

**[DISCUSSION DRAFT]**

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

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

To require companies registered with the Securities and Exchange Commission, and companies registering securities with the Commission, to consider diverse individual-owned and controlled firms when seeking the services of investment advisers, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

M\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

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**A BILL**

To require companies registered with the Securities and Exchange Commission, and companies registering securities with the Commission, to consider diverse individual-owned and controlled firms when seeking the services of investment advisers, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Diverse Investment  
5 Advisers Act”.

1 **SEC. 2. FINDINGS.**

2 The Congress finds the following:

3 (1) Diverse individual-owned and controlled  
4 firms continue to face obstacles, such as discrimina-  
5 tion and other related barriers, when competing for  
6 investment adviser services opportunities, including  
7 Federal opportunities.

8 (2) The Government Accountability Office  
9 found in September 2017 that asset management  
10 firms (also known as firms providing investment ad-  
11 viser services) registered in the United States man-  
12 age more than \$70,000,000,000,000 of assets and  
13 that minority- and women-owned asset management  
14 firms manage less than 1 percent of such assets.

15 (3) Conscious efforts to facilitate diverse and  
16 inclusive firm selection for investment advisers serv-  
17 ices opportunities are required to overcome obstacles  
18 facing diverse individual-owned and controlled firms.

19 **SEC. 3. INVESTMENT ADVISER CONTRACTING BY PERSONS**  
20 **REGISTERED WITH THE SECURITIES AND EX-**  
21 **CHANGE COMMISSION.**

22 (a) IN GENERAL.—The Securities Exchange Act of  
23 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
24 section 15G the following:

1 **“SEC. 15H. INVESTMENT ADVISER CONTRACTING REQUIRE-**  
2 **MENTS.**

3 “(a) REQUIRED FOR REGISTRATION.—No broker,  
4 dealer, investment adviser, investment company, or self-  
5 regulatory organization may be registered with the Com-  
6 mission unless such person—

7 “(1) does not contract for the services of an in-  
8 vestment adviser; or

9 “(2) in contracting for the services of an invest-  
10 ment adviser after the date of the enactment of this  
11 section, has in place procedures that require the per-  
12 son, before contracting for such services—

13 “(A) to publish, unless prohibited by law  
14 or regulation, a request for proposal for such  
15 services; and

16 “(B) if one or more diverse individual  
17 owned and controlled firms submits a proposal  
18 to provide such services that satisfies the cri-  
19 teria set forth in the request for proposal, to in-  
20 vite at least one such diverse individual-owned  
21 and controlled firm to present their proposal, or  
22 certify to the Commission that no diverse indi-  
23 vidual-owned and controlled firms submitted a  
24 proposal, unless such invitation is prohibited by  
25 other law or regulation.

26 “(b) REPORTS.—

1           “(1) PERSONS CONTRACTING FOR THE SERV-  
2           ICES OF INVESTMENT ADVISERS.—Each broker,  
3           dealer, investment adviser, investment company, and  
4           self-regulatory organization who contracts for the  
5           services of an investment adviser and who is reg-  
6           istered with the Commission shall, each fiscal year  
7           of such person, submit to the Office of Minority and  
8           Women Inclusion of the Commission a report that  
9           identifies, for the previous fiscal year—

10                   “(A) the percentage of services of invest-  
11                   ment advisers the person contracted for that  
12                   were provided by a diverse individual-owned and  
13                   controlled firm;

14                   “(B) the dollar value of any contracts with  
15                   diverse-individual owned and controlled firms  
16                   providing the services of investment advisers as  
17                   a percentage of the dollar value of all contracts  
18                   with all firms providing the services of invest-  
19                   ment advisers;

20                   “(C) the efforts made by the person to  
21                   communicate opportunities for investment ad-  
22                   viser services to diverse-individual owned and  
23                   controlled firms providing the services of invest-  
24                   ment advisers;

1           “(D) the number of diverse-individual  
2 owned and controlled firms that were consid-  
3 ered by the person to provide the services of in-  
4 vestment advisers and, with respect to each  
5 such firm, the race and gender of the owners of  
6 such firm; and

7           “(E) for any investment adviser services  
8 contract opportunity in which a diverse-indi-  
9 vidual owned and controlled firm was not con-  
10 sidered, a description of why a diverse-indi-  
11 vidual owned and controlled firm was not con-  
12 sidered.

13           “(2) INCLUSION OF REPORT INFORMATION ON  
14 FORM ADV.—Any person who is required to file a re-  
15 port under paragraph (1) shall, in any Form ADV  
16 filed by, or required to be filed by such person, in-  
17 clude all information required to be filed in the re-  
18 port under paragraph (1) in such Form ADV filing.

19           “(3) ANNUAL REPORT BY THE OFFICE OF MI-  
20 NORITY AND WOMEN INCLUSION.—The Director of  
21 the Office of Minority and Women Inclusion of the  
22 Commission shall issue an annual report to the  
23 Commission and the Congress on the use of diverse  
24 individual-owned and controlled firms offering in-  
25 vestment advising services, including a summary of

1 reports received under paragraph (1) and under sec-  
2 tion 13B(b).

3 “(4) COMMISSION REPORT TO CONGRESS.—The  
4 Commission shall issue a report every 5 years to the  
5 Congress on the steps taken by the Commission to  
6 implement this section and section 13B.

7 “(c) EXCEPTION.—This section shall not apply to a  
8 contract described in section 15 of the Investment Com-  
9 pany Act of 1940, except for a contract—

10 “(1) pursuant to which a person serves or acts  
11 as an unaffiliated sub-adviser to a registered invest-  
12 ment company; and

13 “(2) which is exempt from the shareholder ap-  
14 proval requirement of section 15 in reliance on an  
15 order or rule of the Commission.

16 “(d) DEFINITIONS.—For the purposes of this section:

17 “(1) AFFILIATED PERSON.—The term ‘affili-  
18 ated person’ has the meaning given that term under  
19 section 2(a) of the Investment Company Act of  
20 1940.

21 “(2) DIVERSE INDIVIDUAL-OWNED AND CON-  
22 TROLLED FIRM.—The term ‘diverse individual-owned  
23 and controlled firm’ means a firm—

1           “(A) which is at least 51 percent owned by  
2           one or more individuals who are women, minori-  
3           ties, or veterans; and

4           “(B) whose management and daily busi-  
5           ness operations are—

6                   “(i) in the case of a firm the shares  
7                   of which are traded on a national securities  
8                   exchange, controlled by a board with a ma-  
9                   jority of members who are women, minori-  
10                  ties, or veterans; and

11                   “(ii) in the case of any other firm, at  
12                   least 51 percent controlled by one or more  
13                   individuals who are women, minorities, or  
14                   veterans.

15           “(3) INVESTMENT ADVISER.—The term ‘invest-  
16           ment adviser’ has the meaning given the term in sec-  
17           tion 202(a)(11) of the Investment Advisers Act of  
18           1940.

19           “(4) MINORITY.—The term ‘minority’ has the  
20           meaning given the term in section 308(b) of the Fi-  
21           nancial Institutions Reform, Recovery, and Enforce-  
22           ment Act of 1989 and also includes any indigenous  
23           person in the United States or its territories.

24           “(5) UNAFFILIATED SUB-ADVISER TO A REG-  
25           ISTERED INVESTMENT COMPANY.—With respect to a

1 registered investment company, the term ‘unaffili-  
2 ated sub-adviser to a registered investment company’  
3 means a person described under section 2(a)(20)(B)  
4 of the Investment Company Act of 1940 that is not  
5 an affiliated person of a person described under sec-  
6 tion 2(a)(20)(A) of the Investment Company Act of  
7 1940.

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

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

14 **SEC. 4. INVESTMENT ADVISER CONTRACTING BY PERSONS**  
15 **REGISTERING SECURITIES.**

16 (a) IN GENERAL.—The Securities Exchange Act of  
17 1934 is amended by inserting after section 13A the fol-  
18 lowing:

19 **“SEC. 13B. INVESTMENT ADVISER CONTRACTING REQUIRE-**  
20 **MENTS.**

21 “(a) IN GENERAL.—Any issuer required to file an an-  
22 nual report under section 13 shall, when contracting for  
23 the services of an investment adviser—

24 “(1) publish, unless prohibited by law or regula-  
25 tion, a request for proposal for such services; and

1           “(2) if one or more diverse individual owned  
2           and controlled firms submits a proposal to provide  
3           such services that satisfies the criteria set forth in  
4           the request for proposal, invite at least one such di-  
5           verse individual-owned and controlled firm to present  
6           their proposal, or certify to the Commission that no  
7           diverse individual-owned and controlled firms sub-  
8           mitted a proposal, unless such invitation is prohib-  
9           ited by other law or regulation.

10          “(b) REPORT.—Any issuer required to file an annual  
11          report under section 13 who contracts for the services of  
12          an investment adviser shall, each fiscal year of such issuer,  
13          submit to the Office of Minority and Women Inclusion of  
14          the Commission a report that identifies, for the previous  
15          fiscal year—

16                 “(1) the percentage of services of investment  
17                 advisers the issuer contracted for that were provided  
18                 by a diverse individual-owned and controlled firm;

19                 “(2) the dollar value of any contracts with di-  
20                 verse-individual owned and controlled firms pro-  
21                 viding the services of investment advisers as a per-  
22                 centage of the dollar value of all contracts with all  
23                 firms providing the services of investment advisers;

24                 “(3) the efforts made by the issuer to commu-  
25                 nicate investment adviser services contract opportu-

1 nities to diverse-individual owned and controlled  
2 firms providing the services of investment advisers;

3 “(4) the number of diverse-individual owned  
4 and controlled firms that were considered by the  
5 issuer to provide the services of investment advisers  
6 and, with respect to each such firm, the race and  
7 gender of the owners of such firm; and

8 “(5) for any investment adviser services con-  
9 tract opportunity in which a diverse-individual  
10 owned and controlled firm was not considered, a de-  
11 scription of why a diverse-individual owned and con-  
12 trolled firm was not considered.

13 “(c) EXCEPTION.—This section shall not apply to a  
14 contract described in section 15 of the Investment Com-  
15 pany Act of 1940, except for a contract—

16 “(1) pursuant to which a person serves or acts  
17 as an unaffiliated sub-adviser to a registered invest-  
18 ment company; and

19 “(2) which is exempt from the shareholder ap-  
20 proval requirement of section 15 in reliance on an  
21 order or rule of the Commission.

22 “(d) DEFINITIONS.—In this section, the terms, ‘af-  
23 filiated person’, ‘diverse individual-owned and controlled  
24 firm’, ‘investment adviser’, ‘minority’, ‘unaffiliated sub-ad-

1 viser to a registered investment company’, and ‘veteran’  
2 have the meaning given such terms in section 15H(d).”.

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