



Press release, Zurich & Lausanne, Switzerland, December 2nd, 2009

Banque Privée Espírito Santo & Swiss Finance Institute Award Prize for Research on Auctioned IPOs

Banque Privée Espírito Santo and the Swiss Finance Institute are proud to announce this year's winners of the private banking prize to finance researchers Francois Degeorge, Francois Derrien and Kent Womack. The prize, announced on November 30, 2009 at the Fourth Annual Meeting of the Swiss Finance Institute, acknowledges their research findings on the U.S. evidence of auctioned initial public offerings (IPOs).

The paper analyzes investor behavior and mechanism performance in auctioned IPOs. The authors find evidence that auctioned IPOs perform well under two important criteria: they exhibit highly elastic demand, and they attract strong and predictable participation from institutional investors. This mechanism allows the underwriter and the issuer to extract information, on which some investors try to free ride. Retail bids are less informative than institutional bids, but do not seem to affect the information-extraction mechanism enough to discourage institutional investors from participating. Those institutional investors, who provide more information, are rewarded by obtaining a larger share of the deals that have higher initial returns. In highlighting this, the results of the paper suggest that auctioned IPOs could therefore be an effective alternative to traditional bookbuilding.

The 20,000 CHF prize was received in person by Professor Francois Degeorge, who holds a Swiss Finance Institute Research Fellowship at the University of Lugano. "We thank Banque Privée Espírito Santo for acknowledging the contribution of this research to the practice of private banking," said Professor Jean-Pierre Danthine, Managing Director of the Swiss Finance Institute.

The work appears in a research paper entitled "Auctioned IPOs: The U.S. Evidence". The paper can be found online in the Social Science Research Network (SSRN) Swiss Finance Institute Research Paper Series (2008, No. 38). The Series is jointly coordinated with NCCR FINRISK.

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*The **Swiss Finance Institute** is a private foundation created in 2006 by Switzerland's banking and finance community in cooperation with leading Swiss universities. It supports and advances research, doctoral training and executive education in banking and finance. The Institute is supported by the Swiss banks, the Swiss Stock Exchange, Swiss universities and the Swiss Federal Government.*

*Established in Switzerland since 1977, **Banque Privée Espírito Santo** is a Swiss bank part of the Portuguese Group Espírito Santo, whose origins date back to 1869. Exclusively focused on wealth management, the Bank has CHF 9.2 Billion in assets under management and employs a staff of 155, in its Pully head office and abroad. For more information please visit www.espiritosanto.com.*