

A Review of IPO and Policy Implications for the Japanese Junior Markets

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Abstract

We review the theory and evidence on Initial Public Offerings especially on junior markets around the world. Our discussion is composed of two pillars: First, we review the existing literature on the IPO anomalies — underpricing, long-term underperformance, and IPO cycle —. Second, we focus on the related regulations and institutional infrastructures in IPO markets, including price-allocation method, listing standard, disclosure, price-support operation, trading mechanism, and delisting requirement. We discuss how each legal and institutional mechanism works and has effect on incentives of market participants. At the end of this paper, we summarize future research topics and policy recommendations for the Japanese IPO market.

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