

**[DISCUSSION DRAFT]**

118<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R.** \_\_\_\_\_

To require the Securities and Exchange Commission to carry out a study of the costs associated with small- and medium-sized companies to undertake initial public offerings.

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IN THE HOUSE OF REPRESENTATIVES

Mr. HIMES introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To require the Securities and Exchange Commission to carry out a study of the costs associated with small- and medium-sized companies to undertake initial public offerings.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Middle Market IPO  
5 Underwriting Cost Act”.

1 **SEC. 2. STUDY ON IPO FEES.**

2 (a) STUDY.—The Securities and Exchange Commis-  
3 sion, in consultation with the Financial Industry Regu-  
4 latory Authority, shall carry out a study of the costs asso-  
5 ciated with small- and medium-sized companies to under-  
6 take initial public offerings (“IPOs”). In carrying out such  
7 study, the Commission shall—

8 (1) consider the direct and indirect costs of an  
9 IPO, including—

10 (A) fees, such as gross spreads paid to un-  
11 derwriters, IPO advisors, and other profes-  
12 sionals;

13 (B) compliance with Federal and State se-  
14 curities laws at the time of the IPO; and

15 (C) such other IPO-related costs as the  
16 Commission determines appropriate;

17 (2) compare and analyze the costs of an IPO  
18 with the costs of obtaining alternative sources of fi-  
19 nancing and of liquidity;

20 (3) consider the impact of such costs on capital  
21 formation;

22 (4) analyze the impact of these costs on the  
23 availability of public securities of small- and me-  
24 dium-sized companies to retail investors; and

1           (5) analyze trends in IPOs over a time period  
2           the Commission determines is appropriate to analyze  
3           IPO pricing practices, considering—

4                   (A) the number of IPOs;

5                   (B) how costs for IPOs have evolved over  
6           time, including fees paid to underwriters, in-  
7           vestment advisory firms, and other professions  
8           for services in connection with an IPO;

9                   (C) the number of brokers and dealers ac-  
10          tive in underwriting IPOs;

11                  (D) the different types of services that un-  
12          derwriters and related persons provide before  
13          and after a small- or medium-sized company  
14          IPO and the factors impacting underwriting  
15          costs;

16                  (E) changes in the costs and availability of  
17          investment research for small- and medium-  
18          sized companies; and

19                  (F) any other consideration the Commis-  
20          sion considers necessary and appropriate.

21          (b) REPORT.—Not later than the end of the 360-day  
22          period beginning on the date of the enactment of this Act,  
23          the Commission shall issue a report to the Congress con-  
24          taining all findings and determinations made in carrying  
25          out the study required under subsection (a) and any ad-

1 ministrative or legislative recommendations the Commis-  
2 sion may have.