HMRC - STSM071080 - Introduction: Offers For Sale And Placings

To attract investors, a company that wants its shares to be listed on a stock exchange might consider an offer to the public (‘Initial Public Offer’ or ‘offer for sale’). An offer notice setting out the listing particulars will usually be published in the Financial Times and other national newspapers. The offer is open to the general public.

Offers of shares in major companies coming new to the market may be so popular that the offer is over-subscribed. In these circumstances, the company may allocate the available shares pro rata between the applicants or hold a ballot to decide which applicants are successful.

Offers for sale will usually be underwritten to protect against possible under-subscription.

An alternative to an offer for sale is a ‘placing’. In this case shares are placed with clients of the issuing house appointed to handle the issue. It follows that members of the general public are not able to participate. Placings tend to be cheaper and quicker to administer and are commoner than offers for sale.

Previous page

Next page