

117TH CONGRESS
2D SESSION

S. 3980

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.

IN THE SENATE OF THE UNITED STATES

MARCH 31, 2022

Ms. LUMMIS (for herself, Ms. SINEMA, Mr. WARNER, and Mr. HAGERTY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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”.

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

7 (a) **DEFINITIONS.**—In this section:

1 (1) IPOs.—The term “IPOs” means initial
2 public offerings.

3 (2) SMALL- AND MEDIUM-SIZED COMPANIES.—
4 The term “small- and medium-sized companies”
5 means issuers with an initial public float determina-
6 tion of less than \$700,000,000.

7 (b) 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 asso-
10 ciated with small- and medium-sized companies to under-
11 take IPOs and Tier 2 offerings, as defined in section
12 230.251 of title 17, Code of Federal Regulations. In car-
13 rying out such study, the Commission shall—

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

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

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

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

23 (2) compare and analyze the costs of an IPO
24 with the costs of obtaining alternative sources of fi-
25 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, in-
12 vestment advisory firms, and other professions
13 for services in connection with an IPO;

14 (C) the number of brokers and dealers ac-
15 tive 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-
23 sized companies; and

24 (F) any other consideration the Commis-
25 sion considers necessary and appropriate.

1 (c) 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 Congress con-
4 taining all findings and determinations made in carrying
5 out the study required under subsection (b) and any ad-
6 ministrative or legislative recommendations the Commis-
7 sion may have.

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