

[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 the Board pub-
8 lishes a request for proposal for asset management
9 services, the Board 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 individuals 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 Native Hawaiian or Alaska Native.

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

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

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

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

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

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

1 “(2) in contracting for asset management serv-
2 ices, has in place procedures that require that the
3 person, before contracting with any asset manage-
4 ment firm—

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

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

16 “(C) 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, to invite at
20 least one such diverse individual-owned and
21 controlled asset management firm to present
22 their proposal to the person, unless such invita-
23 tion is prohibited by other law or regulation.

24 “(b) REPORT.—Each person who contracts for asset
25 management services and who is registered with the Com-

1 mission shall, each fiscal year of such person, submit to
2 the Office of Minority and Women Inclusion of the Com-
3 mission a report that identifies, for the previous fiscal
4 year—

5 “(1) the percentage of asset management serv-
6 ices the person contracted for that were provided by
7 a diverse individual-owned and controlled asset man-
8 agement firm;

9 “(2) the dollar value of any contracts with di-
10 verse-individual owned and controlled asset manage-
11 ment firms as a percentage of the dollar value of all
12 contracts with asset management firms;

13 “(3) the efforts made by the person to commu-
14 nicate asset management service contract opportuni-
15 ties to diverse-individual owned and controlled asset
16 management firms; and

17 “(4) for any asset management services con-
18 tract opportunity in which a diverse-individual
19 owned and controlled asset management firm was
20 not considered, a description of why a diverse-indi-
21 vidual owned and controlled asset management firm
22 was not considered.

23 “(c) DEFINITIONS.—In this section, the terms ‘asset
24 management firm’, ‘diverse individual-owned and con-
25 trolled asset management firm’, ‘minority’, and ‘veteran’

1 have the meaning given such terms in section 11(u) of
2 the Federal Reserve Act.”.

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

7 **SEC. 5. ASSET MANAGEMENT CONTRACTING BY PERSONS**
8 **REGISTERING SECURITIES.**

9 (a) **IN GENERAL.**—Section 6 of the Securities Act of
10 1933 (15 U.S.C. 77f) is amended by adding at the end
11 the following:

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

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

17 “(A) does not contract for asset manage-
18 ment services; or

19 “(B) in contracting for asset management
20 services, has in place procedures that require
21 that the issuer, before contracting with any
22 asset management firm—

23 “(i) to publish, unless prohibited by
24 existing laws or regulations, a request for
25 proposal for such asset management serv-

1 ices in print and online publications ori-
2 ented towards women, minorities, and vet-
3 erans;

4 “(ii) to consider at least one diverse
5 individual-owned and controlled asset man-
6 agement firm that submits a proposal or
7 certify to the Commission that no diverse
8 individual-owned and controlled asset man-
9 agement firms submitted a proposal; and

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

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

1 “(A) the percentage of asset management
2 services the issuer contracted for that were pro-
3 vided by a diverse individual-owned and con-
4 trolled asset management firm;

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

10 “(C) the efforts made by the issuer to
11 communicate asset management service con-
12 tract opportunities to diverse-individual owned
13 and controlled asset management firms; and

14 “(D) for any asset management services
15 contract opportunity in which a diverse-indi-
16 vidual owned and controlled asset management
17 firm was not considered, a description of why a
18 diverse-individual owned and controlled asset
19 management firm was not considered.

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

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