and procedures, 104, 176
conferences, 51
confidential information, 21
confidentiality agreements, 21–22
conflict of interests, 8, 11, 28, 29, 58, 131, 156
controlling shareholders, 61, 71–72, 97, 100
cornerstone investors
  appointment and benefits, 45–47, 81, 83, 157
  'double-dipping', 46, 159
covenants
  on the part of issuers, 12, 71, 99, 144, 157
  on the part of selling shareholders, 12, 71, 99, 146, 157
credentials, 56–59, 157

Damac Real Estate Development, 37–38
deal captains, 44, 158
Dealogic, 57
Dubai, 37
due diligence, 6, 30, 38–39, 102–103, 159

earnings before interest, tax, depreciation and amortization (EBITDA) multiples, 33, 62, 159
e-IPOs, 48, 159
Employee Provident Fund Board (EPF), 45
Employee Retirement Income Security Act (ERISA), 143, 159
engagement (or mandate) letters
  advertising and marketing activities (by the banks), 96, 135
  confidentiality clause, 95, 131–132
  engagement period, 94, 97
  fees, 95
  governing law, 96, 162
  investment bank teams, 94, 131
  IPO expenses, 95, 133–134
  liabilities, 95, 132–133
  right to appoint additional banks, 96–97, 135
  scope of work (for banks), 94, 136–140
  termination clause, 96, 134
  waiver of sovereign immunity, 96, 143, 146, 180
execution considerations
  appointment of directors and key management positions, 39–40
  bank team leaders and execution team members, 40
  corporate governance issues, 39–40
  dual listings, 36, 48
  financial information, 38–39
  IPO work plans, 38
  listing location, 35–38
  timetable, 12, 30, 38–39
Extel, 66

Facebook, 57
fees
  base fees, 52–55
  brokerage fees, 54, 79, 80, 154
  discretionary incentive fees, 53–54, 80, 158
  fee pool and fee sharing, 43, 54, 79–80
  praecipium, 53, 171
  pre-agreed economics, 52–53, 58, 171
Felda Global Ventures, 45
Ferragamo (Salvatore), 37
financial listing requirements, 29–30, 161
financial printers, 13, 150
Foreign Corrupt Practices Act (FCPA), 143, 146, 161
Foxtons, 7
France, 36, 37, 52, 71–72

'free-for-all' marketing arrangement, 80–81
frontier markets, 37, 48, 162

Germany, 36, 37
Glencore, 36
global depositary receipts (GDRs), 37, 162
going-public convertible bonds, 51
greenshoes (or over-allotment options), 49–51, 53, 57, 162, 170

HDFC Bank, 38
Hong Kong, 4, 7–8, 12, 16, 22, 33–34, 35, 37, 45–46, 48, 50, 52, 79–80, 83–84, 87, 95, 97, 107
Hong Kong Electric Investments, 87
Hydoo International, 83

IHH Healthcare, 35–36, 45, 50, 53, 57
indemnities and liabilities
  by issuers, 99, 145
  by selling shareholders, 99, 147
  by underwriters, 22, 95, 132
independent advisers/consultants, 7–10, 11–13, 163
independent market research (IMR) reports, 102, 164
indexes, 43, 49, 164
Indonesia, 6
Information on issuers, 61–62
Institutional Investor magazine, 66
institutional investors, 42
International Financial Review (IFR), 28
international placement agreement principles, 98–99, 141–147
Investment Company Act, 39, 143, 165
investor relations, 51, 165
investor surveys, 44, 66, 165
invitation emails, 17–19, 114
IPO expenses, 9, 55, 88, 133–134
Italy, 7, 37

Japan, 42, 43, 87, 108, 173
Jingrui Holdings, 33
joint and several obligations, 94, 146–147, 165

kick-off meeting, 100–105
Kumpulan Wang Persaraan (Diperbadankan) (KWAP), 45

league tables, 56–57, 165
leaks (to the media), 18, 20, 46, 89, 92
'left lead' underwriters, 4, 165
legal opinions
  10-b-5 disclosure letters, 39, 179
  1940 Act opinions, 39, 168
  domestic disclosure letters, 39
legal proceedings/litigation, 22, 58
Lembaga Tabung Haji (LTH), 45
licenses, 4, 56
Lloyds Banking Group, 7

Malaysia, 4, 35–36, 45, 50, 53, 54, 57, 86–87
management discussion and analysis (MD&A), 38, 167
market conditions, 27–28
market positioning, 29–31
MegaFon, 49
Moleskine, 7
MTR Corporation, 48

'no deal-no fee' arrangements, 80
nominated advisers (Nomads), 4
numericable, 71, 82

L'Occitane, 52
offer structures, 12, 39, 41–42, 169
Office of Foreign Assets Control (OFAC), 143, 146, 169
oral presentations, 14, 15, 73–75, 169

Parkway, 36
parties to be appointed in an IPO, 150
Passive Foreign Investment Company (PFIC), 39, 143, 170
Permodalan Nasional Berhad (PNB), 45
Philippines (The), 50
placement agreements, 83, 98–99, 135, 141–147
post-deal research coverage, 51, 80, 171
Prada, 37
pre-deal investor education (PDIE), 39–40, 57, 108, 171
pre-deal research, 43–44, 57, 80, 87, 90, 107–108, 171
pre-IPO investments, 15, 33–34, 171
price ranges, 57, 108, 172
price-to-earnings (P/E) multiples, 32, 170
pricing (of IPOs), 8, 11–12, 40, 46, 57–58, 66, 172
primary offering, 41, 172
principal shareholders, 61
privatizations, 7, 14, 37, 48, 50, 53, 58, 71, 173
pro forma accounts, 38, 107, 173
public offers without listing (POWLs), 42–43, 87, 173
public relations firms, 13, 150, 173

Qatar Holding, 45
qualified institutional buyers (QIBs), 41, 174

Railtrack, 31
registrars, 13, 48, 150, 174
Regulation S (Reg. S), 41, 47, 105, 174
representations and warranties, 12, 98–99, 111, 141–143, 146, 175
request for proposal (RFP) questionnaire (example), 119–124
research analyst rankings, 44, 66, 175
retail incentives, 48–49, 175
retail offering (types of), 49, 156, 177
reverse scrip issues, 48–49
reviewed accounts, 38, 104
roadshows, 5, 13, 15, 46–47, 88, 108, 176
Royal Mail, 7, 48, 49, 53, 82, 111
Rule 144A private placement, 41, 86, 101, 105, 176
Russia, 49

Samsonite, 8, 50
scope of work
  for bookrunners, 139–140
  for global coordinators, 137–139
  for sponsor banks, 136–137
score sheets for RFP submissions
  long-form, 24, 115–117
  short-form, 24, 117–118
scrip issues, 48–49, 176
secondary offerings or sell-downs, 41, 51, 86, 111, 176
several obligations, 94, 95, 146, 177
share prices, 48–49
shortlists of banks, 14–15, 67–68
Singapore, 4, 15, 22, 35–36, 45, 48, 50, 52, 53, 57, 86
Sinopec Engineering, 80
SM Investments, 50
sovereign wealth funds, 36, 42, 45, 177
Spain, 31
spin-offs, 51, 178
stabilization profits, 50, 178
stock borrowing agreements, 49–50, 178
Switzerland, 36, 41–42
syndicate desks, 19, 65, 89, 92, 178

termination, 12, 88, 94, 96, 98–99, 111, 134, 144–145, 179
terms sheets, 70, 85–89, 127–129, 179
Thomson Reuters, 28, 51
top-down investor demand estimates, 43, 179
trading volume, 36, 38, 51, 111
tranching of IPOs, 86–87
translators, 13, 50
Twitter, 52, 69

underwriting
  hard underwriting, 6, 94, 163
  soft underwriting, 6, 94, 153
UK Financial Investments (UKFI), 7
underwriting committees, 89, 180
United Arab Emirates, 37, 38
United Kingdom (UK), 4, 7–8, 42, 48–49, 53, 82, 107, 111
United States (US), 4–5, 37, 38, 39, 41, 47, 52, 57, 69, 86, 101, 105

valuation, 6, 8, 11–12, 32–34, 44, 54, 57, 61–62, 65, 66, 67
Value Partners, 45
virtual data room (VDR) providers, 13, 180

work allocation among lead banks (example), 148–149

Xstrata, 36