

Remarks at Asset Management Advisory Committee Meeting



Commissioner Caroline A. Crenshaw

July 7, 2021

Good morning. Thank you all for the time, thoughtfulness, and energy that you bring to your work on this committee. And thank you to the staff of the Division of Investment Management for doing the same.

I was pleased to see that today's agenda includes recommendations relating to diversity and inclusion and ESG. As I have said before, the work of these subcommittees is both important and timely.

I agree with the Diversity and Inclusion Subcommittee that the quantitative data reveals a startling picture and puts forth a compelling case for action. I'd like to highlight some of those statistics as you set to work today: roughly 1% of the \$70 trillion in global financial assets under management are managed by minority-owned or women-owned funds;^[1] the percentage of ownership interest by women and people of color in asset management firms is disproportionately low by any and every objective measure;^[2] women and people of color are dramatically underrepresented at the board and senior management levels within asset management firms and fund complexes;^[3] and diverse asset managers' investment performance is equal to or greater than performance by firms that lack diversity in ownership and senior leadership.^[4]

The report also finds that the Commission has a role to play in promoting diversity and inclusion in the asset management industry. I wholeheartedly agree. And I appreciate that you've outlined enhancements to our disclosure regime that could promote greater diversity and inclusion in the asset management industry. I'd be interested in hearing more about potential Commission or staff guidance that could discourage discrimination by fiduciaries. It is critical that the Commission continue to work to identify and dismantle barriers that directly or indirectly result in discrimination.

On ESG, I agree with the Subcommittee that there is an "unmistakable" market demand for ESG-oriented investments^[5] – but I would add that there is also demand for ESG-related disclosures. I have said it before and I will say it again: investors are using ESG-related metrics to make investment decisions and to allocate capital more than ever. The question for the Commission, as the ESG Subcommittee has identified, is how to ensure that ESG-related disclosures are consistent, comparable, high-quality, and decision-useful. I look forward to hearing more about how the Commission could work to achieve that end.

I am also looking forward to hearing about the Committee's ideas regarding private investment. Private markets have increased in size over the years. The amount of capital raised via exempt offerings outpaces the amount raised in the public markets.^[6] One concern I have is that there is not enough visibility into the private markets. I want to understand what the benefits, risks, and costs of investing in the private markets are, and I want to see the data behind those benefits, risks, and costs. So something I would be interested in hearing more about is what information about the private markets you think is missing.

Finally, I'll add that I'm also looking forward to the panel discussion about technology-enabled personalization. As we discuss investment experiences in today's world, we would be missing a huge piece if we did not think about the role of technology-enabled investor interfaces and consider the lines between personalization, recommendations, and advice.

Technology can certainly be used in ways that benefit investors, but it can also result in costs or harms to end-users. And I think recent events from this year demonstrate that we need to better understand the different ways technology is being utilized so that we can respond appropriately. Some key questions were identified during your previous meeting earlier this year: how does personalization of help or guidance change the definition of investment advice and what are the risks, and opportunities, associated with AI driven personalization.^[7] Something I am interested in considering further is the line between personalization and a recommendation that is subject to regulation best interest. Further, we need to understand the incentives at play for the entities providing technology-enabled personalization and also the reasons investors are turning to such products.

With that, I look forward to the discussion today and, again, thank you for your commitment and dedication to these important issues.

[1] See Sec. & Exch. Comm'n, [Diversity and Inclusion Subcomm. Recommendations for Consideration by the Asset Mgmt. Advisory Comm. on July 7, 2021](#) at 2.

[2] *Id.*

[3] *Id.* at 3.

[4] *Id.* at 4.

[5] See Sec. & Exch. Comm'n, [Discussion Draft: ESG Subcomm. Recommendations for Consideration by the Asset Mgmt. Advisory Comm. on July 7, 2021](#) at 5.

[6] See Staff, Sec. & Exch. Comm'n, [Report to Congress on Regulation A / Regulation D Performance](#) (Aug. 2020) at 36-37.

[7] See [Transcript of Meeting of the Asset Mgmt. Advisory Comm.](#) (Mar. 19, 2021) at 177-180.