

Union Calendar No. 685

115TH CONGRESS
2D SESSION

H. R. 6324

[Report No. 115–887]

To require the Securities and Exchange Commission to carry out a study of the direct and indirect underwriting fees, including gross spreads, for mid-sized initial public offerings.

IN THE HOUSE OF REPRESENTATIVES

JULY 10, 2018

Mr. HIMES introduced the following bill; which was referred to the Committee on Financial Services

AUGUST 3, 2018

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on July 10, 2018]

A BILL

To require the Securities and Exchange Commission to carry out a study of the direct and indirect underwriting fees, including gross spreads, for mid-sized 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 Un-*
 5 *derwriting Cost Act”.*

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

7 (a) *STUDY.*—*The Securities and Exchange Commis-*
 8 *sion, in consultation with the Financial Industry Regu-*
 9 *latory Authority, shall carry out a study of the costs associ-*
 10 *ated with small- and medium-sized companies to undertake*
 11 *initial public offerings (“IPOs”). In carrying out such*
 12 *study, the Commission shall—*

13 (1) *consider the direct and indirect costs of an*
 14 *IPO, including—*

15 (A) *fees, such as gross spreads paid to un-*
 16 *derwriters, IPO advisors, and other profes-*
 17 *sionals;*

18 (B) *compliance with Federal and State se-*
 19 *curities laws at the time of the IPO; and*

20 (C) *such other IPO-related costs as the*
 21 *Commission determines appropriate;*

22 (2) *compare and analyze the costs of an IPO*
 23 *with the costs of obtaining alternative sources of fi-*
 24 *nancing and of liquidity;*

1 (3) consider the impact of such costs on capital
2 formation;

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

6 (5) analyze trends in IPOs over a time period
7 the Commission determines is appropriate to analyze
8 IPO pricing practices, considering—

9 (A) the number of IPOs;

10 (B) how costs for IPOs have evolved over
11 time, including fees paid to underwriters, invest-
12 ment advisory firms, and other professions for
13 services in connection with an IPO;

14 (C) the number of brokers and dealers active
15 in underwriting IPOs;

16 (D) the different types of services that un-
17 derwriters and related persons provide before
18 and after a small- or medium-sized company
19 IPO and the factors impacting underwriting
20 costs;

21 (E) changes in the costs and availability of
22 investment research for small- and medium-sized
23 companies; and

24 (F) any other consideration the Commission
25 considers necessary and appropriate.

1 **(b) REPORT.**—*Not later than the end of the 360-day*
2 *period beginning on the date of the enactment of this Act,*
3 *the Commission shall issue a report to the Congress con-*
4 *taining all findings and determinations made in carrying*
5 *out the study required under subsection (a) and any admin-*
6 *istrative or legislative recommendations the Commission*
7 *may have.*

Amend the title so as to read: “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.”.

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August 3, 2018

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