Speech

Diversity Matters, Disclosure Works, and the SEC Can Do More: Remarks at the Council of Institutional Investors Fall 2020 Conference

Commissioner Allison Herren Lee

Washington D.C.

Sept. 22, 2020

Thank you, Amy [Borrus], for the introduction and for the invitation to speak at your conference. I'm pleased to be here with you all today, and want to take this opportunity to thank you and your members for your engagement in our rulemaking process. Your comment letters are unfailingly thorough, analytical, and insightful. They provide a critically important investor perspective on our policies. I'm very grateful for your efforts.

Today I want to talk you about a topic that has dominated my thoughts recently, and I'm sure many of yours as well: diversity and inclusion. I know that many of you have long advocated for greater diversity on corporate boards and elsewhere. Recent events have triggered an unprecedented national conversation on racial injustice that also highlights the urgency of ensuring diverse perspectives and representation at all levels of decision-making in our country. At the SEC, a number of recent rulemakings have also pushed this issue to forefront. Our recent adoption of amendments to Regulation S-K, for example, took a step forward by adding human capital as a broad topic for possible disclosure, but declined to require, among other things, disclosure of diversity data—even data that most companies are already required to keep under Equal Employment Opportunity Commission (EEOC) rules. Our pending proposal under Rule 14a-8 also has implications for promoting diversity and inclusion because it affects shareholder proposals which often cover this topic. The topic has also been prominent on the agenda of recent SEC advisory committee meetings, including last week's Asset Management Advisory Committee meeting during which participants urged the SEC to require diversity disclosure for public companies and registered entities.[1] And I'm pleased to see that the topics of diversity and inequality are on your agenda for this conference as well.

In recent months, we've heard the topic of diversity and inclusion referred to as "timely." Although there is truth in that, I balk a bit at the description because it suggests that somehow its importance is new or trendy. Unfortunately, it is almost an evergreen topic. One my grandmother talked to my mother about, my mother to me, me to my daughters, and now them to theirs. And I know that Black, Indigenous, and other people of color understand this dynamic likely better than I. So, yes, the topic is timely in that it is currently capturing the nation's attention, but the issue has long been a problem, and so today I want to share my thoughts on the extent of that problem with respect to our capital markets.[2] I would also very much like to hear from your membership on this issue, during today's Q&A or at any future point. Please consider my door—virtual though it is these days—always open to you.

Diversity Matters

As a threshold matter, it has often been argued that advocating for corporate diversity is about equality for equality's sake, and that corporate decision-making by contrast has to be about maximizing shareholder value. In other words, don't inject social ideals into the boardroom or the management suite. I could never quite buy in to the view that some 40 percent of the population in our country (if we're talking about minorities) or over half the country (if we're talking about women)[3] must rationalize their inclusion in corporate boardrooms and elsewhere in economic terms instead of the reverse. How can one possibly justify—in economic terms—the systematic exclusion of a major portion of our talent base from the corporate pool? That is about as economically irrational as it gets. Nevertheless, to the extent one seeks economic support for diversity and inclusion (instead of requiring economic support for the lack of diversity and exclusion), the evidence is in.

There is an increasing body of research showing that diversity correlates with enhanced performance. For example, one recent study on board diversity, using a definition that encompassed director age, gender, race, financial expertise, and number of directorships, had compelling findings: board diversity corresponds to lower stock volatility due to the adoption of less risky financial policies, and firms with more diverse boards invest more in research and development and therefore are better at fostering innovation.[4]

As another example, a recent study by McKinsey, which has long studied this subject, found that companies with the greatest ethnic diversity on executive teams outperformed those with the least by 36 percent in profitability.[5] The same report found that companies with more than 30 percent women on their executive teams are significantly more likely to outperform those with fewer or no women executives.

Fortune 500 firms with the highest proportion of women on their boards outperform those with the lowest.[6] Companies with higher than average diversity on management teams report higher revenue from new products and services.[7] More women in senior positions is associated with higher return on assets.[8] The list of tangible performance benefits goes on. That's why we see so many investors, asset managers, proxy advisors, and others

incorporating diversity into their proxy voting decisions. I've even talked to analysts at quant firms who pull diversity metrics into their algorithms because they have learned that it increases alpha.

In addition, there is growing recognition that a lack of diversity represents a significant reputational risk for companies and may hamper their ability to recruit and retain top talent.[9] Indeed research has shown that employee perceptions about their employer's commitment to diversity strengthens their own commitment to the companies where they work. For example, a report from last year found that when employees understand that their companies are committed to gender diversity, they plan to stay with those companies longer.[10] This is equally true for men and women.

Consumers are watching too, and companies understand this.[11] For example, we all received a flood of emails from companies in the wake of the George Floyd protests stating various commitments to racial justice. I'm not casting doubt on their sincerity, but I do think those companies understand that it may matter to their bottom line whether we as consumers perceive them to have a sincere commitment to racial justice. Consider for example Amazon's decision in June to place a one-year moratorium on law enforcement use of its facial recognition software. [12] This occurred amidst criticism from civil rights groups that such technology produces inaccurate results for people with darker skin. Consider also companies who pulled their ads from certain shows that offered particularly offensive criticism of recent protests.[13] Consumer perception matters.

One might have thought that diversity would fade in significance during an economic crisis like we are enduring this year. But the recent proxy season reflected a continued commitment to diversity, with diversity-related proposals garnering significant support.[14] That is likely due in part to the fact that, alongside the economic downturn, we have an equally pressing national concern over racial injustice. But it may also reflect a growing understanding that a commitment to diversity makes good business sense as a strategy for weathering a difficult economy.[15] Evidence shows, for instance, that banks with more women on their boards were more stable during the 2008-09 financial crisis.[16] I note also some commentary and data suggesting that women leaders are better guiding their countries through the current COVID crisis.[17]

The value of diversity for our nation and for our capital markets is clear. I'm often asked "how much diversity is enough?" This calls to mind the inimitable Justice Ginsburg's response to the question of when there will be enough women on the Supreme Court. "When there are nine," she said. No one ever questioned the wisdom of having nine men.[18] Why should women and minorities be any different? But, in any event, we are not where we need to be when diversity levels fall so far short of representation in the population, when too often women and minority executives and board members are the only ones of their type in the room.[19] There is work to do to avail ourselves of the full base of talent in this country. So, let's talk about what that work should look like.

Disclosure Works

There are many different approaches to promoting diversity. Some countries and states have mandated certain levels of representation on boards.[20] Pending legislative efforts would require disclosure of the diversity characteristics of board members and senior executives [21] and consideration of diverse candidates for certain positions, along the lines of the NFL's Rooney Rule.[22] Still other efforts have focused on board refreshment to encourage diversity.[23]

The most obvious tool in the SEC's toolkit is disclosure. This gets investors the information they need to make investment decisions based on their own judgment of what indicators matter for long-term value. Importantly, it can also drive corporate behavior. For one thing, when companies have to formulate disclosure on topics it can influence their treatment of them, something known as the "what gets measured, gets managed" phenomenon.[24] Moreover, when companies have to be transparent, it creates external pressure from investors and others who can draw comparisons company to company.[25] The Commission has long-recognized that influencing corporate behavior is an appropriate aim of our regulations, noting that "disclosure may, depending on determinations made by a company's management, directors and shareholders, influence corporate conduct" and that "[t]his sort of impact is clearly consistent with the basic philosophy of the disclosure provisions of the federal securities laws."[26]

So far, however, we have largely declined to require diversity-related disclosure. In 2009, we adopted a requirement for companies to disclose if and how diversity is considered as a factor in the process for considering candidates for board positions, including any policies related to the consideration of diversity.[27] In 2018, we issued guidance encouraging the disclosure of self-identified characteristics of board candidates.[28] While I appreciate these measures, given that women of color hold just 4.6% of Fortune 500 board seats[29] and less than one percent of Fortune 500 CEOs are Black,[30] it's time to consider how to get investors the diversity information they need to allocate their capital wisely.

It is often argued that, if information, including with respect to diversity, is material, it must be disclosed under our broad, principles-based regime. We should, therefore, leave it to companies to determine whether diversity information is material, and, if so, what specifically to disclose. This approach, however, has led to spotty information that is not standardized, not consistent period to period, not comparable across companies, and not necessarily reliable. In addition, I hear complaints about so-called "woke-washing" where companies attempt to portray themselves in a light they believe will be advantageous for them on issues like diversity. A disclosure regime that allows companies to decide if or what to disclose in this area can certainly exacerbate that problem.

And the current state of disclosure reveals the shortcomings of a principles-based materiality regime in this area. For example, 72 percent of companies in the Russell 1000 do not disclose any racial or ethnic data about their employees and only four percent disclose the complete information they are required to collect and maintain under EEOC rules.[31] Less than half of all Fortune 100 companies disclose data on the ethnic and gender compositions of their boards.[32] There is room for improvement.

The SEC Can Do More

What should the SEC do? To start with we could consider re-visiting our amendments to Regulation S-K to require disclosure of workforce diversity data at all levels of seniority. We could likewise strengthen our 2018 guidance on disclosure of board candidate diversity characteristics. But there are broader considerations than just corporate diversity disclosures.

First, there is a serious lack of diversity among financial regulators. Georgetown Law Professor Chris Brummer recently undertook a detailed analysis of the issue and found that just ***three percent*** of top financial regulators in the past 106 years were Black.[33] As he noted, currently "[t]here are no Black Commissioners at the Securities and Exchange Commission (SEC). Or at the Commodity Futures Trading Commission (CFTC). There has never been a Black Chairman of the Federal Deposit Insurance Corporation (FDIC), SEC, or CFTC. And today, the staffs of political appointees—whether Democrat or

Republican—are, with few exceptions, almost devoid of African Americans." Those are grim statistics, and we should all be working to open opportunities in financial regulation.

In addition, diversity intersects with our regulatory mission in the financial services industry. There is a noteworthy lack of diversity, most pointedly at senior levels, at SEC-registered entities.[34] Particularly disturbing is a finding from a 2017 GAO report on financial services firms that showed only marginal increase in minority representation and no increase for women at the management level from 2007 through 2015.[35]

Significantly, we also see substantial disparities in access to capital for women and minorities due in part to a persistent wealth gap between minority and non-minority communities that can prevent minority entrepreneurs from investing their own capital in their businesses or using it as collateral.[36] We see disparities in lending practices that can hinder or discourage minority and women founders from seeking or obtaining loans,[37] and unconscious bias in investment behavior,[38] which may also contribute to disparities in capital raising.

The challenges associated with diversity are broader than just corporate disclosures; our solutions should be broader as well. We should reflect on how the SEC could more systematically consider gender, racial, and other representation disparities in its policymaking.

First, we could consider tasking our Division of Economic and Risk Analysis with assessing the extent to which our rules will have an impact on underrepresented communities. I have noted that in our rulemaking, particularly those relating to capital-raising, the economic analyses often claim that our rules will benefit minority- and women-owned businesses simply because we are loosening restrictions that are equally applicable to all businesses.[39] This mindset fails to recognize the unique reasons for disparity of opportunity. We could instead take a more rigorous approach to the question by isolating and analyzing whether and how a proposed rule addresses the particular challenges faced by minority- and women-owned business, or otherwise affects underrepresented communities. It is insufficient to expect changes in our rules to affect all businesses in the same way.

Second, we could consider better integrating our Office of Minority and Women Inclusion (OMWI) into our policymaking. We have a tremendous resource in OMWI. More so now than ever, that office is doing important work helping the agency to examine its own diversity policies and practices. We could consider how better to leverage that resource in efforts aimed outside of the agency.

I note that part of OMWI's mandate relates to assessing diversity at SEC-regulated entities. To that end, OMWI has implemented a voluntary diversity self-assessment for regulated entities to use in assessing their diversity policies and practices. Voluntary submission rates of those self-assessments to the SEC, however, have been low—only four percent of those entities that were asked to submit a self-assessment responded.[40] We could solicit comment on ways to encourage voluntary submission, or on whether to incorporate such disclosures into those already made by regulated entities.

Beyond that, we could consider utilizing OMWI in an expanded or more formal role in our rulemaking process, ensuring that they have an opportunity to review and comment on draft rulemaking materials. Specifically, OMWI could help us understand how our rulemaking may affect existing racial, gender, and other disparities, or otherwise affect diversity concerns.

Finally, are there ways we could better work with other agencies, such as the Consumer Financial Protection Bureau and the Small Business Administration, in their efforts to combat discrimination and support women and minority-owned small businesses. Can we coordinate with the banking regulators in addressing the finding of a House Financial Services Committee Staff Report that large banks are not giving opportunities to minority-owned firms when they select asset managers?[41]

I do not purport to have all the answers here on what specific measures we could or should take. I ask for your help in thinking through these issues. Because diversity in capital markets matters. It matters for fairness, it matters to consumers, and it matters in realizing the full potential of our talent base. All of that translates to performance and matters to investors. We should consider better corporate disclosure, but we should do more. We should think more broadly, more creatively, and consider every opportunity we have to promote diversity and equality of opportunity in our economy. Thank you.

---

[1] *See* Andrew Ramonas, "Illinois Treasurer Urges SEC to Adopt Diversity Mandates," Bloomberg (Sept. 16, 2020).

[2] The views I express today are my own and may not represent the views of my fellow Commissioners or the staff.

[3] According to the United States Census Bureau, 60.1 percent of the population is white, while 50.8 percent is female. *See* census data available at https://www.census.gov/quickfacts/fact/table/US/PST045219.

[4] *See* Gennaro Bernile, Vineet Bhagwat, and Scott Yonker, "Board Diversity, Firm Risk, and Corporate Policies" (Mar. 6, 2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2733394.

[5] *See* McKinsey & Company, Diversity Wins, How inclusion matters (May 2020), https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf.; *see also* Morgan Stanley, Why It Pays to Invest in Gender Diversity (May 11, 2016), https://www.morganstanley.com/ideas/gender-diversity-investment-framework (discussing a study finding that higher gender diversity companies achieve higher returns and lower volatility than their less diverse peers).

[6] *See* Catalyst, The Bottom Line: Corporate Performance and Women's Representation on Boards (2004–2008) (Mar. 1, 2011), https://www.catalyst.org/research/the-bottom-line-corporate-performance-and-womens-representation-on-boards-2004-2008/.

[7] *See* Rocío Lorenzo, Nicole Voigt, Miki Tsusaka, Matt Krentz, and Katie Abouzahr, Boston Consulting Group, How Diverse Leadership Teams Boost Innovation (Jan. 23, 2018), https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation.

[8] *See* Lone Engbo Christiansen, Huidan Lin, Joana Pereira, Petia Topalova, and Rima Turk, Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe, IMF Working Papers (Mar. 7, 2016), https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Gender-Diversity-in-Senior-Positions-and-Firm-Performance-Evidence-from-Europe-43771.

[9] *See* Matt Krentz, Survey: What Diversity and Inclusion Policies Do Employees Actually Want? Harvard Business Review (Feb. 5, 2019) ("In addition to being the right thing to strive for, having a diverse workforce helps companies acquire and retain the best talent, build employee engagement, increase innovation, and improve business performance.").

[10] *See* Jess Huang, Alexis Krivkovich, Irina Starikova, Lareina Yee, and Delia, McKinsey & Company, Women in the Workplace 2019 (Oct. 2019), https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Gender%20Equality/Women%20in%20the%20Workplace%202019/Women-in-the-workplace-2019.pdf.

[11] *See* Tiffany Hsu, "Corporate Voices Get Behind 'Black Lives Matter' Cause," New York Times (May 31, 2020) ("Speaking out on social issues is often a calculated decision, a form of 'values and identity-driven targeted marketing,' said Americus Reed, a marketing professor at the Wharton School at the University of Pennsylvania. By aligning corporate values with what customers care about, companies are hoping to build a sense of loyalty and a deeper sense of personal connection, he said.").

[12] *See* Bobby Allyn, "Amazon Halts Police Use Of Its Facial Recognition Technology," NPR (June 10, 2020).

[13] *See, e.g.*, Tiffany Hsu, "Fox News Host Tucker Carlson Loses More Advertisers," New York Times (June 12, 2020).

[14] *See* Hannah Orowitz and Brigid Rosati, An Early Look at the 2020 Proxy Season, Harvard Law School Forum on Corporate Governance (June 10, 2020), https://corpgov.law.harvard.edu/2020/06/10/an-early-look-at-the-2020-proxy-season/ ("Beyond climate-focused proposals, an examination of environmental and social (E&S) shareholder proposals generally shows that diversity-focused proposals are also garnering significant shareholder support this season.").

[15] *See* Kevin Dolan, Vivian Hunt, Sara Prince, and Sandra Sancier-Sultan, "Diversity Still Matters," McKinsey Quarterly (May 19, 2020), https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-still-matters ("Some of the qualities that characterize diverse and inclusive companies—notably innovation and resilience—will be much in need as companies recover from the crisis.").

[16] *See id.* ("[S]everal reports have shown that in the 2008–09 global financial crisis, banks with a higher share of women on their boards were more stable than their peers. This research also suggests that banks run by women might be less vulnerable in a crisis.").

[17] *See, e.g.*, Tomas Chamorro-Premuzic and Avivah Wittenberg-Cox, "Will the Pandemic Reshape Notions of Female Leadership?" Harvard Business Review (June 26, 2020) ("Countries with women in leadership have suffered six times fewer confirmed deaths from Covid-19 than countries with governments led by men").

[18] *See* Jill Filipovic, "Justice Ginsburg's distant dream of an all-female supreme court," The Guardian (Nov. 30, 2012).

[19] *See, e.g.*, Catalyst, Too Few Women of Color on Boards: Statistics and Solutions (Jan. 31, 2020), https://www.catalyst.org/research/women-minorities-corporate-boards/ ("Women of color hold just 4.6% of board seats in the Fortune 500."); *see also* Susan E. Reed, "Corporate boards are diversifying. The C-suite isn't," Washington Post (Jan. 4, 2019).

[20] *See* Margarethe Wiersema and Marie Louise Mors, What Board Directors Really Think of Gender Quotas, Harvard Business Review (Nov. 14, 2016) ("More than a decade ago, countries in Europe began to take measures to increase the gender diversity of their corporate boards. Norway was the first to adopt a quota for female board members (40%) in 2004. Other nations followed suit – adopting either mandatory quotas (Germany, France, Belgium, Iceland, Italy) or voluntary goals (Austria, Finland, the Netherlands, Spain, Sweden, the UK), with goals for female representation ranging from 25% to 40%.); Alisha Haridasani Gupta, "California Companies Are Rushing to Find Female Board Members," New York Times (Dec. 17, 2019) ("In September 2018, California became the first state to legally compel corporate board diversity with a law mandating that every public company in the state have at least one female director by the end of 2019.").

[21] *See* H.R.5084 - Improving Corporate Governance Through Diversity Act of 2019, https://www.congress.gov/bill/116th-congress/house-bill/5084.

[22] *See* H.R.281 - Ensuring Diverse Leadership Act of 2019, https://www.congress.gov/bill/116th-congress/house-bill/281.

[23] *See* Kosmas Papadopoulos, Board Refreshment: Finding the Right Balance, Harvard Law School Forum on Corporate Governance (Sept 1, 2018), https://corpgov.law.harvard.edu/2018/09/01/board-refreshment-finding-the-right-balance/.

[24] *See* Nigel Topping, How Does Sustainability Disclosure Drive Behavior Change? 24: 2 J. Applied Corp. Fin. 45 (2012), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2114829 (discussing the various mechanisms through which disclosure drives change).

[25] *See id.*; *see also* Susan Kelley, Gender pay gap shrinks when companies disclose wages, Cornell Quarterly (Feb. 27, 2019), https://news.cornell.edu/stories/2019/02/gender-pay-gap-shrinks-when-companies-disclose-wages.

[26] *See* Shareholder Communications, Shareholder Participation in the Corporate Electoral Process and Corporate Governance Generally, Rel. No. 34-15384 (Dec. 6, 1978).

[27] *See* Proxy Disclosure Enhancements, Rel. No. 33-9089 (Dec. 16, 2009).

[28] *See* Compliance & Disclosure Interpretations 116.11 and 133.13, https://www.sec.gov/divisions/corpfin/guidance/regs-kinterp.htm.

[29] *See* Catalyst, supra note 19.

[30] *See* Mike Hyter and Audra Bohannon, Less Than 1 Percent Of Fortune 500 CEOs Are Black: Corporate America Must Change, Corporate Board Member, https://boardmember.com/less-than-1-percent-of-fortune-500-ceos-are-black-corporate-america-must-change/.

[31] *See* Jeff Green, "Big Companies Track Workforce Diversity But Won't Share the Results," Bloomberg (July 27, 2020).

[32] *See* Cydney Posner, "Will companies accede to calls for actions to improve racial and ethnic diversity in hiring and promotion? California considers a new mandate for racial/ethnic board diversity," Cooley PubCo (July 15, 2020), https://cooleypubco.com/2020/07/15/calls-for-actions-racial-ethnic-diversity/ (discussing a report finding that "45% of companies in the Fortune 100 disclosed statistics on board racial/ethnic composition" last year).

[33] *See* Chris Brummer, What do the Data Reveal about (the Absence of Black) Financial Regulators? (July 20, 2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3656772.

[34] *See* Diversity and Inclusion: Holding America's Large Banks Accountable, Report Prepared by the Majority Staff of the Committee on Financial Services (Feb. 2020) ("HFSC Staff Report"), https://financialservices.house.gov/issues/diversity-and-inclusion-holding-america-s-large-banks-

accountable.htm (observing that women and minority-owned firms account for approximately 8.6 percent of the asset management industry); David Z. Morris, "Investment management is overwhelmingly dominated by white men—and it's costing you money," Fortune (June 19, 2020) ("Firms owned by white men manage a stunning 98.7% of the $69 trillion managed by the U.S. asset management industry. That's according to a 2019 Knight Foundation analysis, and includes hedge funds, mutual funds, real estate funds, and private equity funds."); Government Accountability Office, Financial Services Industry: Representation of Minorities and Women in Management and Practices to Promote Diversity, 2007-2015 (Feb. 27, 2019) ("GAO Report"), https://www.gao.gov/assets/700/697125.pdf (finding only 12 percent minority representation at the senior management level in 2015).

[35] *See* GAO Report, supra note 34, at 4.

[36] *See* Alicia Robb, "Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech Firms," Small Business Administration Office of Advocacy (April 2013) ("African-American wealth levels are just 8 percent of non-minority wealth levels, and Hispanic wealth levels are just 12 percent of nonminority wealth levels. Only Asians have wealth levels similar to those of non-Hispanic Whites. Low levels of wealth and liquidity constraints can create substantial barriers to entry for would-be entrepreneurs because the owner's wealth can be invested directly in the business, used as collateral to obtain business loans, or used to acquire other businesses. Investors frequently require a substantial level of an owner's investment of his/her own capital as an incentive.").

[37] *See* Small Business Credit Survey: Report On Minority-Owned Firms, Federal Reserve Bank of Atlanta (Dec. 2019) (finding that "[s]ignificantly larger shares of minority-owned firms reported they shied away from applying for financing because they did not believe they would be approved" and "Black- and Hispanic-owned firm applicants received approval for smaller shares of the financing they sought compared to White-owned small businesses that applied for financing"); Susan Coleman and Alicia Robb, "Empowering Equality: 5 Challenges Faced by Women Entrepreneurs," Third Way (April 26, 2017) (finding that "women are still less likely to apply for loans because they fear the will be denied, and when they do apply, they request smaller loan amounts.").

[38] *See, e.g.,* Understanding the Landscape: Access to Capital for Women Entrepreneurs, A Report Prepared by the Federal Research Division, Library of Congress under an Interagency Agreement with the National Women's Business Council (Mar. 1, 2018) (finding that "[w]omen in business are often tied to an unconscious association with less credibility and a lack of legitimacy").

[39] *See* Commissioner Allison Herren Lee, Statement on the Proposed Expansion of the Accredited Investor Definition (Dec. 18, 2019) (noting that "the release posits that increased access to capital may benefit minority-owned small businesses" but "fails to address how increased access to capital for everyone will address systemic issues that have traditionally created barriers to capital for minority-owned businesses."); Commissioner Allison Herren Lee, Statement on Proposed Amendments to the Exempt Offering Framework (similarly noting a "supposition in the release that this exemption will particularly benefit issuers 'that have historically had less access to capital at start up,' such as 'women-owned and minority-owned businesses.'").

[40] *See* United States Securities and Exchange Commission Office of Minority and Women Inclusion Annual Report to Congress (March 2019), https://www.sec.gov/files/OMWI%20Annual%20Report%20FY2018_Final_508.pdf (noting they received "38 responses cover[ing] 55 [entities] or 4 percent of the regulated entities asked to submit diversity self-assessment information").

[41] *See* HFSC Staff Report, supra note 34 (observing that "[a]lthough women and minority-owned firms account for approximately 8.6 percent of the asset management industry, recent reports show that they only manage 1.1 percent of all assets under management or $785 billion out of $71.4 trillion, and are underrepresented as managers in every asset class" and finding that "America's largest 44 banks generally do not track or prioritize investing with diverse asset management firms.").