



August 18, 2010

Chairwoman Mary Schapiro
Commissioner Luis Aguilar
Commissioner Kathleen Casey
Commissioner Troy Paredes
Commissioner Elisse Walter
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

***Pre-Comment Concerns Relating to Office of Minority and Women Inclusion (Title III) and
Regulation of Advisers to Hedge Funds and Others (Title IV)***

Dear Chairman Schapiro and Commissioners Aguilar, Casey, Paredes and Walter,

Our organization, a leading consumer advocate for our nation's 18.5 million Asian Americans, wishes to offer some preliminary comments on Title III (Office of Minority and Women Inclusion) and Title IV (Advisers to Hedge Funds and Others). Subsequently, we will play an active role during the public comment period, much as we are presently doing before the FCC and the FTC.

Separately, we will be filing public comments relating to the Study Regarding Obligations of Brokers, Dealers, and Investment Advisers.

Title III: Office of Minority and Women Inclusion

The SEC cannot effectively implement the Office of Minority and Women Inclusion without setting a personal example of excellence. It must have a record or goals to achieve an outstanding record of employment of minorities and women, including at all levels of employment, particularly among all the leading advisors and creators. (Please see Exhibits A and B, our letters to Chairman Schapiro of July 30th, "Concerns about Lack of Diversity at the SEC and Lack of Focus on Diversity," and August 3rd, "Four Percent Blacks at SEC Unacceptable.")

Similarly, the Office of Minority and Women Inclusion will not be effective unless the SEC first gathers data as to its own contracts that it provides to minorities, women and veterans. Unlike the data we have submitted in Exhibits A and B on the SEC's embarrassing employment deficiencies, such data is not yet readily available. This pre-comment is a Formal Request that data be made available as previously requested in Exhibits A and B by race, ethnicity and gender and separately for veterans and/or disabled veterans for all contracts over the last three years by the SEC.



The SEC has the full authority to gather similar data on employment and contract diversity for all corporations subject to its jurisdiction, including all corporations required to make annual 10-K filings. We have discussed our interpretation with the Office of Supervision and with the staff of the House Financial Services Committee Chairman Barney Frank. Specifically, we urge that the SEC, within the next 60 days, make a formal request to the Fortune 500 corporations subject to 10-K filings for the following information:

1. Breakdown of employment by race, ethnicity and gender, separately for board of directors, top 100 senior management (defined by aggregate compensation) and by management titles and/or grades and also attach for past three years the EEO-1 reports; and
2. These Fortune 500 corporations be requested to provide data by race, ethnicity and gender, including for veterans and disabled veterans, the dollar amount and number of contracts made for the last year available.

The SEC should then analyze this data to determine in what format such data should be made public. The SEC should also consider whether this data should be required of all corporations with a threshold of five hundred million or one billion dollars in revenue and/or assets and for all corporations that have contracts with the federal government that also exceeds five hundred thousand on an annual basis.

The SEC can gather and/or publish such data and such analysis should be separate from which authority the SEC may have to use such data for enforcement purposes. However, the authority to take action rather than the publication of such data may be in question. Therefore, the comment period should provide as to a legal analysis as to what information the SEC has relating to information discovered through the securing of contracts by race, ethnicity and gender.

Title IV: Advisers to Hedge Funds and Others

Our concern during the comment period relates to the approximately 40 hedge funds at 10 billion dollars or more (or within 10 percent of 10 billion dollars or more in assets).¹

Our primary concern relates to Section 1601, Subsection 2 (HEDGE FUNDS) and Subsection D. It establishes the special tax assessment that takes into account Subsection D 6 and 7. Specifically:

- The company's importance as "a source of credit for households, businesses, and State and local governments"; and

¹ Since many hedge funds are growing quickly, it appears that almost 50 hedge funds may be within the 10 billion dollar cutoff figure for possible taxation by 2012.



- The company's importance as "a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities."

As the Wall Street Journal and the Federal Reserve have reported, there is a gross shortage of both capital and credit to low-income and underserved communities. Our position is that major hedge funds that take the leadership role in addressing this crisis and are committed to revitalization of small business, minority and other low-income communities, should have their tax assessments reflect both benefits to society and any other additional risks.

Possible CRA Implications

We urge that all major hedge funds be requested to provide comments on this crucial section. Many experts, including the former General Counsel for the Greenlining Institute, contends that this Hedge Fund Provision could establish informal Community Reinvestment Act type opportunities for major hedge funds and such investments should be properly rewarded. The former General Counsel of the Greenlining Institute² was responsible, for example, for negotiating the Bank of America's 1.5 trillion dollar 10 year CRA commitment, including 2 billion dollars for philanthropy as part of community support for the approval of the Bank of America's acquisition of Countrywide Financial.

Respectfully submitted,

A handwritten signature in cursive script that reads "Faith Bautista".

Faith Bautista
President and CEO

A handwritten signature in cursive script that reads "Mia Martinez".

Mia Martinez
Deputy Director

² Robert Gnaizda, now Of Counsel to Mabuhay Alliance, the Black Economic Council and the Latino Business Chamber of Greater Los Angeles.

EXHIBIT A



July 30, 2010

Mary Schapiro
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Concerns About Lack of Diversity at the SEC and Lack of Focus on Diversity

Dear Chairman Schapiro,

This letter is written on behalf of the Latino Business Chamber of Greater Los Angeles, the Black Economic Council and Mabuhay Alliance. We have jointly been working with a wide range of congressional leaders and administration officials, including David Axelrod, to promote diversity among the regulatory bodies and those they regulate. All three organizations have taken major leads in intervening before the FCC in opposing the Comcast/NBC merger due to lack of diversity. Our efforts have been supported by the leadership of the Black, Hispanic, and Asian-Pacific Congressional Caucuses including two congressional hearings and one FCC hearing on these issues so far.

We and our Counsel have met with two of your predecessors and regret that you we were unable to meet with us as previously requested. We look forward to an early meeting to ensure that the SEC has strong support from Main Street including almost 50 million Latinos, 40 million African Americans and 18 million Asian Americans.

The Dodd/Frank Reform Bill has made clear that diversity at the SEC is an important part of its mission (see, Politico, July 28, 2010, "Feds Demand Diversity on Wall Street"). This includes the opportunity to hire an additional one fifth of your entire workforce, or about 800 persons. Increasing the SEC's grossly inadequate diversity should be a high priority.

Based upon the information available to us, the SEC has been lacking in diversity except possibly as to white women.¹ We would greatly appreciate it if you could provide to us within the next 15 days the following employment data which we intend to share with congressional leaders such as Maxine Waters, Judy Chu and Nydia Velazquez as part of our discussions with congress:

1. Total number of employees broken down separately by race, ethnicity and gender, including subcategories for Latino, Black and Asian American women;

¹ Your senior staff people in charge of such data acknowledge that most of the data requested herein has never been posted on your website. They further acknowledge that what has been posted on your website is not transparent and is, in effect useless in providing data to either you, other commissioners, or congress relating to your present diversity or your future efforts.



2. A breakdown for all job categories starting with highest ranking grade descending to lowest with a very brief description for each grade level;
3. A comparison in all the above categories with five years ago;
4. Your specific goals as to the 800 new hires you will be making this year, including correcting imbalances in diversity through the new hires to be made this year or early next year.

During the week of July 26th to 28th we met with Congresswoman Waters and Chu and with senior staff at Barney Frank's office on this issue.

Diversity Information and 10K filing

Related to this we have raised with Congresswomen Waters and Chu and will be raising with other congresspersons (including the leadership between the Black, Hispanic & Asian Pacific Congressional Caucuses) the role of SEC in gathering data on and promoting diversity among the major corporations that are required to file 10K reports. Specifically, we believe that the SEC has the full authority if the commission chair and/or three commissioners desire to fully gather data on diversity for corporations. We would urge, for example, that the 500 largest corporations (size defined by either Fortune Magazine and/or by asset size or revenue) provide the following information on a one time basis and/or on an annual basis:

- board of directors by race, ethnicity and gender;
- top 100 employees based on aggregate compensation to each (without any names) by race, ethnicity and gender.

Please note that the gathering of data is fully within the authority of the SEC. It is our expectation that once this data is filed and made available to Congress that it will be used to consider any additional authority the SEC requires to take appropriate action.

It is our hope and expectation that these preventive suggestions will enable the SEC to more fully accomplish its role in protecting the public interest of all Americans including what the Wall Street Journal article from June 11, 2010 titled "U.S. Nears Racial Milestone" refers to as the new "Majority Minority."

We look forward to our early meeting with you and receiving your SEC employment data within the next 15 days.

Sincerely,

A handwritten signature in black ink that reads "Faith Bautista".

Faith Bautista
President and CEO

EXHIBIT B



August 3, 2010

Chairman Mary Schapiro
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Four Percent Blacks at SEC Unacceptable

Dear Chairman Schapiro,

We are writing on behalf of the Black Economic Council, the Latino Business Chamber of Greater Los Angeles and Mabuhay Alliance. This is a follow up to our letter of July 30th "Concerns About Lack of Diversity at the SEC and Lack of Focus on Diversity".

We have finally broken the anti transparency code that makes employment data at the SEC unavailable to the public or even your staff. The most updated data the SEC has provided for its permanent workforce of 3,606 is as follows: 2% of managers and senior level officials are Asian American; 3% of managers and senior level officials are Latino and just 4% are Black.

This is a record that we are certain you will find unacceptable and expect that you will immediately change.

As a first step, we urge that you set informal goals within these three underserved groups for the anticipated 800 new workers to be hired by the end of the year that will enable you to substantially alter the SEC's deplorable record.

Much more must be done immediately to ensure, without violation of any laws, that minority interests are effectively represented. The first step must be the collection of data from Fortune 500 Corporations on their annual 10K filings as to their employment records at every level from board of directors and senior management to the lowest grade employees. Similarly comparable diversity data should be gathered for every company that the SEC is investigating for any type of violation. This, for example, should have been done for Goldman Sachs. If the SEC had collected this data it would have been clear that ninety-nine percent of those involved in subprime predatory lending at Goldman Sachs were white and that the majority of the victims minorities.

Minority Contracts at SEC and Fortune 500 Corporations

As set forth in our prior letter of July 30th, please provide data by race, ethnicity and gender for all SEC contracts in 2008 and 2009. This should be by dollar amount and percentage. Further we request that as part of your 10K filings that all Fortune 500 Corporations be required to provide



similar data on race, ethnicity and gender on an annual basis. This is consistent with Maxine Waters's request signed by 68 other congresspersons in the Comcast/NBC merger. We formerly request a meeting with you within the next 30 days to discuss these matters. I would appreciate your chief of staff calling us in advance to work out an appropriate agenda for this meeting.

Sincerely,

A handwritten signature in black ink that reads "Faith Bautista".

Faith Bautista
President and CEO

Cc: Congressman Barney Frank
Congresswoman Judy Chu
Congresswoman Maxine Waters
Lloyd Blankfein
David Axelrod