BETTER MARKETS

DIVERSITY

FACT SHEET

Fighting Discrimination in Finance Starts with Ensuring Diversity at the Agencies That Enforce the Financial Laws

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Diversity in the workplace is essential for fostering innovation, enhancing decision-making, and promoting equality. This is particularly important at financial services regulatory agencies like the Commodity Futures Trading Commission (CFTC), Securities and Exchange Commission (SEC), Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (FRB). Not only do these agencies have the authority to fight racial economic inequality by clamping down on predatory practices in the financial sector that disproportionately harm minorities, but the American people also count on them to achieve this vital mission. Sometimes they also have the power to tackle discrimination directly in their rules or at least by requiring disclosures that can expose a lack of diversity in companies. But the way they exercise this power, and the extent to which they prioritize this effort, depends in part on their commitment to diversity among agency heads and staff. Recognizing this, the Dodd-Frank Wall Street Reform and Consumer Protection Act mandated the creation of the Office of Minority and Women Inclusion (OMWI) at these agencies under Section 342. This report examines the importance of diversity at these agencies via the role of and reports from OMWI in achieving this goal.

Diversity in financial regulatory agencies ensures that a wide range of perspectives are considered in policymaking, which is crucial for developing regulations that are fair and effective. These agencies oversee complex financial markets that impact a diverse population. Studies have shown that diverse groups tend to be more innovative and make better decisions because they bring a variety of viewpoints and experiences to the table. In the context of financial regulation, this means that a diverse workforce can contribute to more robust oversight and more effective responses to emerging issues and crises. For instance, the financial crisis of 2008 highlighted the need for regulatory bodies to be more attuned to systemic risks that might not be apparent to a homogeneous group of regulators.

The role of the OMWI is critical in driving these diversity initiatives forward. Each OMWI is tasked with developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency. They also work to ensure that minority-owned and women-owned businesses have a fair opportunity to compete for agency contracts. This dual focus on internal diversity and external engagement helps to create a more inclusive financial system overall.

Furthermore, diversity and inclusion efforts contribute to a positive workplace culture, which can lead to higher employee satisfaction and retention. Agencies that prioritize diversity are more likely to attract top talent from all backgrounds, which further enhances their effectiveness and innovation. The presence of diverse role models and mentors within the agency can also inspire and support the professional development of employees from underrepresented groups, creating a virtuous cycle of diversity and inclusion.

The importance of diversity is a strategic advantage for financial services regulatory agencies. It enhances their ability to oversee complex markets, innovate in response to new challenges, and build public trust. The efforts of the OMWI in promoting diversity, equity, and inclusion are essential for the continued success and integrity of these agencies. This fact sheet will discuss the specific progress and strategies of the SEC, OCC, FDIC, Federal Reserve Board, and CFTC in fostering a diverse and inclusive workplace, highlighting the critical role of the OMWI in these efforts.

The Importance of Diversity at the SEC

Diversity within the SEC is essential for fostering an inclusive environment that enhances regulatory effectiveness, promotes innovation, and builds public trust. To effectively oversee securities markets, protect investors, and ensure fair and efficient markets, the SEC must prioritize diversity and inclusion. The SEC's Office of Minority and Women Inclusion (OMWI) FY 2023 Annual Report highlights significant progress in promoting these values within the agency.

Key Highlights

1. **Senior Leadership Diversity**
    - The SEC has made strides in diversifying its senior leadership. Of the 162 senior officers, 75 are women, and 50 are minorities, reflecting a 13.6% increase in women and a 31.6% increase in minorities from FY 2022 to FY 2023. These figures highlight the SEC's commitment to enhancing diversity at the highest levels of the organization.
2. **Workforce Composition**
    - 36% of the SEC's workforce identifies as minorities, demonstrating the SEC's efforts to create a diverse work environment that reflects the broader population.
    - The most common occupation within the SEC is that of an attorney, comprising 43.2% of all employees. This occupation is prevalent across all major demographic groups: Among the attorneys, 51.6% are white, 20.3% are Black, 35.4% are Asian employees, and 34.5% are Hispanic.
3. **Diversity Initiatives and Programs**
    - According to the report, the SEC has implemented several programs to attract, hire, develop, and retain diverse talent. These initiatives are designed to foster a workplace culture that values diversity and allows all employees to contribute to their full potential.

The Importance of Diversity at the Fed

The FRB has made incremental progress in promoting diversity, equity, inclusion, and accessibility within its workforce and operations. The Office of Minority and Women Inclusion FY 2023 Annual Report highlights these efforts, showcasing the FRB's commitment to fostering a diverse and inclusive environment. Here is an analysis of the key data and initiatives from the report:

Key Highlights

1. **Senior Leadership Diversity**
    - In FY 2023, the FRB reported that 39% of its senior leadership positions were held by women, unchanged from the prior year, and 29% were held by minorities, up one percentage point from the prior year.
2. **Workforce Composition**
    - In 2023, the overall workforce at the FRB included 44% women and 45% minorities. From 2022, the minority workforce increased by 83 employees and the women workforce increased by 51 employees. This hiring outpaced the addition of nonminority and male workers, resulting in a slight increase of both women and minorities in the overall workforce.
3. **Diversity Initiatives and Programs**
    - The FRB has taken important steps to diversify its talent pools, including investing in diverse sourcing, implementing recruiting initiatives, and training hiring managers in inclusive hiring practices.
    - The FRB ensures the representation of minorities and women in hiring and promotions by using diverse recruitment sources, targeting Hispanic-serving institutions and historically Black colleges and universities, and employing current staff as ambassadors at recruiting events.

The Importance of Diversity at the FDIC

The FDIC has made progress in promoting diversity, equity, inclusion, and accessibility within the organization, as detailed in the Office of Minority and Women Inclusion FY 2023 Annual Report. Here are the key highlights from the report:

1. **Senior Leadership Diversity**
    - The FDIC expanded its leadership diversity in recent years. In FY 2023, women held 42.5% of corporate manager positions (up 2.3 percentage points from the previous year) and 39.4% of executive manager positions (up 4.4 percentage points from the previous year). In FY 2023, minorities held 26.5% of corporate manager positions (up 1.7 percentage points from the previous year) and 25.4% of executive manager positions (up 0.4 percentage points from the previous year).

2. **Workforce Composition**

    - The FDIC's workforce is composed of 44.1% women and 34.3% minorities. While the share of women in the FDIC workforce has declined slightly from 2019, the FDIC has increased the size of its minority workforce from 30.4% of the permanent workforce in 2019 to 34.3% in 2023.
    - Specifically, Black employees make up a significant portion of the FDIC workforce at 17.3%, above the civilian labor force benchmark of 12.3%, indicating targeted recruitment and retention efforts.

3. **Diversity Initiatives and Programs**

    - The FDIC has partnerships with minority-serving institutions and professional organizations to attract diverse talent. These efforts are aimed at creating a pipeline for underrepresented groups, including Black professionals.
    - Initiatives such as mentorship programs, leadership training, and professional development opportunities are in place to support the career advancement of minority employees, ensuring they have the tools and opportunities to thrive within the FDIC.

The Importance of Diversity at the OCC

The OCC has developed several programs to support diversity within the agency, as outlined in the Office of Minority and Women Inclusion FY 2023 Annual Report, but minority representation has stagnated in leadership positions and declined in leadership training programs. While the OCC has attracted a staff with more minority representation than the civilian labor force benchmark, there remains more work to be done to achieve a fully inclusive environment with the same representation in management and executive positions. Here are the key highlights from the report:

Key Highlights

1. **Senior Leadership Diversity**

    - The OCC has made little progress in diversifying its supervisory staff. In FY 2023, women comprised 42.0% of senior managers, an increase of 0.5%, while minorities made up 31.1% of senior managers, a decrease of 0.5% from FY 2022.
    - The participation of black employees in OCC leadership training has declined from 20% in FY 2019 to 16% in FY 2023. In contrast, the participation of white employees in leadership training has increased from 61.7% in FY 2019 to 67.1% in FY 2023.

2. **Workforce Composition**

    - Overall, 37.5% of the OCC's workforce identifies as minorities, the highest share in at least the last five years and above the civilian labor force benchmark.
    - Among specific occupations, the most prevalent role is that of an examiner, comprising 63.8% of the workforce. Of these examiners, 29.2% are minorities.

3. **Diversity Initiatives and Programs**
    - According to the report, the OCC OMWI's technical assistance program and outreach efforts have expanded contracting opportunities for minority-owned and women-owned businesses, ensuring that procurement practices are inclusive and equitable.

Importance of Diversity at the CFTC

While the CFTC was not required by law to create an OMWI office, it has proactively done so to provide leadership and direction in attracting, recruiting, and retaining diverse talent. This voluntary establishment underscores the CFTC's commitment to fostering an inclusive environment. The importance of having a statutory mandate lies in the requirement for these agencies to provide an annual report to Congress, ensuring accountability and transparency in their diversity efforts. The CFTC's initiative, therefore, is commendable as it reflects a proactive stance on diversity and inclusion, even in the absence of such a mandate. However, the CFTC does not provide a report to Congress detailing its diversity efforts, but it should prepare such a report.

Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan

Nevertheless, the CFTC achieved a significant milestone in its commitment to diversity by establishing its first DEIA strategic plan for 2024-2026. This plan is structured around six key goals, each designed to promote a more inclusive and equitable workplace:

1. **Inclusive Workplaces**: Creating an environment where all employees feel valued and included.
2. **Partnerships and Recruitment**: Building partnerships to enhance diversity in recruitment efforts.
3. **Paid Internships**: Providing paid internship opportunities to attract diverse talent.
4. **Professional Development and Advancement**: Offering opportunities for professional growth and career advancement for all employees.
5. **Data**: Collecting and analyzing diversity-related data to inform and improve DEIA efforts.
6. **Equity in Procurement and Customer Education and Outreach**: Ensuring equitable practices in procurement and enhancing outreach efforts to educate customers about CFTC's services and opportunities.

Each goal within the DEIA strategic Plan includes specific objectives and strategies/actions to achieve them. Additionally, the plan identifies the agency divisions or offices that will lead and contribute to the implementation of each goal. The internal DEIA Executive Council will play a crucial role in supporting and guiding the implementation of the DEIA Plan, ensuring that the CFTC's efforts are cohesive and effective.

The Core Benefits of Diversity for All Financial Regulators

A workforce that mirrors the diversity of the population it serves is better equipped to understand and address the varied needs of all stakeholders. This diversity is crucial for overseeing the financial sector, protecting customers and investors, and ensuring fair and efficient markets. A diverse senior leadership ensures that decision-making processes benefit from a variety of perspectives, leading to more comprehensive and inclusive regulatory policies. It also sets a precedent for the entire agency, demonstrating the value of diversity and paving the way for a more inclusive culture. Diverse perspectives contribute to more robust regulatory policies and enforcement actions, enhancing decision-making and oversight of the financial markets.

Additionally, diversity fosters innovation and creativity. In an environment where diverse ideas and approaches are encouraged, employees are more likely to think outside the box and come up with innovative solutions to challenges. This is particularly important in the rapidly evolving financial sector, where new and unforeseen issues constantly arise. By promoting a culture of inclusion, banking agencies can stay ahead of the curve and adapt to changes more effectively.

Lastly, maintaining public trust and confidence is a cornerstone of each financial regulator’s mission. A workforce that reflects the diversity of the communities they serve helps build credibility and trust among the public. People are more likely to trust and engage with institutions that they feel represent their interests and understand their needs. By prioritizing diversity, each financial regulator can strengthen their relationships with the communities they serve and enhance their legitimacy.

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