

Informational Value of U.S. Securities Registration:
Evidence from Secondary Public Offerings, 1996-2016

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Comments welcome: this is a working draft and thus subject to revision, not for quote.

ABSTRACT

We study the information environment around seasoned public offerings of debt and equity during the period 1996-2016 using transactions data from the period around the offering. We find that public companies experience a reduction in information asymmetry around the offerings that is consistent with an observed increase in analyst coverage and heightened regulatory and market scrutiny. This leads to lower adverse selection costs relative to the pre-offer period. We also find a positive relation between asset prices and the reduction in information asymmetry. The changes are significantly higher for equity (versus debt), traditional regulatory review (versus streamlined shelf offerings), and companies that are infrequent issuers of securities. These companies face higher information problems and can benefit the most from a reduction in information asymmetry. We also find that changes in the information environment persist after 2001 which coincides with the decimalization of the stock trading and a series of regulatory reforms: RegFD, SOX and RegNMS. This is consistent with the view that the information impact of the securities offering process documented in studies using pre-2001 data remain after decimalization and other market regulatory reforms and that they persist over time in the sense of not reverting after the offering period.

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