

GOVERNMENT RELATIONS POLICY POSITION PAPER

Diversity, Equity and Inclusion (DEI) in Financial Services

Overview

LPL Financial seeks to foster an inclusive environment where everyone feels they can contribute their best work in order to better serve our clients and each other. This enables us to broaden our collective perspective, build understanding and empathy, and be better equipped to succeed in the future. With a more inclusive perspective, LPL is better positioned to serve our advisors, clients, and employees. We also support having a diverse ecosystem of advisors who are able to reach underserved populations to provide financial advice that has not always been accessible. Our values related to diversity and inclusion are directly reflected in our Government Relations efforts.

Current Status

Support of Legislation

LPL has been a vocal supporter of the *Improving Corporate Governance Through Diversity Act*. This bill, if enacted into law, would foster increased transparency surrounding diversity on corporate boards of directors through the disclosure of data. The proposed legislation would encourage companies to take a proactive approach to evaluate their board composition through the requirement to disclose policies, plans, or strategies to promote diversity. Additionally, the bill would require public companies to annually disclose the voluntarily, self-identified gender, race, ethnicity, and veteran status of their board of directors, nominees, and senior executive officers.

In April 2021, the bill was passed by the House Committee on Financial Services. Last Congress, the *Improving Corporate Governance Through Diversity Act* passed in the U.S. House of Representatives with bi-partisan support but did not receive a vote in the Senate. Leadership of the House Financial Services and Senate Banking Committees have emphasized that addressing diversity issues will continue to be a top priority for both committees.

Engagement with Diverse Members of Congress

In Washington, D.C. LPL makes a concerted effort to engage Members of the Tri-Caucuses (the Congressional Black Caucus, the Congressional Hispanic Caucus, and the Congressional Asian Pacific American Caucus). Our work with the Tri-Caucuses enhances our understanding of issues affecting diverse communities and enables us to be part of the solutions.

As strategic partners of the Congressional Black Caucus Institute (CBCI) and the Congressional Hispanic Caucus Institute (CHCI), we help to provide civic leadership development programs and educational services to communities of color around the country.

In 2020, 2021, and 2022, LPL was featured as a panelist during the CHCI Economic Empowerment Summit. The CHCI Empowerment Summit connected Members of Congress, corporate executives, thought leaders, and economic empowerment advocates for high-level discussion and networking.

Our Government Relations team participates on CBCI's 21st Century Council, which is comprised of professionals representing nearly every sector. The Council identifies major issues affecting communities of color and discusses actionable solutions with CBC lawmakers. An annual report of the findings are published by the CBCI and is shared with the Administration, which LPL contributes to and highlights the efforts made by the firm to promote diversity and inclusion.

State Status

The North American Securities Administrators Association has placed an emphasis on DEI issues by creating a board-level committee to study DEI in the financial services industry. Further, they have called for Congress to promote policies designed to enhance diversity and inclusion in all aspects of capital markets. This includes increasing corporate board diversity through mandatory disclosures and scrutinizing diversity in the venture capital, brokerage and asset management industries. LPL is engaged with the Committee and anticipates further cooperation.

FINRA

LPL believes that FINRA can make proactive changes to further foster a diverse population of registered representatives in the financial services industry. The introduction of the Securities Industry Essentials (SIE) exam, which can be taken without firm sponsorship, was a major step towards creating a more inclusive industry. It allows an individual to gain knowledge prior to getting a job, making them a more qualified candidate. We recommend that FINRA continue to raise awareness of the SIE, and explore the possibility of allowing individuals to take other exams without being sponsored by a firm.

In our comment letter discussing ways to increase DEI in the industry, we suggested the following ideas:

- FINRA could develop an entry-level attraction program to encourage educational and support opportunities for people of color.
- Changes to Form U4 and BrokerCheck that would allow persons to identify as “male”, “female” or “non-binary”.
- Align information available on the SEC’s Investment Advisor Disclosure website and BrokerCheck.
- Coordination between NASAA and FINRA on their continuing education (CE) programs, to allow individuals to maintain their qualification through CE if they are forced to leave the industry for an extended period of time.

LPL Position

LPL’s advocacy within the DEI realm reflects our values and priorities as a firm. We support DEI legislation that promotes best practices within the financial services industry through transparency. Our engagement with diverse Members of Congress enhances our understanding of issues affecting diverse communities and allows us to be part of solutions.

This material was prepared by LPL Financial.

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