

**SUPPORTING STATEMENT
FOR THE PAPERWORK REDUCTION ACT SUBMISSION FOR A REVISED
INFORMATION COLLECTION**

**“Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by
the Agencies”
OMB Control No. 3235-0740**

A. JUSTIFICATION

1. Legal and Administrative Requirements

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Act) required the Securities and Exchange Commission (SEC), Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Bureau of Consumer Financial Protection (together, Agencies and separately, Agency) each to establish an Office of Minority and Women Inclusion (OMWI) to be responsible for all matters of the Agency relating to diversity in management, employment, and business activities. The Act also instructed each OMWI Director to develop standards for assessing the diversity policies and practices of entities regulated by the Agency. The Agencies worked together to develop joint standards (Joint Standards) and, on June 10, 2015, they jointly published in the Federal Register the “Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies” (Policy Statement) (80 FR 33016).

The Joint Standards contain a “collection of information” within the meaning of the Paperwork Reduction Act of 1995 (PRA). The Joint Standards that cover “Practices to Promote Transparency of Organizational Diversity and Inclusion” contemplate that a regulated entity, in a manner reflective of the entity’s size and other characteristics, makes certain information available to the public annually on its Web site or through other appropriate communication methods. The specific information referenced in these standards is: (a) the entity’s diversity and inclusion strategic plan; (b) its policy on its commitment to diversity and inclusion; (c) its progress toward achieving diversity and inclusion in its workforce and procurement activities (which may include the entity’s current workforce and supplier diversity demographic profiles); and (d) opportunities available at the entity that promote diversity.

In addition, the Joint Standards that address “Entities’ Self-Assessment” envision that a regulated entity, in a manner reflective of its size and other characteristics: (a) conducts a voluntary self-assessment of its diversity policies and practices annually; (b) monitors and evaluates its performance under its diversity policies and practices on an ongoing basis; (c) provides information pertaining to its self-assessment to the OMWI Director of its primary federal financial regulator; and (d) publishes information pertaining to its efforts with respect to the Joint Standards.

In compliance with the PRA, the Agencies received approval from the Office of

Management and Budget (OMB) for the collection of information described above. The OMB control number for the currently approved information collection is 3235-0740.

To facilitate the collection of information envisioned by the Joint Standards for “Entities’ Self-Assessment,” the SEC proposes to revise the currently approved information collection by adding a form entitled “Diversity Assessment Report for Entities Regulated by the SEC” (Diversity Assessment Report). The collection of information associated with the Joint Standards that covers “Practices to Promote Transparency of Organizational Diversity and Inclusion” remains unchanged.

2. Purpose and Use of the Information Collection

The purpose of this collection of information is to facilitate the self-assessment of a regulated entity’s diversity policies and practices and submission of information pertaining to the regulated entity’s self-assessment to the OMWI Director at the SEC, as envisioned under the Joint Standards. The SEC will use the information collected through the Diversity Assessment Report to ascertain which policies and practices reflected in the Joint Standards are being adopted by SEC-regulated entities, and to identify and highlight those policies and practices that have been successful.

The SEC seeks to better understand the efforts regulated entities are making to promote workforce diversity and inclusion and supplier diversity through this collection of information. The SEC also expects distributing the Diversity Assessment Report will raise awareness about the Joint Standards and the ways in which regulated entities may establish new, or strengthen existing, diversity policies and practices.

The agency will not generalize results beyond the particular regulated entities submitting Diversity Assessment Reports. The SEC may publish information disclosed in an entity’s Diversity Assessment Report, such as best practices, in its OMWI’s Annual Report to Congress, but only in a form that does not identify a particular entity or disclose confidential business information. Further, the SEC may share information with other Agencies, when appropriate, to support coordination of efforts and to avoid duplication.

3. Consideration Given to Information Technology

To minimize the burden associated with this collection of information, the SEC will use existing information technology with the Diversity Assessment Report. The SEC currently uses Novi Survey, a secured web-based survey management system. Respondents will submit the Diversity Assessment Report through the Novi Survey web portal, which they will access via a hyperlink sent by email. The SEC will also make available a fillable PDF version of the Diversity Assessment Report for regulated entities to use when conducting self-assessments of their diversity policies and practices. However, the agency will not ask respondents to submit PDF versions of the Diversity Assessment Report.

4. Duplication of Information

Entities subject to certain recordkeeping and reporting requirements, such as the Standard Form 100, Employer Information Report (commonly referred to as the “EEO–1 Report”) required by the Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance Programs (OFCCP), currently collect and maintain data that may assist in evaluating and assessing their policies and practices related to workforce diversity and inclusion. The Diversity Assessment Report seeks information on workforce demographics that mirrors many aspects of the EEO-1 reporting requirements to help minimize the burden of this collection of information.¹ Entities also are encouraged to use other analytical tools that they may find helpful. In addition, the SEC will share information with other Agencies, when appropriate, to support coordination of efforts and to avoid duplication.

5. Reducing the Burden on Small Entities

The Diversity Assessment Report is a tool intended primarily for regulated entities with more than 100 employees to use in connection with the collection of information described in the Joint Standards for “Entities’ Self-Assessment.” When drafting the Joint Standards, the Agencies focused primarily on institutions with more than 100 employees in an effort to minimize the impact on smaller entities. In addition, in order to make clear how the standards are relevant to, and may be used by, small entities, the Policy Statement encourages each entity to use the standards in a manner appropriate to its size and unique characteristics. This also should minimize the burden on smaller institutions. Finally, the standards are voluntary; no entity will be penalized for electing not to participate.

6. Consequences of Not Conducting Collection

A regulated entity can use the Diversity Assessment Report to conduct a self-assessment of its diversity policies and practices and to provide information pertaining to its self-assessment to the SEC. If the Diversity Assessment Report is not used, the SEC loses an opportunity to collect information from its regulated entities about the implementation of the Joint Standards in a uniform and consistent way. Moreover, if the information is not collected or is collected less frequently, the SEC may not otherwise be able to obtain information on the diversity and inclusion efforts of SEC-regulated entities that would be appropriate to include in OWMI’s Annual Report to Congress.

¹ Section II of the Diversity Assessment Report requests workforce demographic data using the same categories for race and ethnicity EEOC adopted for the EEO-1 report in 2005 and implemented in 2007, in accordance with the PRA. *See* (70 FR 71294, November 28, 2005; 81 FR 5113, fn. 7, February 1, 2016). These categories are consistent with the minimum standards for maintaining, collecting, and presenting data on race and ethnicity prescribed by OMB. *See* Revised Standards for the Classification of Federal Data on Race and Ethnicity, 62 FR 58782 (October 30, 1997).

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

The information is collected in a manner consistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

On January 24, 2017, the SEC published a Federal Register notice (82 FR 8248) requesting comment on the proposed revision to the currently approved information collection, which adds the Diversity Assessment Report as a collection instrument. The SEC received no comments that addressed the proposed revision. The SEC published the second Federal Register notice on April 11, 2017 (82 FR 17489) and received no comments.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

The Joint Standards state that the Agencies may publish information disclosed to them provided they do not identify a particular entity or disclose confidential business information in an effort to balance concerns about confidentiality of information with the importance of sharing information. Any entity submitting information may designate such information as confidential, as appropriate, and the Agencies will keep this information private to the extent allowed by law.

11. Sensitive Questions

Not applicable; no sensitive information is collected.

12. Estimate of Information Collection Burden

The collection of information contemplated by the Joint Standards imposes no new recordkeeping burdens as regulated entities will only publish or provide information pertaining to diversity policies and practices that they maintain during the normal course of business. Additionally, the information sought on workforce demographics mirrors many aspects of the EEO-1 reporting requirements already imposed upon certain entities by the EEOC and OFCCP to help minimize the burden of this collection of information.

This revision to the currently approved information collection adds the Diversity Assessment Report form to facilitate self-assessments of diversity policies and practices and submitting information pertaining to the self-assessments to the SEC. The SEC estimates that the use of the Diversity Assessment Report will result in a reduction of the average response time per respondent from 12 hours to 10 hours.

As described in more detail below in Part B of the Supporting Statement, the respondents

are firms regulated by the SEC under federal securities laws whose registration statements show a workforce of more than 100 employees. About 1500 SEC-regulated entities meet this criterion.

The SEC estimates the total burden for all respondents as follows:

Estimated Number of Respondents: 1500

Frequency of Collection: Biennially

Average Response Time per Respondent: 10 hours, 5 hours annualized

Estimated Total Annual Burden Hours: 15,000, 7,500 annualized

Cost of Hour Burden: \$1,560,000, \$780,000 annualized

The estimated cost of the burden hours is based on BLS May 2015 wages (released March 2016) for Securities and Commodity Contracts Intermediation and Brokerage (NAICS 523100). We use \$104 per hour as the estimated compensation costs for the collection of information. This estimate reflects the mean hourly wage of \$78.54 per hour for human resources managers adjusted for inflation (at 2 percent), plus an additional 30 percent to cover the average private sector costs of employee benefits.

13. Estimate of Total Annualized Start-up and Capital Cost Burden

Not applicable.

14. Estimate of Cost to Federal Government

None.

15. Explanation of Changes in Burden

The change in burden is due to the introduction of the Diversity Assessment Report to facilitate the information collection associated with the Joint Standards for “Entities’ Self-Assessment.” The SEC believes the use of this form will result in the reduction of the average response time from 12 hours to 10 hours. In addition, the estimated number of respondents has increased to reflect the number of regulated entities meeting the above stated criterion—workforce size of more than 100 employees according to their registration statements. Further, the frequency of the information collection has changed from annually to biennially.

16. Information Collections Planned for Statistical Purposes

The SEC may publish summary statistics and other information disclosed in Diversity Assessment Reports, such as best practices, in a form that does not identify a particular entity or

disclose confidential business information. The SEC will not generalize results beyond the particular regulated entities submitting Diversity Assessment Reports. At the current time, no further plans have been made with respect to publication.

17. Approval to Omit OMB Expiration Date

The SEC does not seek approval to omit the OMB expiration for the information collection.

18. Exceptions to Certification

The SEC certifies that this collection of information is consistent with the requirements of 5 C.F.R. 1320.9 and the related provisions of 5 C.F.R. 1320.8(b)(3), and the agency is not seeking an exemption to these certification requirements.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

19. Potential respondent universe

The SEC's regulated entities include approximately 12,000 investment advisers, over 10,000 investment companies, over 4,000 broker-dealers, over 650 mutual advisors, and 400 transfer agents. The agency also oversees 21 national securities exchanges, 10 credit rating agencies, and seven active registered clearing agencies, as well as the following self-regulatory agencies: Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation (SIPC), and the Financial Accounting Standards Board (FASB).

While the Joint Standards apply to all entities regulated by the SEC, the potential respondents for this collection of information are regulated entities that have a workforce of more than 100 employees. The criterion is based on the Joint Standards. The Policy Statement explained that the Agencies focused primarily on entities with more than 100 employees when drafting the Joint Standards. The Policy Statement encouraged smaller entities to use the Joint Standards in a manner appropriate to their unique characteristics. Thus, consistent with the Joint Standards, the Diversity Assessment Report was developed for regulated entities with more than 100 employees to use when conducting assessments of the diversity policies and practices and submitting diversity assessment information to the SEC's OMWI Director. Regulated entities with fewer than 100 employees may also find the Diversity Assessment Report useful.

The information disclosed in registration statements maintained in the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) was used to identify investment advisers and municipal advisors that are potential respondents. The information collected and maintained in the Investment Adviser Registration Depository (IARD) system operated by the Financial Industry Regulatory Authority, Inc. (FINRA) was used to identify broker-dealers that are potential respondents. The majority of entities file registration statements with the SEC that do

not contain information on workforce size and therefore could not be included as potential respondents.²

The potential respondents to the collection of information are described in the table below:

- Investment Advisors (IA)
- Brokers-Dealers (BD)
- Municipal Advisors (MA)
- Investment Companies (IC)
- Registered Clearing Agency (RCA)
- Self-Regulatory Organization (SRO)
- Nationally Recognized Statistical Rating Organization (NRSRO)
- National Securities Exchanges (NSE)
- Transfer Agent (TA)

Entity Type	Total #	Workforce of 100+
IA	12,000	867
BD	4000	577
MA	650	47
IC	10,000	N/A
RCA	7	N/A
SRO	5	N/A
NRSRO	10	N/A
NSE	21	N/A
TA	400	N/A
Total	27093	1,491

Source: U.S. Securities and Exchange Commission and Financial Industry Regulatory Authority.

20. Procedures for the Collection of Information

As previously mentioned, the SEC will use Novi Survey, a secured web-based survey management system, for the Diversity Assessment Report. The SEC will send an email introducing the Diversity Assessment Report and explaining its purpose to the Chief Compliance Officer or point of contact for each potential respondent. The email also states that the Diversity Assessment Report is not a part of the examination process, and that use of the Joint Standards by regulated entities is voluntary, as are conducting self-assessments, and providing diversity assessment information to the OMWI Director.

² If the SEC is able to obtain workforce size for other types of regulated entities in the future, the universe of potential respondents may increase. In that case, the SEC will revise its burden estimates accordingly.

The email invites the respondent to complete the Diversity Assessment Report by clicking the unique hyperlink generated for each respondent to the report on Novi Survey, and specifies the 60-day period for submitting the report. For additional information about the Policy Statement and Joint Standards, the email also includes a hyperlink to a set of Frequently Asked Questions that will be posted to the agency's public website.

After 14 days, the first of two email reminders will be sent to entities that have not responded. If no response has been received after 14 days, a second email reminder will be sent.

Each item in the Diversity Assessment Report describes a policy or practice specified in the Joint Standards. The Diversity Assessment Report is designed to elicit responses that reflect the respondent's unique characteristics and recognizes that some policies and practices described in the items will not be applicable to every respondent.

The responses provided in the Diversity Assessment Reports will be used to answer the general question whether respondents promote diversity and inclusion in their organizations, and provide information on which policies and practices reflected in the Joint Standards have been adopted by the respondents. The responses may also provide information about the gender and racial composition of respondents' workforces, and metrics on their supplier diversity practices. The responses may be grouped by workforce size and type of entity, but no other decisions have been made about how the results will be presented. The SEC does not intend to employ advanced statistical methods, nor will it use the data as a basis for industry-wide inferences. The information from the Diversity Assessment Reports will not be generalized to all regulated entities; it will be generalized only to the particular regulated entities submitting Diversity Assessment Reports.

21. Methods to Maximize Response Rates

The SEC anticipates a response rate of less than 75 percent. In addition to the procedures for disseminating the Diversity Assessment Report described in response to item 2 above, the SEC plans to take steps to maximize the number of responses. The SEC intends to issue a press release announcing the availability of the Diversity Assessment Report after it has been approved by OMB. The SEC also believes the Frequently Asked Questions, which will be published on its website and referenced in the email transmitting the hyperlink to the Diversity Assessment Report, will help increase the number of responses. Further, respondents are not required to complete the Diversity Assessment Report in one sitting. Having the ability to save the Diversity Assessment Report until it is completed and ready for submission during the 60 day-period should also help maximize the number of responses.

22. Tests of Procedures or Methods Taken

This data collection effort does not employ testing.