Facebook Is Said to Plan Paying 1.1 Percent Fee to Banks

By Douglas MacMillan and Serena Saitto - Mar 19, 2012

Facebook Inc. (FB), the social- networking website seeking to raise $5 billion in an initial public offering, will pay underwriters a 1.1 percent fee, two people with knowledge of the company’s plans said.

The fee will be shared among Facebook's underwriters, said the people, who asked not to be named because the details are private. Facebook has hired 31 banks to manage the IPO, including Morgan Stanley (MS) as lead underwriter. The lead bank typically earns a bigger cut of the total.

At 1.1 percent, the company will be paying its banks one- fifth the typical rate for IPOs. Underwriters were paid an average of 5.48 percent in 127 offerings last year, Bloomberg data show. With larger IPOs, banks can often afford to take a smaller percentage fee, and high-profile offerings such as Facebook can lead to future business, making securities firms willing to accept less.

Jonathan Thaw, a spokesman for Menlo Park, California-based Facebook, declined to comment on banker fees.

Facebook said in a regulatory filing earlier this month that it received an $8 billion package of financing, including a $5 billion five-year revolving line of credit and a $3 billion 364-day bridge loan. The company also named 25 new underwriters.

Facebook had already named Morgan Stanley, JPMorgan Chase & Co. (JPM), Goldman Sachs Group Inc. (GS), Bank of America Corp. (BAC), Barclays Plc (BARC) and Allen & Co. to handle the deal.

The list of banks added to the offering this month includes Deutsche Bank AG (DBK), Credit Suisse Group AG and Citigroup Inc. (CLO) Smaller banks were added as well, such as M.R. Beal & Co., Muriel Siebert & Co. and William Blair & Co.

Two people told Bloomberg in February that Facebook’s banks could collect a fee of 1 percent to 1.5 percent from the IPO.

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