January 4, 2021

Vanessa Countryman
Secretary
U.S. Securities & Exchange Commission
100 F Street NE
Washington, D.C. 20549-0609

**Re: Comments on Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity, Release No. 34-90574; File No. SR-NASDAQ-2020-081**

Dear Ms. Countryman:

The Institutional Limited Partners Association (ILPA)[1] is pleased to submit comments on the proposed rules for issuers listed on the Nasdaq Stock Market LLC that were recently submitted for approval[2] by the U.S. Securities & Exchange Commission. ILPA is committed to advancing diversity, equity and inclusion (DEI) in the private equity industry and has actively led industry initiatives, including our recently launched *Diversity in Action*[3] initiative to help improve industry practice.

While ILPA and our members are actively involved in shaping DEI in the private markets, we believe that both public and private markets are inherently interconnected, impacting one another. From 2009-2019, 500 private equity backed companies held an

[1]ILPA is the voice of the institutional investors invested in private equity, colloquially known as Limited Partners or LPs. Our 550+ member institutions represent over USD 2 trillion in private equity assets under management globally and include public and private pension funds, insurance companies, university endowments, charitable foundations, family offices and sovereign wealth funds, all of which invest in the U.S. alternative investment market. LPs provide the capital that fuels private equity and venture capital investment, generating economic growth and job creation, across America and around the world.

In addition to providing this critical capital for economic growth, LPs are the trusted financial stewards investing the assets of millions of Americans. Limited partner beneficiaries include teachers, first responders, students receiving university scholarships, charity recipients and insurance policyholders, among others. ILPA is headquartered in Washington, D.C. with additional offices in Toronto, Ontario. For more information on ILPA's members, please visit: http://www.ilpa.org/members.

[2] *See* The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Adopt Listing Rules Related to Board Diversity; File No. SR-NASDAQ-2020-081 (December 4, 2020). (Proposed Rules)

[3] ILPA Diversity In Action Initiative: https://ilpa.org/ilpa_diversityinaction/



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initial public offering (IPO) at exit.[4] As of October 2020, over 70 venture capital backed companies had gone public in that year, many of them tech companies that listed on Nasdaq.[5] Given the frequency of private equity and venture backed companies exiting through an IPO, it appears likely that the Proposed Rules will result in positive movement on board diversity of the portfolio companies owned by the private funds in which our members invest.

ILPA believes that diversity at both the level of portfolio company boards as well as within decision making teams at the fund level (in private funds) results in better outcomes for investors. Board diversity at the portfolio company level, and within the investment committees of private funds making these investments, can bring forward a greater variety of viewpoints and perspectives, leading to improved decision-making and ultimately better performance. Recent research has highlighted the positive impact on performance of firms with diverse investment committees. A 2019 assessment of performance by diverse-owned private equity firms, published by the National Association of Investment Companies (NAIC), found that diverse private equity funds performed better than the Burgiss Median Quartile in 78.6 percent of vintage years studied.[6] Moreover, in its examination of gender balance in private equity and venture capital firms investing in the emerging markets, a 2019 study by the International Finance Corporation (IFC) indicated that gender balanced funds realized an excess net internal rate of return of 1.7 percentage points greater than male- or female-dominated funds when controlling for vintage, geography and strategy.[7] In sum, research is growing to show the value of diverse viewpoints and experiences on investment committees and boards of directors.

The Proposed Rules raise the bar by requiring a certain level of diversity on the boards of listed Nasdaq companies, or by requiring issuers to explain why they were unable to identify diverse candidates. Further, the clear reporting requirements in the Proposed Rules will help investors, many of whom increasingly consider diversity as a factor in their investment decisions, to gather the information more efficiently that they require on

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[4] Pitchbook, 2019 Annual U.S. PE Breakdown, p. 14, *available at:* https://files.pitchbook.com/website/files/pdf/2019_Annual_US_PE_Breakdown.pdf

[5] Ryan Browne, *Why tech IPOs are flourishing in the U.S. and China — but not Europe*, CNBC, October 20, 2020, *available at:* https://www.cnbc.com/2020/10/19/why-tech-ipos-are-flourishing-in-the-us-and-china-but-not-europe.html

[6] NAIC, Examining the Returns 2019: The Financial Returns of Diversity Private Equity Firms, available at: https://2rp8zq2kdoxy38kvwx23zbuc-wpengine.netdna-ssl.com/wp-content/uploads/2020/04/2019-NAIC-ExaminingTheResults-FINAL.pdf

[7] IFC, Moving toward gender balance in private equity and venture capital 2019, available at: https://www.ifc.org/wps/wcm/connect/79e641c9-824f-4bd8-9f1c-00579862fed3/Moving+Toward+Gender+Balance+Final_3_22.pdf?MOD=AJPERES&CVID=mCBJFra

board diversity. We encourage the Commission to move expeditiously to approve the Proposed Rules and thereby take a significant step to improve board diversity among listed companies in the United States. We also dedicate ourselves to encouraging private equity and venture managers to consider taking similar steps to improve board diversity at their portfolio companies.

Sincerely,

Steve Nelson
Chief Executive Officer
Institutional Limited Partners Association (ILPA)



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