

# SEC Greenlights Board Diversity Requirements

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After much debate, the SEC on Friday [approved](#) a Nasdaq proposal that will require listed companies to adopt several diversity-related measures. Nasdaq first made this proposal, which requires listed companies to publicly disclose diversity information about their board members and either hire “diverse” members to their boards or explain why they do not in writing, last December. Under SEC regulations, self-regulatory organizations such as Nasdaq must formally submit proposed rule changes to the Commission. Nasdaq made some minor revisions to the proposed rule in February that granted smaller boards and newly listed companies some compliance leeway, but the proposal has otherwise survived scrutiny from [conservatives](#), corporate interests, and popular newspaper [editorial](#) boards.

New SEC Chair Gary Gensler said the rule “will allow investors to gain a better understanding of Nasdaq-listed companies’ approach to board diversity, while ensuring that those companies have the flexibility to make decisions that best serve their shareholders.” The Commission had [punted](#) a decision on the rule in March prior to Gensler’s confirmation by the United States Senate.

With the adoption of the new rule, most companies listed on the exchange will have to hire (a) at least one director who self-identifies as female, and (b) one director who self-identifies and Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, native Hawaiian or Pacific Islander, two or more races or ethnicities, or LGBTQ+. Nasdaq said the proposal will “encourage the creation of more diverse boards through a market-led solution,” though others [disagreed](#).

It remains to be seen whether the new rule will face any sort of legal challenge. As we previously [reported](#), Senate Republicans criticized the plan in February, claiming it was inconsistent with Section 6(b)(5) of the Securities Exchange Act of 1934. The order approving the new rule, however, explicitly holds otherwise. Check back here for continued reports on challenges and implementation of this rule.

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