SEC Asset Management Advisory Committee

September 16, 2020

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This is an executive summary of the SEC Asset Management Advisory Committee that occurred on September 16, 2020.

Opening Statements

Chairman Clayton began by welcoming Commissioner Crenshaw to her first meeting. Clayton said he looked forward to the presentations from the ESG and Private Investment Subcommittees and welcomed the discussion of COVID-19's impact on the asset management industry. Specifically, the SEC has focused on the impact of COVID-19 on exchange traded products. Clayton was interested in providing access and choice, including increasing access to private markets while improving investor protections. This includes access to private investments, particularly those that are analogous to well managed pension funds. He believed a similar result to the public markets could be achieved in the private markets.

Regarding diversity and inclusion, Clayton welcomed opportunities for diverse asset managers and expanding opportunities. He hoped the Committee would look at best practices implemented by managers and pension funds.

Commissioner Peirce commented on the diversity and inclusion panel and wanted the SEC to look at the role of regulation and how it could limit individuals participating in markets. She mentioned the accredited investor definition as an example of regulation limiting access to markets. Second, she added another item for consideration the response to the Boulder No Action letter and the impact on closed end funds.

Commissioner Roisman discussed his focus in the ESG space and thought investors should be provided clear information on manager's goals to increase transparency not only in the asset management space but also at the SEC. He then discussed the other two panels discussions on increasing access to private investments and increasing diversity and inclusion.

Commissioner Crenshaw was interested in the work of the ESG subcommittee, noting the CFTC's resent climate change report that found that climate change poses a significant risk to the financial systems and that climate risk disclosure provides opportunities for investors. She was concerned that if the SEC does not respond, it will harm investors that are not appropriately controlling for risk. In the private investment space, she was curious if there was enough data on the protection of investors. She was very supportive of increasing diversity and inclusion practices in the asset management industries.

Dalia Blass gave a brief statement introducing the days discussion.

Ed Bernard, Committee Chairman, T. Rowe Price, flagged that diversity and inclusion had been made a subcommittee. Ed provided an agenda on the discussions for the day. In the first discussion, the ESG subcommittee will first provide an update on its different workstreams and then the private investments group and diversity and inclusion group will bring in outside voices to discuss developments and potential actions in these spaces. None of the these working groups are ready to make recommendations. However, in the second grouping focused on COVID-19 the discussion will include recommendations, particularly in the exchange traded products space and the Committee will decide if they will vote to recommend these to the SEC. There will also be a discussion on recommendations on operational concerns from COVID-19, but these will not be ready for a vote.

ESG Subcommittee Update

Michele McCarthy Beck, TIAA Financial Solutions, referenced the ESG subcommittee's update, released on the SEC's website. There were no recommendations at this time, the subcommittee will likely make specific recommendations in December. She discussed the five workstreams from the last meeting:

1. Value vs. Values: This workstream focused on whether ESG funds are expressing their investors' values or creating value for the investor. The discussion centered around the SEC's Names Rule and how that should apply in the ESG space. The SEC's March 2020 Request for Comments on Fund Names specifically asked for industry input on this point.
2. Performance Measurement: This focused on how to measure the alignment of financial outcomes with fund's objectives. Research has shown that ESG has been one investment style that has gained significant assets in the last six months during COVID-19 but also that ESG is not significantly associated with greater returns during COVID-19. Other research on deconstructing E, S and G issues found that companies with high ESG scores and with high E, S and G scores outperform those without these metrics. When ESG is bundled together it outperforms E, S and G separately. Regarding performance disclosure of ESG funds, the subcommittee concluded that a performance attribution mechanism is needed to see if returns come from E, S and/or G. The subcommittee looked at existing SEC performance disclosures as a starting point for recommendations. Page 15 of the slide deck offers the subcommittee's spectrum of potential recommendations.
3. Proxy Voting: The workstream's objective was to recommend approaches to proxy voting for ESG strategies. Given the SEC's recent amendments concerning proxy solicitations and the supplemental guidance, the subcommittee believed that these actions effectively improved investors ethical outcomes and in combination with rule 13F provide an adequate level of transparency with respect to proxy voting on whether a fund is designed to include ESG considerations or not. There are no recommendations in this space.
4. Role of ESG rating systems and benchmarks: This was used to discuss truth in labelling concerns. Page 18 of the slide deck offers the subcommittee's spectrum of potential recommendations in this space.
5. Issuer Disclosure: The objective of this workstream was to make recommendations to the SEC concerning guidance given to corporate issuers for how to disclose and present ESG data and related information. One of the central tenants of the discussion was how materiality of ESG metrics can change relative to a company's structure or focus and how the SEC can take action in this space to provide clarity on what should be disclosed and how. Page 28 of the slide deck offers the subcommittee's spectrum of potential recommendations.

Question: Joe Savage, FINRA, focused on disclosures in the prospectus or annual report and the standardization of ESG factors. However, he noted that a lot of retail investors do not look at the prospectus or annual reports. He asked if the subcommittee had considered recommendations surrounding marketing material and whether there should be standardization in that space. Michele responded that the subcommittee had not considered the advertising materials, but they could add that to future discussions.

Question: Russ Wermers, Smith School of Business, University of Maryland, and Wermers Consulting LLC discussed how funds might be compelled to have more proof in advertising ESG funds and then also issuer level disclosures. He wondered if the subcommittee had thought about tradeoffs between the two and if the SEC should consider who to monitor. As an example, firms and issuers can get great MSCI scores that are not providing appropriate information to investors. Michele said that one discussion they had was that if you had robust issuer disclosure, you would not need fund disclosures. She acknowledged it is much harder to implement those robust issuer disclosures. **Jeffrey**

Ptak, Morningstar Research Services, added that the SEC plays a role in monitoring investment companies and the issuer, so the workstream was addressing the disclosure in a way that was pertinent to both of those areas. As far as "greenwashing", that problem recedes as you have a set of disclosure requirements that are comprehensive, meaningful, and comparable.

Question: Commissioner Roisman applauded the subcommittee's work and the presentation. He asked about issuer disclosure and materiality. From his perspective, there is ESG information that is material to investors and companies are currently required to disclose that information. Certain information may be useful for asset managers, but the SEC has not typically tailored disclosures to specific investing strategies. He was concerned about having a new disclosure requirement for issuers that may not be providing material information to issuers.

Question: Gilbert Garcia, Garcia Hamilton & Associates, asked if there should be a requirement that managers doing ESG funds have to have a minimum requirement of following ESG practices themselves in terms of hiring practices, board diversity, etc. Michelle said they could take that under consideration.

Second Panel: Private Investment Subcommittee

Rama Subramaniam, GTS, provided an update focused on the potential expansion of access to private investments.

The first topic he discussed was "Supply and Demand Dynamics in US Asset Management." The pool of investment assets continues to grow due to demographics and macro-economic factors. There has been a growth in IRA accounts and 401k plans and a decline in defined pension plans resulting in an increase in self-directed accounts that are limited to the public markets.

On the supply side the public equity market is larger but more concentrated with a few large firms, companies are staying private longer and private fundraising is surpassing public fundraising. To emphasize this point, page 12 of the slide show highlights that the equity raised via Private Reg D offerings is larger than Equity raised via US IPOs.

Moving to the regulatory landscape, the Securities Act provides various exemptions from registration, such as through Reg D and the Qualified Purchased definition. The accredited investor definition, Rule 506(b) of Reg D, is by far the largest exempt offering used by private funds. Within the Investment Company Act, Section 39(c) exempts from the definition of investment company many types of entities, including PE funds, that would otherwise be subject to the significant regulatory requirements of the Act. Open-end funds are subject to a general 15% threshold on acquiring illiquid investments. Staff in the SEC's Division of Investment Management has historically raised investor protection concerns if closed-end funds that invest more than 15% of their assets in private funds were to be offered to retail investors. As a result, these closed-end funds have limited their offerings to Accredited Investors, although Division staff has indicated that they are re-examining this staff position.

Page 22 lists questions that the subcommittee is considering in this space.

Erik Siri, Babson College and Natixis Funds, Loomis Sayles Funds, and Natixis ETFs, commented that the methods for tracking returns in public markets is straightforward. However, returns to private investments can be difficult to calculate and there is no standardization.

Bryan Jenkins, Hamilton Lane, began his presentation by providing a brief background on Hamilton Lane, and its work in the private markets. Hamilton Lane has one of the largest private asset datasets in the industry and it provides data on where LPs are investing. He noted that returns are measured differently between public and private markets and one way to get around this is by using a private market equivalent (PME). There are other metrics used in addition to PME.

Private equity funds are grouped by vintage year, or year they began investing. There is an argument that small cap companies are like private equity pools. Small cap value performance used to look favorable to private equity but that has not been the case in recent years. 60 to 70 % of private equity is venture and buyout funds, but there is also private credit and private real estate, infrastructure, and natural resources (slide 8).

Nole O'Neill, Cambridge Associates, presented on his experience at Cambridge dealing with US private equity returns vs. public market returns. Premium spread versus public equity markets has been less because of strong public equity returns and more because of the number of assets in private equity growing and becoming more competitive. For venture capital, the key observation is longer term venture capital returns were very strong in the late 90s and in recent decades the private venture capital investments have lagged in comparison.

Nole then discussed risk and the tools used, such as dispersion of returns. This data illustrates that in the performance of the top performing firms there is a large level of dispersion between the top performing funds and the less performing funds and that this emphasizes the need for diversification.

Josh Lerner, Harvard Business School, discussed the potential diversification benefits from private equity and to the extent it makes sense in a defined benefit pension plan, it may make sense for an individual investor as well. One study found that private equity had a set of factors that was different from the public market and one could get diversification from those investments. However, there is relatively little outperformance from the private markets compared to the public markets. Additionally, the returns from PE funds has fallen in recent years, which could be due to competition in this sector.

There is also the added issue of fees, particularly with retail products. Investors in PE funds pay high fees for investment products and retail-focused PE products typically have an additional layer of fees. Another consideration is that not all investments are done through funds, there has been interest in doing co-investments. In many cases they have lower fees, which may be contributing to their recent popularity. However, co-investments can be challenging because they have underperformed in the long term.

Ludovic Phalippou, University of Oxford, focused on how private equity firms track their records. He had concerns that fundraising prospectuses are misleading. He showed a fundraising prospectus from a real company to illustrate how they can mislead investors. Issues included: the returns being presented as gross returns, not taking into account fees which are three to four times those of mutual funds; the IRR number not making sense, in the example he provided, the prospectus says the IRR is near 50% but that is not accurate; and the track record being selective and in private equity it looks at just realized returns, meaning you can pick the best performing industry or investment.

Question: Erik Sirri asked how the SEC should determine what information should be presented to retail investors. Josh reiterated concerns over the misleading use of the IRR, including how you can get multiple IRRs for a single fund. He advocated for looking at as many different metrics to try to get a sense of grounding, any one metric may

be problematic but taking them together could lead to a clear picture. Bryan agreed with Josh on looking at several different metrics and agreed that transparency could be greatly improved. Neil was also in agreement and expanded that marketing of track records can be incredibly misleading and added that fees in private equity are very high.

Question: Erik then brought up the idea of liquidity and if investors are compensated for bearing increased liquidity risks in private investments. Bryan responded that the liquidity premium that an investor should demand depends on the duration of their liabilities. Ludovic added that a small portfolio should not demand a premium but looking at the returns that are like public market indices the fee structure in private equity makes it difficult to see that there is any premium.

Question: Erik asked if there is a challenge in trying to regulate this industry based on returns. Nole said that skew is particularly present in venture capital since a small percentage of venture capital deals and venture capital funds generate a large profit. The skew is less so in mainstream private equity or buyouts. Bryan agreed with those comments and observed that a small number of large companies are driving returns in the S&P 500.

Question Erik asked if retail investors would be better off if they have access to these markets. Bryan said that from a choice perspective it is good, but the challenge is the appropriate structure and transparency. Josh commented that before this could be done, the fee structures and clarity needs to be addressed. Ludovic said that it took the SEC a long time to close loopholes in the mutual fund industry, nearly 100 years, and here the SEC has not even started.

Question: Russ Wermers discussed the dangers pointed out in the panel and said it made him reluctant to invest in a private equity fund but he would be interested in investing in a Fidelity fund that would invest in private funds. He asked about private equities role in the mutual fund industry. Josh responded that there has been a history of publicly traded private equity, now management companies go public, but before that funds of various types were going public. The experience of the publicly traded fuds has been mixed. Bryan added that there are semi liquid vehicles that have a hedge fund like structure. Ludovic said it would be inevitable that you give quarterly liquidity and assessment that it is at market NAV and then there is a fair redemption entry point.

Panel 3: Improving Diversity and Inclusion in the Asset Management Industry

Gilbert Garcia introduced the panel and its efforts to address wealth inequality. He briefly recapped the July meeting which highlighted the barriers to diversity in the asset management space, including how only 69 out of 1,300 firms responded to the SEC's diversity questionnaire. Today's discussion will focus on the best practices of firms that are leading in diversity. The hope is to bring concrete suggestions to the AMAC in early 2021, that will then lead to recommendations to the SEC.

Mike Manning, NEPC, discussed three areas to improve diversity. The first effort is to improve NEPC's own internal workforce. 50 percent of new hires in 2020 have been minorities, but he acknowledged that additional steps are necessary. In general, there is a lack of diversity in the consulting industry and part of the process for increasing diversity includes developing specific programs. The second step is creating a positive work environment, including unconscious bias training, and creating affinity groups to help NEPC create a better environment. The third area is engaging with the investment management industry. The first step in this area is canvassing the landscape and

engaging with diverse managers. The second step is to have ten percent of managers be diverse. Finally, NEPC will have internal profit-sharing assets that are measured by those that are hired by diverse managers.

Michael Miller, Colonial Consulting, discussed Colonial's efforts to allocate resources to diverse managers. Colonial had a sustained commitment on the part of the firm's leadership team, including hiring someone to focus solely on diversity and inclusion. They are also sponsors of organizations that support diversity and they made hiring diverse managers a priority. Lastly, they focused on researching smaller, diverse firms. He advocated for making this into a business issue for the advisory committee. His suggestion was to continue to hold hearings and to mandate disclosure on the number of diverse managers. His firm already does this and said it is not difficult to implement these disclosure practices. Reporting also must be based on consistent, objective standards such as majority ownership.

Clayton Jue, Leading Edge, said his firm helps to evaluate management firms, their practices and performance as they grow their businesses. He advocated for making diversity and inclusion a full-time effort, whether that be hiring a sole staffer to deal with diversity and inclusion issues or other efforts. Lastly, he advocated for transparency and accountability.

Question: Gilbert asked if the firms have a person dedicated to diversity and inclusion. Michael said that Colonial did have a sole staffer dedicated to this. Mike said that they do not have a specific person dedicated to diversity, the approach is more staff wide.

Question: Michelle asked about looking at larger firms. Michael responded that it is important to acknowledge who are the decision makers at large asset management firms. Mike made a correlation to evaluating managers in the ESG space and their commitment to improving ESG metrics. He could see the industry evolving to a rating on diversity and not just the leadership but the steps being taken to improve diversity. Clayton commented that the reason that many women and minorities went out on their own was because of barriers to advancing at larger firms.

Question: Ed asked about the state of play and the extent to which asset managers are asking them to find diverse firms. Mike responded that many larger firms have mandates that have a certain percentage of assets or fees to firms. Michael Miller said that very few people asked them about it, but when his firm brought it up the clients were very receptive. This year, a lot more clients are asking about diversity in their pool.

Question: Gilbert asked about the state of play for Clayton. Clayton said there has been greater interest in this space and particularly from organizations that have not tried a focus effort, or they have tried it before, but the leaders have left. In a lot of public funds, staff turns over and it is important to have set policies in place.

Question: Gilbert commented that NEPC has a largely diverse organization and asked him how that happened. Mike responded that his firm has made that a big priority in searching for candidates.

Cheryl Alston, Employees' Retirement Fund of the City of Dallas, discussed data that across all asset classes diverse funds only represent 1.3% of assets under management. Her firm took a two-prong approach starting with engaging with majority owned firms for diversity and asking for data on diversity and inclusion. She noted that everything starts with governance and change starts at the top, with the Board. Another key part is transparency and access. She also pushed back on common misconceptions such as diverse firms costing more and being hard to find. As for recommendations, she pushed for a communications strategy that elevates diversity and inclusion and provides

guidance. The second recommendation is to provide transparency. Finally, the SEC should use quantitative and qualitative data to show how the industry is progressing and develop best policies and procedures moving forward.

Michael Frerichs, Illinois State Treasurer, addressed approaches to increasing diversity in the financial services space, including the asset management industry. He stressed that diversity disclosure is important for investors and quoted Commissioner Lee's statement that diversity disclosure is material information to investors. Currently, all private employers with over 100 employees are required to provide their diversity data to the EEOC. In the SEC's case, many firms under the SEC's jurisdiction have refused to provide diversity data. Additionally, he noted that use of diverse asset management firms increases returns. He recommended four steps the SEC can take: 1) adopt the Garcia rule and require regulated entities and issuers to consider at least one minority candidate; 2) mandate the disclosure of data by regulated entities and issues showing the diversity within the workforces and make it mandatory every two years; 3) make issuers disclose the diversity of boards, executives, etc.; and 4) consider how to eliminate barriers to entry for diverse asset management firms and candidates.

Anyori (A.J.) Hernandez, New York State Common Retirement Fund, advocated for having a dedicated manager and team to implement the success of the emerging manager program. He recommended that the SEC increase diversity in personnel within the SEC and include diversity in SEC audits, particularly at the top echelon of funds and businesses.

Question: Garcia asked if there were any missteps along the way in trying to improve diversity at different funds. Cheryl said that one of the things she learned was about minority brokerage firms and how they were directed towards bad trades and when she addressed these concerns and approved the brokerage firm to do all the trades and they were a high performer.

Question: Garcia discussed his own "Garcia Rule" and clarified that it does not require that those diverse firms be hired, but that they are given a chance to go through the process. He asked how other state treasurers can follow the lead of Illinois. Michael responded that Illinois is at an advantage because its demographics mirror the federal demographics and it forces the office to consider different viewpoints and perspectives.

Question: Garcia asked AJ if there were any lessons he has learned. AJ said that his program was expanded to all asset classes and as they grew, he understood the importance of flexibility.

Follow-Up Discussion on the Impact of COVID-19: Exchange-Traded Products

Ryan Ludt, Vanguard, discussed how the recommendations were derived from the discussion in May and the work of the committee. There are three main themes around ETP trading characteristics, equity market structure and fixed income market structure. There were six preliminary recommendations:

1. The SEC should investigate the divergences that some ETPs experienced between their market prices and NAVs and issue a report on the cause of these divergences.
2. The SEC should hold a roundtable to assess whether market wide circuit breakers or other aspects of equity market structure should be optimized to reduce the potential for market disruption during periods of extraordinary market volatility.

3. The SEC should consider whether investors would benefit from an ETP classification system that provides information about the structures and risks of ETPs at the point of order entry.
4. The SEC and FINRA should analyze whether TRACE dissemination requirements should be calibrated to enhance transparency.
5. The SEC and FINRA should analyze whether TRACE should be enhanced to include bid-offer information for corporate bonds and whether TRACE should disseminate bid-offer information in real-time to market participants.
6. The SEC should conduct a thorough review of fixed income market structure to assess whether other changes would encourage the evolution of market characteristics in the hopes of enhancing transparency, liquidity, and price discovery.

Question: Rama asked about the dialogue between the FIMSAC on some of these recommendations. Ryan said that they had not had conversations with FIMSAC, and they viewed it as wanting to make the recommendations independently of what another committee was thinking.

Ed asked the committee to move forward to formally recommend these recommendations. The committee unanimously approved the recommendations to be presented to the SEC.

Follow-Up Discussion on the Impact of COVID-19: Operations

Mike Durbin, Fidelity Institutional, provided an update on the operational challenges that resulted from COVID-19. The overarching theme is to provide permanent relief a lot of the temporary efforts the SEC implemented in response to the pandemic. He listed five primary categories of permanent improvement to consider and discuss:

1. eDelivery: The SEC could update its rules and interpretations to permit firms to use an investors digital address as the primary or default address when delivering regulatory documents. The SRO rules should be updated with SRO delivery rules. There should be clear notice of switch to electronic default delivery and to allow a choice to have paper copies.
2. Remote Work: The shift to remote work has inhibited some of the regulatory requirements, such as on site FINRA requirements (Rule 3110(c)), in person Board meetings and in person testing/licensing requirements.
3. eAuthorization: The SEC has moved away from wet signatures in light of the pandemic. However, the SEC should permanently adopt rules for digitized methods of authorization for notarization and signature medallions.
4. De-materialization: Certain asset classes continue to offer physical certificates of ownership, which creates greater costs that are passed on to issuers. The recommendation likely to be submitted would be to have the SEC conduct a staff roundtable of further dematerialization of physical paper.
5. Future Crisis Playbook: The SEC should consider how the industry could benefit from “best practices” and lessons learned from the pandemic.

Question: Scott asked a question about segregating suggestions where time is of the essence and other recommendations that could take more time. He recommended prioritizing wet signatures and eDelivery and then have de-materialization studied further.
Mike Durbin said there is a prioritization that will happen.
Michele discussed the challenges with branch inspections and appreciated these issues being raised.
Ryan said that the eDelivery topic is the highest priority for Fidelity.

Committee Member Comments

Alex Glass, Indiana Securities Commissioner, agreed that ESG is extremely important to determine what investors need and examining advertising is important in this space. He looked forward to continued discussions on making permanent changes.

Aye Soe, S&P Dow Jones Indices, with regards to ESG she agreed that advertising of ESG funds is an important focus and discussed her concerns that ESG funds are being advertised as beating the benchmark in COVID-19 even though that message does not tell the whole story. On the private investment side, she believed that there is a balance between providing access to retail investors and some of the potential investor protection concerns.

Erik Sirri, Babson College and Natixis Funds, Loomis Sayles Funds, and Natixis ETFs, emphasized the wet signature concerns and the challenges it posed. On the private side, he advocated for including private investments in a retail portfolio and potentially in pooled vehicles.

Gilbert Garcia, Garcia Hamilton & Associates, cautioned that getting retail involved in private investments is going to be very difficult.

Jeffrey Ptak, Morningstar Research Services, said that the private markets discussion reinforced the need to expand access to private markets, but it is fraught with complexities and difficulties.

Adeel Jivraj, Ernst & Young LLP, wondered if third party verifiers could play a role in the ESG space and looked forward to debriefing with the private investments' subcommittee.

Joe Savage, FINRA, commented on the ESG panel saying that it would likely be an incremental approach and the importance of finding ways to standardize ESG funds. On the private investments side, he advocated for improving advertising and disclosure standards if retail investors are going to be included.

John Bajkowski, American Association of Individual Investors, focused on the Name Rule and whether ESGs are an asset class and what they are accountable for in this space. Again, he discussed the challenges with opening private investments to retail investors.

John Suydam, Apollo Global Management, was most struck by the ESG third party validation and that there is not enough coalescence around what is being looked at and how it is being measured which could limit standardization.

Mike Durbin, Fidelity Institutional, reiterated the ESG concerns at fund versus issuer level and at the issuer level some of the ESG enthusiasm will find its way to brokers as well. On the private investment side, he was very concerned about liquidity. Finally, on diversity and inclusion he was encouraged by recent developments.

Michele Beck, TIAA Financial Solutions, enjoyed the private investments panel and in the returns space because of the illiquidity advocated for a premium and thought the appraisal based natured in the NAV based private assets should lead to another premium. It also made her question what kind of liquidity a retail investor should have. For diversity and inclusion, she wanted to focus on how to address the larger institutions efforts in this space.

Neesha Hathi, Charles Schwab Corp., echoed the sentiments of the other members and stressed the importance of getting more investor feedback in the ESG space. She reiterated that retail investors should have access to private

investments and the transparency that would be needed to facilitate that. She was supportive of improving diversity efforts.

Paul Greff, Ohio Public Employee Retirement System, applauded the diversity and inclusion discussion. He wanted to know how the ESG subcommittee considers the efforts of other federal agencies.

Rama Subramaniam, GTS, commented on the Name standard in the ESG space and the need for disclosure. On the private investment side, he encouraged suggestions on how to strike the right balance between access and protection.

Rich Hall, The University of Texas/Texas A&M Investment Management Co., reacted to the diversity and inclusion discussion and discussed how Reps Kennedy (D-MA) and Cleaver (D-MO) asked top universities what percentage of their endowment assets are managed by diverse-owned firms. He was supportive of these efforts but cautioned against additional costs.

Ross Stevens, Stone Ridge Asset Management, was cautious about saying that ESG firms and funds are better or worse and encouraged the committee not to focus on performance. He also thought the market should determine the definitions of E, S and G and the SEC should not mandate certain definitions. For disclosure, he emphasized Commissioner Roisman's point that firms are already required to disclose material risk. Lastly, he advocated for taking a slow walk on recommending implementing federal standards.

Russ Wermers, Smith School of Business, University of Maryland, and Wermers Consulting LLC, cited research that E, S and G metrics can sometimes be at odds with one another. He wanted to hear more about mutual funds that hold more than 15% of their assets in private investments.
Ryan Ludt, Vanguard, focused on transparency and education in the ESG and private investments space.

Scott Draeger, R.M. Davis Inc., was curious how the recommendations in the ESG space would coincide with international standards. Secondly, in the ESG space he emphasized the need to address investor confusion. He agreed that retail access to private investments could operate similarly to retirement funds but cautioned against exposing retail investors.

Susan McGee, Goldman Sachs BDC, Inc., supported the ESG approach, but did not want to simply throw regulation out as a solution because of the potential for increased costs and burdens. She also commented on diversity and inclusion and how these discussions can drive future recommendations at the SEC. She suggested teaching underwriters to look at smaller managers and hiring personnel at a grassroots level.

Dalia Blass was most interested in the Name Rule and the value of ESG. She also commented that because of the global focus in the ESG space it could be a driver of action. Dalia was also concerned about the lack of data in the diversity and inclusion space. Lastly, for the operations work stream, Dalia noted the pros and the cons of technology and taking that into account as the committee moves forward with its recommendations. She added that another consideration should be cyber risk.