[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.

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IN THE HOUSE OF REPRESENTATIVES

Mr. _________ 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 Representatives of the United States of America in Congress assembled,

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SECTION 1. SHORT TITLE.

This Act may be cited as the “Diverse Asset Managers Act”.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Diverse individual-owned and controlled asset management firms continue to face obstacles, such as discrimination and other related barriers, when competing for asset management opportunities, including Federal asset management opportunities.

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

(3) Conscious efforts to facilitate diverse and inclusive asset management firm selection are required to overcome obstacles facing diverse individual-owned and controlled asset management firms.

SEC. 3. FEDERAL RESERVE ASSET MANAGEMENT CONTRACTING.

Section 11 of the Federal Reserve Act (12 U.S.C. 248) is amended—
(1) by redesignating the second subsection (s) relating to assessments, fees, and other charges for certain companies as subsection (t); and

(2) by adding at the end the following:

“(u) ASSET MANAGEMENT CONTRACTING.—

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

“(A) consider at least one diverse individual-owned and controlled asset management firm to provide such services or certify, in the report required by paragraph (2), that no diverse individual-owned and controlled asset management firm submitted a proposal; and

“(B) if one or more diverse individual-owned and controlled asset management firms submits a proposal that satisfies the criteria set forth in the request for proposal, the Board shall invite at least one such diverse individual-owned and controlled asset management firm to present their proposal to the Board, unless such invitation is prohibited by other law or regulation.
“(2) REPORT.—The Board shall, in each of the 5 fiscal years after the date of the enactment of this subsection, submit to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, a report that—

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

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

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

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

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

“(i) manages a portfolio of securities for defined benefit retirement plans or
other institutional investors, including the
Board; or

“(ii) offers investment products to de-

fined contribution retirement plan partici-
pants.

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

“(i) which is at least 51 percent

owned by one or more individuals who are
women, minorities, or veterans; and

“(ii) whose management and daily

business operations are—

“(I) in the case of an asset man-

agement firm the shares of which are

traded on a national securities ex-

change, controlled by a board with a

majority of members who are women,

minorities, or veterans; and

“(II) in the case of any other

asset management firm, at least 51

percent controlled by one or more in-
individuals who are women, minorities, or veterans.

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

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

SEC. 4. ASSET MANAGEMENT CONTRACTING BY PERSONS REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

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

“SEC. 15H. ASSET MANAGEMENT CONTRACTING REQUIREMENTS.

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

“(1) does not contract for asset management services; or
“(2) in contracting for asset management services (other than contracts described under section 15 of the Investment Company Act of 1940) after the date of the enactment of this section, has in place procedures that require that the person, before contracting with any asset management firm—

“(A) to publish, unless prohibited by existing laws or regulations, a request for proposal for such asset management services in print and online publications oriented towards women, minorities, and veterans;

“(B) to consider at least one diverse individual-owned and controlled asset management firm that submits a proposal or certify to the Commission that no diverse individual-owned and controlled asset management firms submitted a proposal; and

“(C) if one or more diverse individual-owned and controlled asset management firms submits a proposal that satisfies the criteria set forth in the request for proposal, to invite at least one such diverse individual-owned and controlled asset management firm to present their proposal to the person, unless such invitation is prohibited by other law or regulation.
“(b) Reports.—

“(1) Persons contracting for asset management services.—Each person who contracts for asset management services and who is registered with the Commission shall, each fiscal year of such person, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

“(A) the percentage of asset management services the person contracted for that were provided by a diverse individual-owned and controlled asset management firm;

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

“(C) the efforts made by the person to communicate asset management service contract opportunities to diverse-individual owned and controlled asset management firms;

“(D) the number of diverse-individual owned and controlled asset management firms that were considered by the person; and
“(E) for any asset management services contract opportunity in which a diverse-individual owned and controlled asset management firm was not considered, a description of why a diverse-individual owned and controlled asset management firm was not considered.

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

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

“(4) COMMISSION REPORT TO CONGRESS.—The Commission shall issue a report every 5 years to the Congress on the steps taken by the Commission to implement this section and section 6(f).
“(c) DEFINITIONS.—In this section, the terms ‘asset
management firm’, ‘diverse individual-owned and con-
trolled asset management firm’, ‘minority’, and ‘veteran’
have the meaning given such terms in section 11(u) of
the Federal Reserve Act.”.

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

SEC. 5. ASSET MANAGEMENT CONTRACTING BY PERSONS
REGISTERING SECURITIES.

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

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

“(1) REQUIRED FOR REGISTRATION.—A secu-

rity may not be registered with the Commission un-
less the issuer of such security—

“(A) does not contract for asset manage-

ment services; or

“(B) in contracting for asset management

services (other than contracts described under

section 15 of the Investment Company Act of

1940) after the date of the enactment of this

subsection, has in place procedures that require
that the issuer, before contracting with any asset management firm—

“(i) to publish, unless prohibited by existing laws or regulations, a request for proposal for such asset management services in print and online publications oriented towards women, minorities, and veterans;

“(ii) to consider at least one diverse individual-owned and controlled asset management firm that submits a proposal or certify to the Commission that no diverse individual-owned and controlled asset management firms submitted a proposal; and

“(iii) if one or more diverse individual-owned and controlled asset management firms submits a proposal that satisfies the criteria set forth in the request for proposal, to invite at least one such diverse individual-owned and controlled asset management firm to present their proposal to the issuer, unless such invitation is prohibited by other law or regulation.

“(2) REPORT.—Each issuer who contracts for asset management services and who has securities
registered with the Commission shall, each fiscal year of such issuer, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

“(A) the percentage of asset management services the issuer contracted for that were provided by a diverse individual-owned and controlled asset management firm;

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

“(C) the efforts made by the issuer to communicate asset management service contract opportunities to diverse-individual owned and controlled asset management firms;

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

“(E) for any asset management services contract opportunity in which a diverse-individual owned and controlled asset management firm was not considered, a description of why a
diverse-individual owned and controlled asset
management firm was not considered.

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

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