

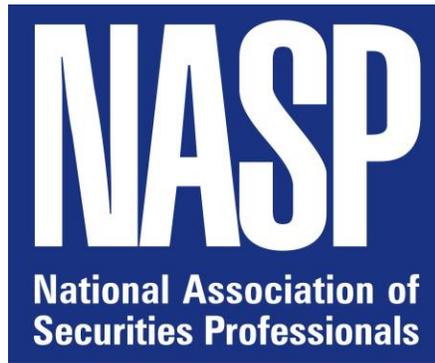
Statement for the Record
U.S. House Financial Services Subcommittee on
Investor Protection, Entrepreneurship and Capital Markets
“Capital Markets and Emergency Lending in the COVID-19 Era”

June 25, 2020

Ronald C. Parker, President and CEO
National Association of Securities Professionals

On behalf of the National Association of Securities Professionals (NASP), I’m pleased to share some of our views for the Subcommittee’s hearing on Capital Markets and Emergency Lending in the COVID-19 era. NASP is the premier organization dedicated to supporting people of color and women in achieving inclusion in the financial services industry. As a professional organization, NASP serves as a resource for the minority professionals within the securities and investments industry and as the voice for its members at the federal, state and local levels of government to advance its mission of diversity and inclusion.

The impact of COVID-19 on the global economy will take years for many individuals to recover from, if at all. This period has illuminated the structural fragility of our economic system in some ways worse than during the Great Depression. Even though the Great Depression took place nearly ninety years ago, in many respects it has never ended for African Americans and Latinos – especially when it comes to the racial wealth gap. In 2018, the Federal Reserve Bank of St. Louis reported that the median net worth of Black families was ten times LESS than that of White families; the net worth of Latinx families was 13% of White families. The study also points out that White families were six times



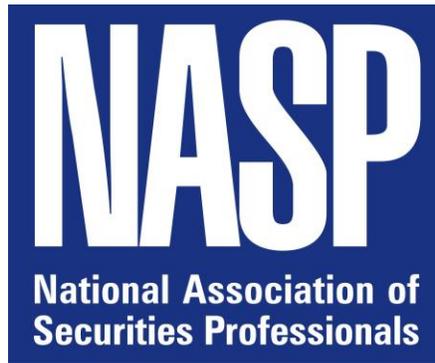
more able to survive on their savings compared to African Americans. Moreover, the same study also points out that Whites are twenty-eight times more likely to become a millionaire than Blacks. To put more context on this statistic – that is a one out of two hundred chance for African Americans vs. one in seven for White Americans. The Latinx wealth gap is also significant. According to the [Pew Research Center](#), White families have three times as much wealth as Latinx families, even when controlling for income tier.

Why is this important as it pertains to this hearing today? NASP focuses on increasing opportunities for asset management and investment banking institutions founded and owned by African Americans, Latinos, women and people of color more broadly at the federal, state, and local governmental levels, as well as with endowments and foundations. Despite NASP members going to some of the best academic institutions in the country, receiving the requisite training at many blue chip investment firms and then moving on to pursue their entrepreneurial dreams, they still fail to receive comparable opportunities to that of their white counterparts, which should be granted on the basis of merit.

What is the opportunity set?

The investment management industry is vast and extremely profitable. In 2016, global assets under management totaled \$69.1 trillion and the fees paid to manage those assets were \$99 billion. Diverse-owned and woman owned investment managers^[1], representing around 8.6% of all investment management companies, remain largely excluded from the opportunities of this industry. Additionally, minority candidates are often absent from the rooms where company policies and decisions are made when it comes to choosing investment

^[1] According to the Knight Foundation study, this number includes investment firms with “substantial (defined as 25-49 percent) or majority (50 percent or higher) women or minority ownership”.

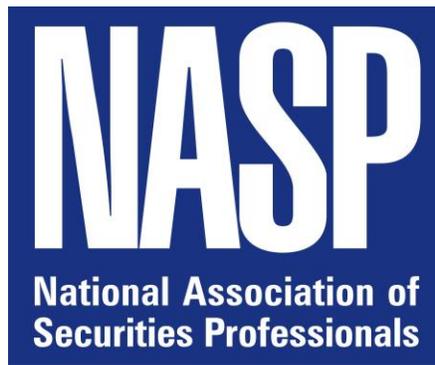


managers. The decision making around how these assets are managed has far reaching impact across the economy related to job creation, growth, wealth building and too few minority and women owned firms have a seat at the table in this process despite strong track records of proven success.

Why is the context of this aggregate number important? Between 2009 and 2019 BlackRock's assets under management have grown from \$3.29 trillion to \$6.52 trillion while Black-owned asset management firms such as Holland Capital Management, Herndon Capital Management, and Latino-owned Lombardia Capital Partners all were forced to close their doors.

Investors select investment management companies to steward their capital based on many factors, investment performance being a key driver. The John S. and James L. Knight Foundation, in partnership with Bella Private Markets, published its [2018 Diverse Asset Management Firm Assessment](#) in January 2019. The Knight Foundation report analyzed the performance of diverse and woman owned investment management companies across 4 major asset classes (mutual funds, hedge funds, private equity and real estate), and concluded that their returns were "statistically indistinguishable" from the returns of non-diverse, male owned investment firms. In fact, in some cases the returns generated by diverse and woman owned firms were actually *higher*. Despite this data, diverse and woman owned firms *combined* manage just 1.3% of global assets. This data indicates that these firms are excluded due to bias, not due to a lack of performance or capability.

As we assess the dynamics around the emergency lending facilities during the COVID-19 pandemic, it bears mentioning that the Federal Reserve Bank of New York's selection of BlackRock to manage \$750 billion in corporate bonds and mortgage-backed security purchases without any consideration of women and

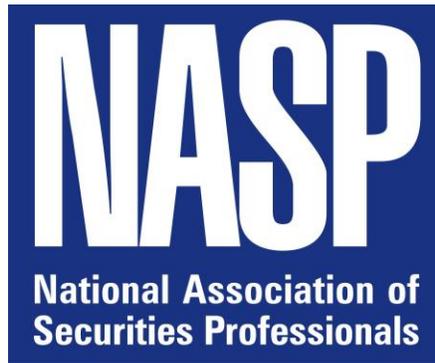


minority-owned firms fails in the face of diversity and inclusion. Additionally, the Treasury Department chose three large Wall Street investment banking firms to advise on providing aid to the airline industry, again without consideration of any highly- competent diverse firms.

It was reported in a [FundFire article on March 30, 2020](#) that BlackRock immediately reaped the benefits of their appointment the day after the announcement when \$1.5 billion was invested in its exchange-traded-funds (ETFs). This is clear evidence that the Federal Reserve's action gave BlackRock an unfair advantage over its competitors and further widened the gap of disparity between firms dominated by white males and firms that are more diverse.

Indeed, while we still have a long way to go, we want to thank the leadership of the Federal Reserve Bank of New York, in particular Ronald E. Taylor who sits in the Executive Office of Diversity & Inclusion and Daleep Singh, Executive Vice President, Markets Group for their recent leadership and courage to not only increase their level of engagement with NASP and its members, but to elevate its intentionality as it pertains to finding ways to create meaningful partnerships with our member firms on a going forward basis. While the business partnership with the Federal Bank of New York and other Fed banks in the past was not to the level we had hoped, we are optimistic that it will surpass previous levels in a very substantial way in the near term and be sustained over time.

Opening the channels of dialogue with top policy makers, especially regulators, as NASP has with the Federal Reserve Bank of New York, is essential because too often diverse voices are not in the room or at the table when key decisions are made. The Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Commodities Futures Trading Commission and many other federal regulators have industry professionals and other experts serve on formal advisory committees that focus on various policy and regulatory priorities for



these agencies. These advisory committees not only perform important roles for the regulators, but they afford their members unique insight into the workings of these agencies and perhaps more notably, give select thought leaders an opportunity to have influence and be perceived to have a voice in the process. These advisory committees are woefully lacking, with few people of color on

them and need to intentionally recruit more diverse participants. NASP stands ready to assist in identifying subject matter experts who can engage thoughtfully on policy matters and support these regulatory entities.

Thank you for your consideration of our views.

A handwritten signature in black ink, which appears to read "Ron Parker", is written over a thin horizontal line.

Ronald C. Parker
President & CEO
National Association of Securities Professionals