IFRS 2 ***Share-based Payment*** (July 2014)

Price difference between the institutional offer price and the retail offer price for shares in an initial public offering

The Interpretations Committee received a request to clarify how an entity should account for a price difference between the institutional offer price and the retail offer price for shares issued in an initial public offering (IPO). The submitter refers to the fact that the final retail price could be different from the institutional price because of:

(a) an unintentional difference arising from the book-building process; or

(b) an intentional difference arising from a discount given to retail investors by the issuer of the equity instruments as indicated in the prospectus.

The submitter described a situation in which the issuer needs to fulfil a minimum number of shareholders to qualify for a listing under the stock exchange's regulations in its jurisdiction. In achieving this minimum number the issuer may offer shares to retail investors at a discount from the price at which shares are sold to institutional investors. The submitter asked the Interpretations Committee to clarify whether the transaction should be analysed within the scope of IFRS 2.

The Interpretations Committee observed that in the fact pattern considered in this submission the listing is not received from the institutional or retail shareholders. It further observed that the fair value of the shares issued to retail investors is different from the fair value of the shares issued to institutional investors. The fact that a regulatory requirement is met by virtue of issuing the retail shares does not indicate that unidentifiable goods or services were received from the purchasers. On the basis of this analysis, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.