

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To require the Board of Governors of the Federal Reserve System, companies registered with the Securities and Exchange Commission, and companies registering securities with the Commission, to consider diverse individual-owned and controlled asset management firms when seeking asset management services, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the Board of Governors of the Federal Reserve System, companies registered with the Securities and Exchange Commission, and companies registering securities with the Commission, to consider diverse individual-owned and controlled asset management firms when seeking asset management services, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Diverse Asset Man-
3 agers Act”.

4 **SEC. 2. FINDINGS.**

5 The Congress finds the following:

6 (1) Diverse individual-owned and controlled
7 asset management firms continue to face obstacles,
8 such as discrimination and other related barriers,
9 when competing for asset management opportuni-
10 ties, including Federal asset management opportuni-
11 ties.

12 (2) The Government Accountability Office
13 found in September 2017 that asset management
14 firms registered in the United States manage more
15 than \$70,000,000,000,000 of assets and that
16 minority- and women-owned asset management
17 firms manage less than 1 percent of such assets.

18 (3) Conscious efforts to facilitate diverse and
19 inclusive asset management firm selection are re-
20 quired to overcome obstacles facing diverse indi-
21 vidual-owned and controlled asset management
22 firms.

23 **SEC. 3. FEDERAL RESERVE ASSET MANAGEMENT CON-**
24 **TRACTING.**

25 Section 11 of the Federal Reserve Act (12 U.S.C.
26 248) is amended—

1 (1) by redesignating the second subsection (s)
2 relating to assessments, fees, and other charges for
3 certain companies as subsection (t); and

4 (2) by adding at the end the following:

5 “(u) ASSET MANAGEMENT CONTRACTING.—

6 “(1) IN GENERAL.—On and after the date of
7 the enactment of this subsection, if a request for
8 proposal for asset management services needed by
9 the Board is published, it shall—

10 “(A) consider at least one diverse indi-
11 vidual-owned and controlled asset management
12 firm to provide such services or certify, in the
13 report required by paragraph (2), that no di-
14 verse individual-owned and controlled asset
15 management firm submitted a proposal; and

16 “(B) if one or more diverse individual-
17 owned and controlled asset management firms
18 submits a proposal that satisfies the criteria set
19 forth in the request for proposal, the Board
20 shall invite at least one such diverse individual-
21 owned and controlled asset management firm to
22 present their proposal to the Board, unless such
23 invitation is prohibited by other law or regula-
24 tion.

1 “(2) REPORT.—The Board shall, in each of the
2 5 fiscal years after the date of the enactment of this
3 subsection, submit to the Committee on Financial
4 Services of the House of Representatives and the
5 Committee on Banking, Housing, and Urban Affairs
6 of the Senate, a report that—

7 “(A) lists all diverse individual-owned and
8 controlled asset management firms in the
9 United States;

10 “(B) identifies any diverse individual-
11 owned and controlled asset management firms
12 that the Board contracted in the previous fiscal
13 year; and

14 “(C) identifies, for the previous fiscal year,
15 the percentage of asset management services
16 the Board contracted for that were provided by
17 a diverse individual-owned and controlled asset
18 management firm.

19 “(3) DEFINITIONS.—For the purposes of this
20 subsection:

21 “(A) ASSET MANAGEMENT FIRM.—The
22 term ‘asset management firm’ means a person
23 that—

24 “(i) manages a portfolio of securities
25 for defined benefit retirement plans or

1 other institutional investors, including the
2 Board; or

3 “(ii) offers investment products to de-
4 fined contribution retirement plan partici-
5 pants.

6 “(B) DIVERSE INDIVIDUAL-OWNED AND
7 CONTROLLED ASSET MANAGEMENT FIRM.—The
8 term ‘diverse individual-owned and controlled
9 asset management firm’ means an asset man-
10 agement firm—

11 “(i) which is at least 51 percent
12 owned by one or more individuals who are
13 women, minorities, or veterans; and

14 “(ii) whose management and daily
15 business operations are—

16 “(I) in the case of an asset man-
17 agement firm the shares of which are
18 traded on a national securities ex-
19 change, controlled by a board with a
20 majority of members who are women,
21 minorities, or veterans; and

22 “(II) in the case of any other
23 asset management firm, at least 51
24 percent controlled by one or more in-

1 dividuals who are women, minorities,
2 or veterans.

3 “(C) MINORITY.—The term ‘minority’ has
4 the meaning given the term in section 308(b) of
5 the Financial Institutions Reform, Recovery,
6 and Enforcement Act of 1989 and also includes
7 any indigenous person in the United States or
8 its territories.

9 “(E) VETERAN.—The term ‘veteran’ has
10 the meaning given the term in section 101 of
11 title 38, United States Code.”.

12 **SEC. 4. ASSET MANAGEMENT CONTRACTING BY PERSONS**
13 **REGISTERED WITH THE SECURITIES AND EX-**
14 **CHANGE COMMISSION.**

15 (a) IN GENERAL.—The Securities Exchange Act of
16 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
17 section 15G the following:

18 **“SEC. 15H. ASSET MANAGEMENT CONTRACTING REQUIRE-**
19 **MENTS.**

20 “(a) REQUIRED FOR REGISTRATION.—No person (in-
21 cluding any issuer, broker, dealer, investment adviser, in-
22 vestment company, or self-regulatory organization) may be
23 registered with the Commission unless such person—

24 “(1) does not contract for asset management
25 services; or

1 “(2) in contracting for asset management serv-
2 ices (other than contracts described under section 15
3 of the Investment Company Act of 1940) after the
4 date of the enactment of this section, has in place
5 procedures that require that the person, before con-
6 tracting with any asset management firm—

7 “(A) to publish, unless prohibited by exist-
8 ing laws or regulations, a request for proposal
9 for such asset management services in print
10 and online publications oriented towards
11 women, minorities, and veterans;

12 “(B) to consider at least one diverse indi-
13 vidual-owned and controlled asset management
14 firm that submits a proposal or certify to the
15 Commission that no diverse individual-owned
16 and controlled asset management firms sub-
17 mitted a proposal; and

18 “(C) if one or more diverse individual-
19 owned and controlled asset management firms
20 submits a proposal that satisfies the criteria set
21 forth in the request for proposal, to invite at
22 least one such diverse individual-owned and
23 controlled asset management firm to present
24 their proposal to the person, unless such invita-
25 tion is prohibited by other law or regulation.

1 “(b) REPORTS.—

2 “(1) PERSONS CONTRACTING FOR ASSET MAN-
3 AGEMENT SERVICES.—Each person who contracts
4 for asset management services and who is registered
5 with the Commission shall, each fiscal year of such
6 person, submit to the Office of Minority and Women
7 Inclusion of the Commission a report that identifies,
8 for the previous fiscal year—

9 “(A) the percentage of asset management
10 services the person contracted for that were
11 provided by a diverse individual-owned and con-
12 trolled asset management firm;

13 “(B) the dollar value of any contracts with
14 diverse-individual owned and controlled asset
15 management firms as a percentage of the dollar
16 value of all contracts with asset management
17 firms;

18 “(C) the efforts made by the person to
19 communicate asset management service con-
20 tract opportunities to diverse-individual owned
21 and controlled asset management firms;

22 “(D) the number of diverse-individual
23 owned and controlled asset management firms
24 that were considered by the person; and

1 “(E) for any asset management services
2 contract opportunity in which a diverse-indi-
3 vidual owned and controlled asset management
4 firm was not considered, a description of why a
5 diverse-individual owned and controlled asset
6 management firm was not considered.

7 “(2) INCLUSION OF REPORT INFORMATION ON
8 FORM ADV.—Any person who is required to file a re-
9 port under paragraph (1) shall, in any Form ADV
10 filing with the Commission, include all information
11 required to be filed in the report under paragraph
12 (1) in such Form ADV filing.

13 “(3) ANNUAL REPORT BY THE OFFICE OF MI-
14 NORITY AND WOMEN INCLUSION.—The Director of
15 the Office of Minority and Women Inclusion of the
16 Commission shall issue an annual report to the
17 Commission and the Congress on the use of diverse
18 individual-owned and controlled asset management
19 firms, including a summary of reports received
20 under paragraph (1) and under section 6(f)(2).

21 “(4) COMMISSION REPORT TO CONGRESS.—The
22 Commission shall issue a report every 5 years to the
23 Congress on the steps taken by the Commission to
24 implement this section and section 6(f).

1 “(c) DEFINITIONS.—In this section, the terms ‘asset
2 management firm’, ‘diverse individual-owned and con-
3 trolled asset management firm’, ‘minority’, and ‘veteran’
4 have the meaning given such terms in section 11(u) of
5 the Federal Reserve Act.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall take effect after the end of the 180
8 day period beginning on the date of enactment of this Act.

9 **SEC. 5. ASSET MANAGEMENT CONTRACTING BY PERSONS**
10 **REGISTERING SECURITIES.**

11 (a) IN GENERAL.—Section 6 of the Securities Act of
12 1933 (15 U.S.C. 77f) is amended by adding at the end
13 the following:

14 “(f) ASSET MANAGEMENT CONTRACTING REQUIRE-
15 MENTS.—

16 “(1) REQUIRED FOR REGISTRATION.—A secu-
17 rity may not be registered with the Commission un-
18 less the issuer of such security—

19 “(A) does not contract for asset manage-
20 ment services; or

21 “(B) in contracting for asset management
22 services (other than contracts described under
23 section 15 of the Investment Company Act of
24 1940) after the date of the enactment of this
25 subsection, has in place procedures that require

1 that the issuer, before contracting with any
2 asset management firm—

3 “(i) to publish, unless prohibited by
4 existing laws or regulations, a request for
5 proposal for such asset management serv-
6 ices in print and online publications ori-
7 ented towards women, minorities, and vet-
8 erans;

9 “(ii) to consider at least one diverse
10 individual-owned and controlled asset man-
11 agement firm that submits a proposal or
12 certify to the Commission that no diverse
13 individual-owned and controlled asset man-
14 agement firms submitted a proposal; and

15 “(iii) if one or more diverse indi-
16 vidual-owned and controlled asset manage-
17 ment firms submits a proposal that satis-
18 fies the criteria set forth in the request for
19 proposal, to invite at least one such diverse
20 individual-owned and controlled asset man-
21 agement firm to present their proposal to
22 the issuer, unless such invitation is prohib-
23 ited by other law or regulation.

24 “(2) REPORT.—Each issuer who contracts for
25 asset management services and who has securities

1 registered with the Commission shall, each fiscal
2 year of such issuer, submit to the Office of Minority
3 and Women Inclusion of the Commission a report
4 that identifies, for the previous fiscal year—

5 “(A) the percentage of asset management
6 services the issuer contracted for that were pro-
7 vided by a diverse individual-owned and con-
8 trolled asset management firm;

9 “(B) the dollar value of any contracts with
10 diverse-individual owned and controlled asset
11 management firms as a percentage of the dollar
12 value of all contracts with asset management
13 firms;

14 “(C) the efforts made by the issuer to
15 communicate asset management service con-
16 tract opportunities to diverse-individual owned
17 and controlled asset management firms;

18 “(D) the number of diverse-individual
19 owned and controlled asset management firms
20 that were considered by the issuer; and

21 “(E) for any asset management services
22 contract opportunity in which a diverse-indi-
23 vidual owned and controlled asset management
24 firm was not considered, a description of why a

1 diverse-individual owned and controlled asset
2 management firm was not considered.

3 “(3) DEFINITIONS.—In this subsection, the
4 terms ‘asset management firm’, ‘diverse individual-
5 owned and controlled asset management firm’, ‘mi-
6 nority’, and ‘veteran’ have the meaning given such
7 terms in section 11(u) of the Federal Reserve Act.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall apply to securities registered with the
10 Securities and Exchange Commission after the date of en-
11 actment of this Act.