



Consumer Financial
Protection Bureau

1700 G Street N.W., Washington, DC 20562

December 7, 2015

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Thank you for the opportunity to respond to the report by the Democratic staff of the House Financial Services Committee entitled “The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies.” The Consumer Financial Protection Bureau strives to be a leader in workforce diversity and inclusion efforts, and we appreciate the valuable guidance your report provides.

Since its inception, the Bureau has recognized that building and maintaining a diverse and inclusive workplace is critical to achieving our mission. Diverse perspectives enhance the Bureau’s capacity to understand the challenges facing American consumers, including practices that disproportionately affect or disadvantage people of color and women, and to identify and implement solutions. As the Bureau’s Business Case for Diversity and Inclusion states, “a diverse and inclusive workforce is essential to building an agency that can do its very best work.” Over the past several years, the Bureau has taken many steps to develop a diverse and inclusive workplace. The Bureau began offering No FEAR Act and Diversity and Inclusion Awareness training to all employees in 2013 and has since made both diversity and inclusion and Equal Employment Opportunity (EEO) training mandatory for all employees (including mandatory two-day modules for supervisors). The Bureau has also incorporated diversity and inclusion into its strategic planning processes, primarily by developing division-specific diversity and inclusion strategic goals and monitoring progress against them at quarterly meetings with senior leadership. Senior leaders have also demonstrated their commitment to these issues by attending diversity and inclusion events and trainings; and by participating in the Bureau’s Executive Advisory Committee, a cross-divisional advisory council formed to strengthen, integrate and advocate for diversity and inclusion within the Bureau’s operations. We have also launched a Bureau-wide initiative to strengthen organizational culture by establishing and modeling norms that reinforce our diversity and inclusion goals, and senior leaders have played a key role in both developing and modeling these standards.

The Bureau also understands that maintaining a diverse and inclusive culture requires constant attention and effort, and we have pursued opportunities to improve and expand our work in this area. As the staff report notes, we quickly and thoroughly addressed evidence of disparities in performance ratings under the Bureau’s previous performance management system. To do so, we terminated the prior system, implemented an interim system, formed a joint management-union

working group to develop a permanent system, and commissioned a third-party firm to investigate the root causes of the observed disparities. That firm found no evidence of intentional discrimination and noted that the Bureau's efforts to respond to the issues raised have "not only been reasonable and sufficient, but demonstrate a sensitivity and level of concern that is much greater than other organizations."

More broadly, we have solicited employee feedback through listening sessions and annual surveys and have convened working groups to develop concrete actions to address concerns our employees have raised. The 2015 Annual Employee Survey results suggest that our diversity and inclusion initiatives have had positive impacts on our employees and our organizational culture. For example, 77% of employees responding to the survey agreed or strongly agreed that differences among individuals are respected and valued, and 73% agreed or strongly agreed that Bureau policies and programs promote diversity in the workplace.¹ We look forward to building on these positive trends and welcome the staff report's thoughtful recommendations. Our responses to these specific recommendations follow.

Recommendation # 1

Agencies should fully comply with the letter and spirit of all current laws, regulations, and policies that address racial, ethnic or gender-based discrimination and promote diversity and equal opportunities for minorities and women.

The Bureau takes seriously its mandate to comply fully with both the letter and the spirit of laws, regulations, and policies that address discrimination and promote diversity and equal opportunities for minorities and women. The Bureau fulfills this commitment by, among other actions, timely filing MD-715 and No FEAR Act reports, meeting EEO counseling and complaint investigation deadlines, and requiring all employees to complete diversity and inclusion, EEO, and No FEAR Act training. The Office of Inspector General (OIG) concluded the Bureau's "processes give employees the opportunity to have their complaints heard, investigated, and redressed in a fair and equitable manner."²

The Bureau has taken key steps the staff report suggests to fulfill this recommendation. First, as the staff report notes, the Bureau's Office of Minority and Women Inclusion (OMWI) is a component of the Office of the Director, and the OMWI Director reports to the Bureau Director. We share the staff report's conclusion that this structure reflects a "best practice" that ensures the OMWI Director has the level of awareness and influence Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act intended. The Bureau has further emphasized its commitment to fostering a diverse, inclusive, fair, and equitable agency by elevating the Office of Civil Rights, which is responsible for the Bureau's EEO program, to the Office of the Director, and placed both the Office of Civil Rights and OMWI within an umbrella Office of Equal Opportunity and Fairness led by the OMWI Director. Second, the Bureau has developed quantitative and

¹Consumer Financial Protection Bureau, 2015 Annual Employee Survey, Items 66 and 68.

² OFFICE OF THE INSPECTOR GENERAL FOR THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND THE CONSUMER FINANCIAL PROTECTION BUREAU, 2015-MO-C-002, THE CFPB CAN ENHANCE ITS DIVERSITY AND INCLUSION EFFORTS 40 (2015).

qualitative tools, such as an inventory of diversity metrics and survey working groups, to help OMWI and the Bureau monitor progress and evaluate the effectiveness of diversity and inclusion initiatives, and has procured software products that will streamline complaint tracking and reporting. Third, the Bureau has developed and published Standards for Equal Opportunity and Diversity at CFPB, which took effect on October 1, 2015,³ and a Diversity and Inclusion Strategic Plan for 2015-2020.⁴

Recommendation #2

Agencies should investigate and determine whether discrimination is the root cause of the: (1) underrepresentation of minorities and women at the senior-management level at the Agencies; and (2) statistically significant differences in PMRs for minority and women employees. Pending this investigation, consider strategies for addressing potential root causes, such as unconscious bias by those who are responsible for making those decisions.

The Bureau agrees that assessing the root causes of any workforce underrepresentation, including current senior management demographics, or disparities in the distribution of performance ratings is critical to ensuring that opportunities are available to all employees and that the Bureau at all levels reflects the consumers it serves. The Bureau has taken, and will continue to take, action to examine discrimination as a potential root cause and to reduce the potential for unconscious biases to influence decisions.

As a part of its required annual EEO program status report (MD-715 report) submitted to the Equal Employment Opportunity Commission, the Bureau conducts a self-assessment and engages in a “barrier analysis” which looks at possible factors that impact equal employment opportunity. The Bureau’s Office of Civil Rights and OMWI are working collaboratively to evaluate workforce trends to address both equal employment opportunity and diversity and inclusion. One part of this work involves examining whether discrimination is a root cause of underrepresentation in senior management positions. A second part of this work involves promoting proactive dialogue about the benefits of diversity and inclusion in the workplace. In addition, the Office of Civil Rights monitors complaints for possible trends in senior management positions, including whether discrimination is alleged and whether any finding has been made.

With respect to performance ratings, the Bureau engaged an independent expert to conduct a comprehensive review examining potential root causes of disparate outcomes observed under the previous performance management system. That review, which concluded in June 2015, found no evidence of intentional discrimination on the part of Bureau managers. The report also highlighted twelve potential root causes, including the complexity of the system, opportunities for improved training and communications, and potential inconsistencies in expectations across work units. No similar differences in ratings have emerged under the Bureau’s interim two-tier ratings system.

³ These standards are available on the Bureau website: http://files.consumerfinance.gov/f/201511_cfpb_eeo-and-di-standards-Design.pdf

⁴ This plan is available on the Bureau website: http://files.consumerfinance.gov/f/201510_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf

The Bureau also strongly concurs with the staff report's recommendation that agencies consider strategies for addressing root causes of disparate outcomes, both with respect to senior leadership and performance ratings and across Bureau operations. The Bureau's working group with the National Treasury Employee Union has done extensive work to develop a proposal for a permanent performance management system that minimizes or eliminates the challenges identified in the original system. The Bureau is also raising employee awareness of unconscious bias and the ways it can inadvertently limit opportunities for some individuals or groups. The Bureau has offered managers training on civil rights compliance issues related to assigning ratings and the impact unconscious biases can have in performance review processes. The Bureau requires managers to attend a two-day diversity and inclusion workshop and a separate two-day EEO workshop. We also encourage the use of tools, such as structured interviews and outreach to minority-serving professional organizations, to promote fair and consistent extension of opportunities.

Recommendation #3:

Agencies should, while investigating their PMR systems, consider modification of, or alternatives to, the current PMR systems.

The Bureau agrees that agencies should be open to modifying or replacing performance management systems to address potential concerns about their fairness or effectiveness. After issues with the prior five-tier system were identified, the Bureau discontinued its use and replaced it with an interim 2-tier system. We also retroactively adjusted the performance ratings for all employees who received "three" or "four" ratings so that they instead received "five" ratings. Additionally, in the fall of 2014, these employees received remediation payments to align their compensation with the higher rating. We greatly appreciate the staff report's acknowledgement that the Bureau's efforts to evaluate and modify the performance management system reflect a "best practice."

In addition to discontinuing the previous system, the Bureau and NTEU have engaged in a robust process (spanning 24 meetings to date) to develop a new system. In the meantime, the Bureau has enhanced its management performance standards by adopting additional diversity and inclusion requirements, streamlining processes, and making training on the performance management process mandatory for all employees.

Recommendation #4:

Agencies should ensure accountability of managers, at all levels, by evaluating them on their progress toward achieving the Agencies' diversity objectives and their ability to manage a diverse group of employees.

The Bureau agrees that it must hold managers accountable for achieving the Bureau's diversity objectives and for effectively managing a diverse group of employees. For 2016, the Bureau has enhanced its management performance standards by adding the following requirements: (1) adherence to guidance from the Bureau's Office of Equal Opportunity and Fairness regarding the use of open, fair, and equitable processes for employee recruitment, hiring, development, and advancement; and (2) full cooperation with complaint research and resolution processes. As noted,

the Bureau also provides managers with extensive training to build the knowledge and skills these performance standards require.

The Bureau also stresses accountability at the division level. Each Bureau division has developed specific diversity and inclusion goals and objectives. Senior leadership, including the OMWI director, assesses progress against these goals as part of quarterly performance reviews with division leadership. The Bureau has also developed demographic reports to help track change and identify opportunities for improvement.

Recommendation #5:

Agencies should enhance the interactions between the Office of Minority and Women Inclusion (“OMWI”) Directors and the Agencies’ heads, by ensuring that the OMWI Directors report directly to the Agencies’ heads and increasing the meetings between them. This dialogue will enable the OMWI Directors to influence policymaking decisions at the Agencies and ensure the Agencies’ heads are closely monitoring the effectiveness of diversity practices and policies and are prepared to testify about these efforts and outcomes when appearing before Congress.

The Bureau agrees that the OMWI must have direct and frequent communication with the Bureau Director and other senior leaders, and the Bureau has structured its operations to satisfy this goal. From the time the OMWI office opened in 2012, the OMWI Director had dual reporting responsibilities to both the Chief Operating Officer and the Bureau Director. In 2014, the Bureau moved both the OMWI and the Office of Civil Rights into the Office of the Director, ultimately housing the offices within an umbrella Office of Equal Opportunity and Fairness. Under this structure, the OMWI Director reports to the Bureau Director.

The OMWI Director actively advises other senior leaders on diversity and inclusion issues and is integral in developing, implementing, and monitoring the Bureau’s strategic efforts on these issues. The Bureau Director and the OMWI Director have standing meetings every three weeks. The OMWI Director is a member of the Bureau’s Executive Committee, which addresses a wide range of high-level issues affecting the Bureau, and a member of the Steering Committee for a cross-Bureau effort to strengthen organizational culture and foster management excellence. In those capacities, the OMWI Director works regularly with the Bureau Deputy Director, Chief Operating Officer, and Associate Directors. The OMWI Director also began participating in division quarterly performance reviews, including asking division leaders focused questions about progress on diversity and inclusion goals, in fiscal year 2015.

Recommendation #6:

Re-evaluate the purpose and content of their OMWI’s annual reports to, among other things:

- a. include information on OMWI’s efforts to measure and evaluate their progress on achieving diversity and inclusion goals, as recommended by the Government Accountability Office (“GAO”) in 2013;*

b. consult with other Agencies' OMWIs, in an interagency manner, to adopt uniform standards to track and report diversity data to enable meaningful cross-agency comparison; and,

c. provide racial, ethnic, and gender data by specific occupational classifications and supplier industry classifications.

The Bureau agrees that the OMWI annual report provides an important opportunity to share information about the Bureau's diversity and inclusion work, including efforts to evaluate progress. The Bureau's 2015 OMWI Annual Report includes information about measurement and evaluation efforts, including both quantitative and qualitative approaches. Examples include incorporating diversity and inclusion metrics into division quarterly performance reviews, analyzing employee survey data with particular attention to the Office of Personnel Management's Inclusion Quotient, convening survey working groups to further solicit employee input and propose recommendations, and engaging third-party experts to review certain personnel management practices. The Bureau will look for opportunities to further describe its monitoring and evaluation activities in future reports.

The 2015 OMWI Annual Report also provides demographic information about four mission critical job categories: examiners, attorneys, economists, and analysts. The Bureau agrees with the staff report that there may be opportunities to expand the information provided in the annual reports and is assessing the feasibility of providing more detailed data with respect to hiring, promotions, and procurement. We will also work with other agency OMWIs to explore opportunities to standardize tracking and reporting of diversity data.

Recommendation #7:

Agencies should direct the OIGs to:

- a. periodically review the Agencies' representation of minorities and women within their workforces along with their personnel practices, policies, and any other efforts to ensure that the workplaces are free of systemic discrimination and provide equal opportunity for minorities and women in hiring, retention, and promotion, particularly to senior-management level positions; and,*
- b. report the results of these audits to Congress every four years.*

The Bureau welcomes periodic review of representation of minorities and women within its workforce and of the Bureau's personnel practices, policies, and other efforts to prevent discrimination and provide equal opportunity to Bureau employees. As you know, the Bureau accepted all recommendations made by our Office of Inspector General in its March 2015 report on

diversity and inclusion at the Bureau and has made substantial progress implementing these recommendations.⁵

Thank you for the admirable work you do to promote diversity and fairness in financial services. We share your dedication to strengthening diversity, inclusion, equality, and fairness both at the Bureau and at the financial institutions we regulate. As the Bureau continues to evolve, we must continuously reaffirm this commitment by assessing, and when necessary, enhancing our efforts to promote and embody these values. We deeply appreciate the thorough review and thoughtful recommendations provided by the staff report and look forward to sharing further progress on these critical issues with you.

Sincerely,



Richard Cordray
Director

cc: The Honorable Al Green, Ranking Member, Subcommittee on Oversight and Investigations,
Committee on Financial Services
The Honorable Carolyn Maloney, Ranking Member, Subcommittee on Capital Markets and
Government Sponsored Enterprises, Committee on Financial Services
The Honorable Emanuel Cleaver, Ranking Member, Subcommittee on Housing and
Insurance, Committee on Financial Services
The Honorable Juan Vargas, Member, Committee on Financial Services
The Honorable Michael E. Capuano, Member, Committee on Financial Services
The Honorable Joyce Beatty, Member, Committee on Financial Services
The Honorable Keith Ellison, Member, Committee on Financial Services
The Honorable Denny Heck, Member, Committee on Financial Services

⁵ OFFICE OF THE INSPECTOR GENERAL FOR THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND THE CONSUMER FINANCIAL PROTECTION BUREAU, 2015-MO-C-002, THE CFPB CAN ENHANCE ITS DIVERSITY AND INCLUSION EFFORTS (2015).



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

JANET L. YELLEN
CHAIR

November 25, 2015

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Ranking Member:

Thank you for your letters of November 5, 2015, expressing support for the recommendations in the report by Democratic staff of the House Financial Services Committee entitled, "The Dodd-Frank Act Five Years Later; Diversity in the Financial Services Agencies."

Please be assured that the Federal Reserve Board understands the importance of diversity and is committed to increasing diversity and enhancing inclusion in its workplace as it continues to strive toward achieving the responsibilities in section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Additionally, the Board has already implemented a number of the recommendations contained in the Inspector General's Report to the Congress on the Office of Minority and Women Inclusion published in March of this year, and has committed to addressing others.

We appreciate your concerns on this important issue and look forward to working with you and your staff as we continue our efforts towards diversity and inclusion.

Sincerely,

Janet L. Yellen



MARTIN J. GRUENBERG
CHAIRMAN

December 7, 2015

Honorable Maxine Waters
Ranking Minority Member
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Congresswoman Waters:

Thank you for your November 5, 2015 letter to the federal financial services agencies in support of the recommendations in the House Financial Services Committee Democratic Staff Report (Staff Report) entitled, "The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies." The Federal Deposit Insurance Corporation has carefully reviewed the Staff Report. We support the objectives and suggestions in the Staff Report, and will be implementing all of the recommendations not already in place at the FDIC.

The FDIC is dedicated to ensuring equal opportunity to minorities and women in its workforce and business activities and committed to achieving a more diverse, inclusive, and fully engaged workforce that reflects all segments of society. The FDIC recognizes that we are stronger and better when we have a diverse workforce that brings a range of experiences and perspectives to carrying out the responsibilities of the FDIC, and provide minorities and women ample opportunities for contribution, professional development, and promotions to senior management positions.

Our commitment to diversity and inclusion goes beyond merely complying with the letter and spirit of all applicable federal laws and policies concerning Equal Employment Opportunity and diversity. Diversity and inclusion has long been an important value for the FDIC and continues to be a key element of our strategic vision. This vision is articulated in the FDIC's Diversity and Inclusion Strategic Plan, which enhances our efforts in this important area and addresses our goals to develop and implement a comprehensive, integrated, and strategic focus on diversity and inclusion. The plan lays out a course for promoting workforce diversity by recruiting from a diverse, qualified group of potential applicants; cultivating workplace inclusion through collaboration, flexibility, and fairness; and, ensuring sustainability of our diversity and inclusion achievements by equipping leaders with the ability to manage diversity, monitor results, and refine approaches on the basis of actionable data. The plan details specific steps to enhance diversity and inclusion at the FDIC in the areas of recruiting, hiring, succession planning, leadership engagement, analytics and reporting, training, strategic planning, communications, and performance management rating enhancements.

The FDIC's Diversity and Inclusion Executive Advisory Council (EAC) oversees the implementation of the plan and ensures the commitment to diversity and inclusion remains an important priority. Specifically, the EAC, which includes the Director of the FDIC Office

of Minority and Women Inclusion (OMWI), monitors the progress on the plan, goals, and initiatives and ensures the FDIC's commitment to diversity and inclusion is woven into all aspects of the Agency's culture. While the FDIC remains committed to its diversity and inclusion efforts, we have learned that diversity is not a finite goal. It is a continuous process that requires constant self-assessment, external audit and recommitment. The key objectives set forth in your letter are discussed below.

Identifying the Causes of Disparities in Hiring and Promoting Diverse Candidates Through all Levels of Employment

The FDIC adheres to the letter and spirit of all applicable federal laws, regulations and policies addressing racial, ethnic or gender-based discrimination. The FDIC is committed to workforce diversity and is a supporter of equal opportunities for minorities and women with respect to hiring and promotions. To that end, the FDIC regularly reviews its recruiting, hiring, and promotion policies to identify and remove any potential barriers to minorities and women achieving equal access to employment and promotion opportunities.

The FDIC Office of the Inspector General's (OIG) Evaluation of the Agency's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity (OIG Evaluation) concluded that collectively, the Agency's commitment, initiatives, and process controls promote a workplace that is free of systematic discrimination, and that provides equal opportunity for women and minorities to obtain senior management positions.¹ The evaluation identified the challenges to increasing workforce diversity overall and at the senior management level which include factors difficult for the FDIC to control, such as low turnover of existing managers and executives; underrepresentation of women and minorities in internal candidate pools; competition from the private sector for diverse candidates; and limited representation of minorities and/or women in certain areas in the United States, or within certain job occupational series, such as examiners and attorneys, which are dominated by males and non-minorities.

The FDIC is aware of these challenges and continues to refine and retool its approaches to increase diversity. For example, the FDIC is formalizing recruiting procedures to ensure consistent and comprehensive outreach to diverse populations; establishing processes to measure the success of recruitment efforts concerning women and minority outreach; and tracking participation rates by gender and race/ethnicity in its various leadership training programs. As part of its continuous workforce analysis, the FDIC works to remove any identified barriers that inhibit equal opportunity for minorities and women.

Reducing Differences in PMR Scoring across Racial and Ethnic Groups

The FDIC continuously monitors and analyzes its performance management and recognition (PMR) program and data to ascertain whether programmatic issues and/or statistically significant differences exist for minority and women employees. Although differences in performance ratings may be due to actual differences in performance, regional

¹ The FDIC's Efforts to Provide Equal Opportunity and Achieve Senior Management Diversity, Office of Inspector General, November 2014 (<https://www.fdicig.gov/reports15/15-001EV.pdf>).

differences in ratings or job family differences in ratings (i.e., supervisors in certain fields are more strict or lenient than supervisors in other fields), the OIG Evaluation concluded that the statistical analyses represent a strong control over the PMR process and help to identify potential areas for further oversight, concern, or action, such as education or training. Accordingly, the FDIC has expanded its statistical analyses to include supervisory employee performance management ratings (Leadership PMR (LPMR)).

The FDIC PMR program, covering non-supervisory employees, was developed through negotiations with the National Treasury Employees Union (NTEU) in 2008. NTEU participated in the implementation and design of the PMR system. The LPMR program was initiated in 2011. All employees and managers receive training annually on the PMR and LPMR programs to ensure consistent application.

In 2014, the FDIC established a PMR Design Team comprised of FDIC and NTEU employees to monitor the PMR program, seek program enhancements or modifications, and address program issues. In mid-2015, the PMR Design Team proposed enhancements to the PMR behavioral standards to expand focus on diversity and inclusion expectations among non-supervisors. A draft excerpt from the revised “Teamwork and Collaboration” behavioral standard reads in part “. . . *develops and maintains rapport and effective working relationships, networks and/or partnerships with others within and beyond immediate work group, including those with varied backgrounds and perspectives; respects and values individual differences and diversity by treating others fairly and professionally . . .*”

The FDIC has established controls in its performance management and recognition programs to ensure fairness and continues to consider strategies for addressing potential root causes, such as unconscious bias by those who are responsible for making PMR/LPMR decisions. The Agency continues to train its leaders to understand and protect against unconscious bias when making HR related decisions, including those involving the interview process and the PMR/LPMR process. While more work is needed and planned, unconscious bias training was provided to senior managers and supervisors and the topic of unconscious bias was recently included in FDIC’s mandatory and recurring supervisory training program.

Ensuring Managers’ Accountability for Achievement of Diversity Objectives

To communicate its commitment to diversity and inclusion, the FDIC has integrated diversity principles into its corporate policies and plans. For example, the FDIC *Policy on Equal Opportunity* states that the Agency: (1) is dedicated to equal opportunity in all of its programs, policies, and practices, and to promoting diversity in its workforce; and (2) prohibits discrimination in its workforce and all of its program activities. In addition, the FDIC Chairman reinforces the FDIC’s commitment with his annual Equal Employment Opportunity message to all employees, as well as with other programs designed to more fully engage all managers and employees in FDIC’s diversity and inclusion initiatives.

The FDIC OMWI Director reports to the Office of the Chairman, regularly meets with the Chairman, and advises on policies and practices to promote the advancement of diversity and inclusion throughout the Agency. The OMWI Director is a member of the senior leadership

team and is involved in all policy meetings regarding the Agency's human capital strategies, performance goals and budget planning.

The FDIC promotes diversity and equal opportunities for minorities and women through a number of initiatives such as the Agency's annual performance goals, Diversity and Inclusion Strategic Plan, and Diversity and Inclusion Executive Advisory Council. The Diversity and Inclusion Executive Advisory Council, which is co-chaired by the OMWI Director and the Deputy to the Chairman and Chief Operating Officer/Chief of Staff, includes the Directors of all major divisions and offices and meets periodically (at least eight times a year) to discuss cross-cutting diversity and inclusion issues. The FDIC has additional groups, such as the Workplace Excellence Steering Committee and the Human Resources Committee, which address diversity and inclusion, among other priorities.

The FDIC links the successful achievement of specific diversity objectives to supervisors' performance reviews. We are working to enhance this objective through a proposed new approach for measuring and evaluating managers' progress towards achieving the Agency's diversity and inclusion goals and objectives. Once the new approach is vetted and approved, all managers' performance objectives will include active participation in, and promotion of, the FDIC's diversity and inclusion efforts. Specifically, managers will be held accountable for developing and supporting strategies to:

- Recruit from a diverse, qualified group of potential applicants to secure a high performing workforce, drawn from all segments of the labor force,
- Strengthen managers' own capabilities and staff through training and diverse work experiences,
- Foster a culture that encourages collaboration, flexibility and fairness to enable each staff member to contribute to his/her full potential,
- Encourage employees to seek management and leadership roles, and
- Engage in active career development for managers and subordinates.

In addition, the FDIC's annual performance goals include diversity and inclusion goals for which managers are collectively responsible. Further, the FDIC's Diversity and Inclusion Strategic Plan, which is reviewed and updated annually, includes FDIC-wide goals and action items to promote diversity and inclusion throughout the agency. All major Divisions and Offices also have divisional diversity and inclusion strategic plans which are reviewed and updated annually. Again, all managers are responsible for these goals and are rated on their support of all FDIC performance goals.

Strengthening the Annual OMWI Reports to Congress

The FDIC OMWI will strengthen and re-evaluate the purpose and content of its annual report to include information on efforts to measure and evaluate progress on achieving diversity and inclusion goals, as recommended by the GAO in 2013. The FDIC OMWI will continue to work with the other Agencies' OMWIs in an effort to adopt uniform standards to track and report diversity data and enable meaningful cross-agency comparisons. The FDIC OMWI annual

report will provide racial, ethnic, and gender data by specific occupational classifications and supplier industry classifications.

Reaffirming its commitment to narrowing representational gaps and promoting fair and equitable workplace outcomes, the FDIC concurred with the nine recommendations in the 2014 OIG Audit report related to recruiting, leadership training and expressions of interest programs, further analysis of employee performance results, the reliability of diversity data, and the updating of relevant policies. The FDIC responded to each of the OIG Audit recommendations outlining a number of corrective actions with milestones and completion dates. To date, the FDIC has addressed many of these recommendations and it is implementing the corrective actions to satisfy the remaining recommendations. The Diversity and Inclusion Executive Advisory Council meets regularly and monitors our progress on these remaining actions.

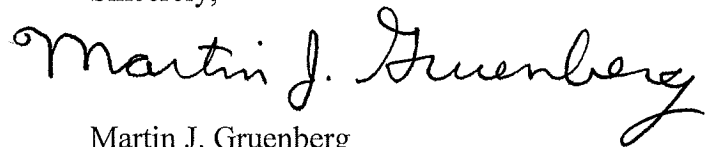
The FDIC will continue to coordinate closely with the OIG and we would welcome the OIG's decision to conduct any evaluation in these areas. Until then, the FDIC will continue to improve its policies, practices, and controls to ensure that the workplace is free of systemic discrimination and provides equal opportunity for women and minorities in hiring, retention and promotion, particularly to senior management level positions.

Conclusion

During 2015, the FDIC made steady progress enhancing the racial, ethnic, and gender diversity of its workforce. However, the FDIC recognizes this is not easy and there is much more work to be done to achieve a more diverse and inclusive workforce. The FDIC remains committed to implementing the provisions and intent of Section 342 of Dodd-Frank and achieving a diverse and inclusive workforce through a wide variety of methods aimed at recruiting, hiring, retaining, and promoting high-performing individuals who reflect all segments of society.

Thank you for the opportunity to respond to the Staff Report and for your support and commitment to diversity and inclusion. Please contact me at (202) 898-3888 or Andy Jiminez, Deputy Director, Office of Legislative Affairs, (202) 898-6761, if you have further questions.

Sincerely,

A handwritten signature in black ink that reads "Martin J. Gruenberg". The signature is written in a cursive, flowing style.

Martin J. Gruenberg



Office of the Chairman

December 7, 2015

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
4340 O'Neill House Office Building
Washington, DC 20515

Dear Congresswoman Waters:

Thank you for your November 5, 2015, letter about the House Financial Services Committee's Democratic Staff Report entitled *The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies*. Your letter requests that federal financial services agencies, including NCUA, act as quickly as possible upon the recommendations contained in the report.

Since becoming NCUA Board Chairman in 2009, I have consistently made diversity and inclusion a top priority for the agency. Because diversity enriches the agency and its employees and enhances output, NCUA is committed to diversity through our recruitment, leadership development, employee empowerment, and contracting activities. We recognize that workforce and supplier diversity is both good policy and a good business practice. Moreover, as recommended in the staff report, I agree that NCUA must fully comply with the letter and spirit of all current laws, regulations, and policies that address racial, ethnic, or gender-based discrimination and promote diversity and equal opportunities for all minorities and women.

While NCUA has achieved diversity improvements in the five years since the creation of the Office of Minority and Women Inclusion, the staff report highlights the fact that the agency needs to do more to create greater diversity and inclusion in our workforce and among our suppliers. NCUA's efforts to date are consistent with the letter and spirit of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The staff report uses data from 2013. In the last two years, I am pleased to report that NCUA has made measurable progress in hiring more minorities and women. So far in 2015, minorities make up 36 percent of new hires overall and 33 percent of new hires of senior staff. In 2013, minorities made up 34 percent of new hires overall and none of the senior hires. And, to date in 2015, women make up 42 percent of new hires and 67 percent of new senior staff. In 2013, women made up 40 percent of new hires overall and 50 percent of new senior staff.

The staff report's thoughtful recommendations for federal financial services agencies include some changes already under review or being undertaken at NCUA. With our new OMWI Director now in place, NCUA will redouble diversity efforts and move forward with an ambitious diversity agenda. Consistent with the staff report recommendations, the NCUA Board at an upcoming meeting will consider revising the delegations of authority such that the OMWI Director will report directly to the NCUA Board Chairman.

In the months ahead, NCUA also will pursue a strategy for educating and providing incentives to credit unions to adopt the joint-agency diversity standards issued earlier this year. For example, we will distribute and encourage credit unions to use NCUA's diversity self-assessment tool. Our plan calls for providing a toolkit for implementation, spotlighting high-level achievers for their diversity and inclusion programs, and generally educating credit unions by building the business case for diversity and inclusion.

Additionally, the staff report calls for agencies to investigate whether discrimination is the root cause of under-representation of minorities and women at the senior management level and for statistically significant differences in the performance evaluations for women and minorities. In this regard, NCUA's OMWI already has undertaken three barrier analyses related to its workforce. These analyses are targeted to African American males, Hispanics, and persons with disabilities. I also am aware of the challenges posed by examiner positions due to the amount of travel required and possible disparate impact on individuals taking the principle examiner exam. We will work to address these matters.

With respect to a differential in performance evaluations for women and minorities, the agency already has in place incentives for all personnel with managerial responsibility to be accountable for diversity and inclusion. Nevertheless, NCUA's Office of Human Resources is working to consider additional improvements and alternatives to the current system for evaluating employee performance. In addition, NCUA's executives in January 2016 will receive training on the issue of unconscious bias, and we are considering rolling out this training for all managers.

Finally, in light of the staff report's recommendations, NCUA will work to improve the quality and content of the agency's annual OMWI report to Congress. Further, I intend to ask the Office of Inspector General to periodically review NCUA's diversity efforts.

Notwithstanding the agency's commitment to fulfilling its obligations under the Dodd-Frank Act, we should not lose sight of the cultural shift required for the law to be truly effective and make a difference in peoples' lives and businesses. For this reason, NCUA will put forth an education and awareness campaign to build the case that diversity and inclusion is a strategic business imperative at the agency and for the credit unions we regulate and insure.

In sum, while NCUA has made progress in achieving greater diversity in our workforce, among our suppliers, and within the credit union system, we have more to do. We will stay focused on the goal of achieving greater diversity. Please do not hesitate to contact me with any questions or concerns that you may have.

Sincerely,

Debbie Matz
Chairman



FEDERAL HOUSING FINANCE AGENCY

Office of the Director

December 7, 2015

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
2221 Rayburn House Office Building
Washington, DC 20510

Dear Ranking Member Waters:

Thank you for the November 5, 2015 letters from you and other members of the House of Representatives expressing your support for the recommendations in the report released by the Democratic staff of the House Financial Services Committee entitled, "The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies" (Report).

While I recognize that more needs to be done, I believe that the Federal Housing Finance Agency (FHFA) is well positioned to make substantial improvements on our performance in this important area. My staff and I have reviewed the Report and its recommendations and I am pleased to provide specific responses to each recommendation, as well as an update on some of the diversity and inclusion (D&I) initiatives currently underway at FHFA.

1. *Fully comply with the letter and spirit of all current laws, regulations, and policies that address racial, ethnic or gender-based discrimination and promote diversity and equal opportunities for minorities and women.*

FHFA's Office of Minority and Women Inclusion (OMWI) has two sets of statutory obligations that the agency is working to fulfill: a) responsibilities and authorities granted under section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and; b) supervisory and regulatory authority pursuant to section 1116 of the Housing and Economic Recovery Act of 2008 (HERA).

- a. FHFA's OMWI responsibilities pursuant to the Dodd-Frank Act focus on enhancing the agency's workforce diversity, improving internal operations, and developing programs and practices designed to increase the representation and roles of minorities and women at FHFA. As your Report indicates, FHFA issued an *OMWI Strategic Plan for Fiscal Years 2016 – 2018* to adopt effective strategies to fulfill OMWI's statutory responsibilities and deliver programs and services to agency staff. The five

strategic goals set a comprehensive framework that has allowed FHFA to start, and in some instances continue the work we have been doing, to promote D&I in our workforce and work environment and to oversee the D&I programs, policies, and practices of the entities we regulate.

- b. Section 1116 of HERA requires each of FHFA's regulated entities to establish an OMWI or designate an office to fulfill the OMWI function. Each of the 11 Federal Home Loan Banks, the Office of Finance and Fannie Mae and Freddie Mac has an OMWI or its functional equivalent. Under section 1116 of HERA, FHFA also published standards in 2010 (FHFA Rule) to establish our examination and enforcement authority with respect to D&I programs and activities at each regulated entity. Under this FHFA rule, FHFA is developing D&I examination protocols for its regulated entities. Before implementing the examination protocols, we intend to propose amendments to the FHFA Rule in 2016 to provide guidance on how each regulated entity can implement D&I such that D&I becomes a normal and regularized part of the way each of our regulated entities does business. As conservator of Fannie Mae and Freddie Mac, FHFA has already incorporated D&I criteria into the 2015 Conservatorship Scorecard for each Enterprise.

2. *Investigate and determine whether discrimination is the root cause of the: (1) underrepresentation of minorities and women at the senior-management level at the Agencies; and (2) statistically significant differences in PMRs for minority and women employees. Pending this investigation, consider strategies for addressing potential root causes, such as unconscious bias by those who are responsible for making those decisions.*

FHFA has policies that prohibit discrimination in any form and is committed to ensuring that each employee is treated fairly and with respect and dignity. FHFA will conduct an analysis in the upcoming performance review cycle to determine if, in fact, there are disparities among employee ratings and, if so, to assess the reasons for such disparities. To better track and monitor this data, FHFA recently converted to a new employee database system, the Human Resources Information System (HRIS), which will allow FHFA to conduct regular analysis of our workforce data, including performance ratings, compensation and awards, and promotions. HRIS will provide more accurate data on race, national origin, and gender than was available to the Agency in the past. We note that, although your Report was based on workforce data from 2011 – 2013, our 2016 OMWI Annual Report to Congress will reflect that FHFA's numbers have improved.

3. *Should, while investigating their PMR systems, consider modification of, or alternatives to, the current PMR systems.*

While FHFA does not have plans at this time to modify its PMR system, FHFA is working to provide staff trainings that better support the Agency's current process. FHFA's OMWI, Office of Human Resources Management (OHRM), and Learning Academy plan to conduct training sessions that would increase awareness by all employees, especially managers, of unconscious bias in the areas of recruitment, hiring, training and development, and performance reviews. Such training will include, if necessary, sessions on Emotional Intelligence, as well as modules

on people management skills to focus on the importance of staff retention at all levels of the agency. We believe that this training will make managers and supervisors more equipped and accountable to recognize biases and promote diversity. The training will also help employees develop cultural competency in the workplace, a precursor to having more diversity and greater inclusion as recognized by your Report. In addition, the agency is currently examining how to modify performance competencies to emphasize D&I, and clarify requirements and expectations for managers and supervisors in this area.

4. *Ensure accountability of managers, at all levels, by evaluating them on their progress toward achieving the Agencies' diversity objectives and their ability to manage a diverse group of employees.*

FHFA is developing a blueprint for forming an Executive Diversity Advisory Council (DAC), with OMWI providing D&I advice. One of the DAC's first goals will be to establish a framework for implementing the agency's goal to increase the diversity of FHFA's workforce at all levels. At the same time, OMWI is also collaborating internally with other Agency divisions to develop Equal Employment Opportunity (EEO) standards as required by Section 342. These standards will provide specific guidance to managers for the equitable treatment of employees, and will form the basis for setting D&I performance goals against which they will be measured and evaluated.

5. *Enhance the interactions between the Office of Minority and Women Inclusion ("OMWI") Directors and the Agencies' heads, by ensuring that the OMWI Directors report directly to the Agencies' heads and increasing the meetings between them. This dialogue will enable the OMWI Directors to influence policymaking decisions at the Agencies and ensure the Agencies' heads are closely monitoring the effectiveness of diversity practices and policies and are prepared to testify about these efforts and outcomes when appearing before Congress.*

FHFA's OMWI Director reports directly to me and is part of my executive team. She attends and is an active participant in weekly Executive Staff meetings and participates in other standing committee meetings at which significant agency policies and administrative initiatives are discussed.

6. *Re-evaluate the purpose and content of their OMWI's annual reports to, among other things:*
 - a. *include information on OMWI's efforts to measure and evaluate their progress on achieving diversity and inclusion goals, as recommended by the Government Accountability Office ("GAO") in 2013;*
 - b. *consult with other Agencies' OMWIs, in an interagency manner, to adopt uniform standards to track and report diversity data to enable meaningful cross-agency comparison; and,*
 - c. *provide racial, ethnic, and gender data by specific occupational classifications and supplier industry classifications.*

FHFA will use data now available through HRIS to prepare and produce its next Annual OMWI Report to Congress. We expect our initiatives to elevate the visibility of D&I and include it as a specific competency in future review cycles. We anticipate that our efforts to educate and measure managers and supervisors will improve our Annual OMWI Report to Congress.

Our OMWI Director meets with the OMWI Directors of the other financial regulatory agencies at least quarterly to discuss and collaborate on initiatives related to Section 342 of the Dodd-Frank Act. FHFA's OMWI also participates in the OMWI Supplier Diversity Working Group formed by the OMWIs to discuss and promote D&I in supplier diversity. In August 2015, under the leadership of FHFA's OMWI, OMWI staffs from the other agencies sponsored a joint technical assistance event held at George Mason University to provide assistance to minority- and women-owned businesses in finding contracting opportunities within the Federal Government.

7. *Direct the OIGs to:*

- a. *periodically review the Agencies' representation of minorities and women within their workforces along with their personnel practices, policies, and any other efforts to ensure that the workplaces are free of systemic discrimination and provide equal opportunity for minorities and women in hiring, retention, and promotion, particularly to senior-management level positions; and*
- b. *report the results of these audits to Congress every four years.*

FHFA does not have the legal authority to direct the activities of the OIG. However, we do meet regularly with our OIG and collaborate and cooperate with the OIG in various investigations and resulting reports.

8. *Additional Activities*

In addition to the programs, initiatives and activities described above, FHFA has completed and/or begun work on implementing several others:

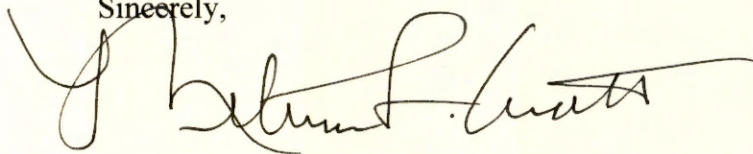
- a. Supervision of the regulated entities. FHFA is making positive strides with our regulated entities to drive awareness of D&I in all aspects of their business and activities. FHFA has placed particular emphasis on those activities that will have a direct impact on increasing economic opportunities for minority- and women-owned businesses in the financial services industry.
- b. D&I Examination Program and Guide. OMWI has started a D&I program review of all the regulated entities, with the goal of establishing a baseline from which uniform D&I requirements and standards will be developed for our examinations.
- c. Federal Home Loan Bank Board Diversity. In May 2015 FHFA issued a Final Rule revising the FHFA Minority and Women Inclusion Rule. The final rule requires the Federal Home Loan Banks to collect certain demographic data on their Board members. This requirement was established to drive more intentional and deliberate

outreach to, and recruitment of, more diverse slates of candidates for Bank board membership.

- d. Financial Literacy Program. To comply with Section 342, OMWI is developing a Financial Literacy program that will focus on educating urban high school students in the basics of housing finance as well as the vast number of career tracks and opportunities within or are related to the housing industry. We are currently negotiating a memorandum of understanding with our partner organization that will facilitate more direct access to schools in the District of Columbia.

If you have further questions, please contact Peter Brereton, Associate Director for Congressional Affairs, at 202-649-3022.

Sincerely,

A handwritten signature in black ink, appearing to read "Melvin Watt", with a stylized flourish at the end.

Melvin Watt

cc: The Honorable William Lacy Clay
The Honorable Karen Bass
The Honorable Corrine Brown
The Honorable Gwen Moore
The Honorable Elijah Cummings
The Honorable Marcia Fudge
The Honorable Danny Davis
The Honorable Bonnie Watson Coleman
The Honorable Eleanor Holmes Norton
The Honorable James Clyburn
The Honorable Hakeem Jeffries
The Honorable Henry Johnson, Jr.
The Honorable Joyce Beatty
The Honorable Robin Kelly
The Honorable Barbara Lee
The Honorable Alcee Hastings
The Honorable Yvette Clarke
The Honorable Robert Scott
The Honorable G.K. Butterfield
The Honorable Charles Rangel
The Honorable Donna Edwards
The Honorable Sanford Bishop, Jr.
The Honorable Chaka Fattah
The Honorable Al Green
The Honorable Gregory Meeks
The Honorable Judy Chu

The Honorable Bobby Rush
The Honorable Brenda Lawrence
The Honorable Frederica Wilson
The Honorable Terri Sewell
The Honorable Alma Adams
The Honorable Eddie Bernice Johnson
The Honorable Shelia Jackson Lee
The Honorable Norma Torres
The Honorable John Lewis
The Honorable Nydia Velazquez
The Honorable Ruben Hinojosa
The Honorable Grace Meng



December 8, 2015

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Ranking Member Waters:

The Office of the Comptroller of the Currency (OCC) has reviewed the Democratic staff report of the House Financial Services Committee entitled "The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies." The Committee staff report was derived from information in the Offices of the Inspector General's (OIG) reports produced to the Committee between November 2014 and March 2015 as well as publicly available diversity data. The report identifies seven recommendations to enhance the Agencies' efforts to promote and sustain racial, ethnic, and gender diversity within agency workforces.

The Treasury OIG concluded in the December 1, 2014, review of the OCC's personnel practices, that the OCC tracks diversity levels and has taken steps to increase diversity in its workforce that have resulted in the OCC employing minorities and females at a rate generally equivalent to nationwide participation rates. The OIG noted however, that while participation rates of minorities and women in OCC supervisory positions and senior level positions (SLP) have increased, they were below their workforce participation rates and recommended that the OCC continue its efforts to increase participation of minorities and women in supervisory positions and SLP, consistent with applicable laws.

We accept the seven recommendations from the Committee staff report and remain committed to working to ensure a diverse and inclusive work culture and environment for our current and future employees.

- 1. Fully comply with the letter and spirit of all current laws, regulations, and policies that address racial, ethnic, or gender-based discrimination and promote diversity and equal opportunities for minorities and women.**

The OCC is committed to ensuring that agency personnel are accountable for full compliance with equal employment opportunity (EEO) statutes and regulations, policy guidance, and Presidential Orders that address racial-, ethnic-, or gender-based discrimination and promote EEO and diversity and inclusion for minorities and women.

On September 18, 2015, Comptroller Thomas J. Curry issued the agency's annual EEO policy statement, reiterating the OCC's commitment to equal opportunity, diversity and inclusion, and maintaining a workplace free of harassment. Separate and comprehensive EEO and anti-harassment policies and procedures (updated in March 2012) are available to all employees on the OCC's intranet Web site. Information required by the NO FEAR Act is posted on the OCC's internet Web site and all employees receive NO FEAR training upon employment and every two years thereafter.

All OCC managers, supervisors, and EEO/Diversity and Inclusion Program officials are stakeholders in the effective implementation of the agency's efforts to promote equal opportunity and diversity and inclusion for minorities and women. There have been no findings of discrimination at the OCC in the past five years.

- 2. Investigate discrimination as the root cause of (1) under-representation of minorities and women at the senior management level and (2) statistical differences in PMR for minority and women employees. Pending investigation, consider strategies for addressing potential root causes, such as unconscious bias by those who are responsible for making those decisions.**

In order to understand the low participation rates of women and minorities in OCC SLP, the Office of Minority and Women Inclusion (OMWI) established an interdisciplinary Diversity and Development Working Group in March 2015 to conduct a barrier analysis looking at opportunities to improve diversity and promote inclusion in SLP and in their pipeline positions.

The working group analyzed data, conducted root-cause analyses, researched best practices, and identified potential solutions to support the increase of women and minorities in SLP and NB-VII pipeline positions. The OCC's leadership will review the working group's recommendations this month.

More than 800 OCC employees including all managers and executive leaders participated in Unconscious Bias training sessions where they had the opportunity to practice conscious awareness to mitigate the impact of unconscious bias in workplace decision making. Unconscious Bias training will continue in FY 2016 to include training for human capital personnel involved in recruiting, staffing, certification, and selection processes.

- 3. Investigate PMR system for root cause of statistical differences in ratings for minority and women employees. Consider modification of, or alternatives to, current PMR system.**

The OCC, in conjunction with the National Treasury Employee's Union (NTEU), is undertaking a comprehensive review and redesign of its performance management system, including the performance appraisal process.

The OCC initiated this project in response to the OIG report and employee and manager concerns about the system, including (1) fairness and consistency in ratings; (2) clarity and overlap in the performance evaluation elements; (3) the quality of performance feedback; and (4) the process for addressing poor performance.

The redesign will include a job analysis to develop new, validated performance appraisal criteria to ensure all performance appraisal criteria are job related. The review will result in recommendations for incorporating additional safeguards to ensure the fairness, effectiveness, and credibility of the system, including ongoing monitoring of appraisal data.

The OCC is currently in the process of obtaining outside consulting support for this initiative and expects to award a contract no later than December 31, 2015.

4. Ensure accountability of managers at all levels, by evaluating them on their progress toward achieving the Agencies' diversity objectives and their ability to manage a diverse group of employees.

All OCC managers and supervisors have an EEO performance element in their performance plans that focuses on the manager's ability to establish and maintain a non-discriminatory and regulatory-compliant working environment, employ fair and inclusive recruitment and retention strategies, and support a workplace where all employees can contribute fully and achieve their greatest potential.

Over the last two years, the OCC has enhanced its efforts to create a systemic and sustainable process of leadership development with specific focus on providing tools to managers to support the full engagement of our diverse workforce.

5. Enhance the interactions between the OMWI Director and the Agency Head.

The OMWI Executive Director is a direct report to the Comptroller of the Currency and meets with him monthly to provide updates on agency diversity and inclusion program efforts.

The Comptroller demonstrates strong support for diversity and inclusion by clearly positioning the work of the OMWI in the framework of the agency's strategic objectives, and actively participating in employee network groups, special observance programs, and diversity and inclusion learning venues.

The OMWI Executive Director meets regularly with the Senior Leadership team to help determine the diversity and inclusion impact of internal workforce and human capital policies and practices as well as mission-related practices and guidance.

6. Re-evaluate the purpose and content of the OMWI annual report to Congress

We appreciate the recommendation and will work with the other OMWI offices to adopt uniform standards, where possible, and to track and report diversity data to enable meaningful cross-agency comparisons.

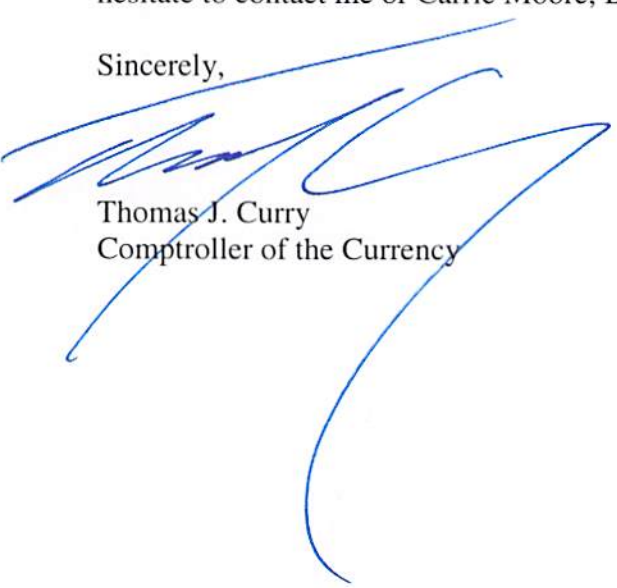
In recent years, the OCC has provided more information on diversity and inclusion progress and challenges, and has provided our demographic data by specific occupational and supplier industry classifications. We look forward to feedback on our 2015 OMWI annual report.

7. Request periodic OIG reviews and report the results of the audits to Congress every four years.

We appreciate this recommendation and will give it consideration.

Thank you for the opportunity to address your concerns. The OCC remains committed to providing fair and just employment and taking proactive steps to eliminate barriers to EEO and diversity and inclusion in our work environment. If you have further questions, please do not hesitate to contact me or Carrie Moore, Director, Congressional Liaison, at (202) 649-6737.

Sincerely,



Thomas J. Curry
Comptroller of the Currency



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

THE CHAIR

December 9, 2015

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, DC 20515

Dear Representative Waters:

Thank you for your November 5, 2015 letter concerning the report issued by the House Financial Services Committee Democratic staff entitled, *The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies* (staff report). The staff report contains recommendations addressed to the U.S. Securities and Exchange Commission (SEC) and other federal financial services agencies designed to enhance efforts to promote and sustain diversity within our respective workforces. I write separately as the SEC Chair to respond to the staff report recommendations.

First and foremost, I want to reiterate that the SEC is committed to the goals and objectives of Section 342 of the Dodd-Frank Act to promote diversity and inclusion of minorities and women in the agency's workforce. Indeed, the SEC's success in achieving its mission – protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation – is dependent on the agency's ability to attract, engage, and retain a high-quality, technically proficient, and diverse workforce drawn from all segments of society.

The SEC is currently taking steps to address certain of the staff report recommendations, and will begin taking appropriate steps to implement others. Our first priority is to comply fully with the requirements of Section 342 of the Dodd-Frank Act by developing the prescribed standards for equal employment opportunity and diversity in the agency's workforce. The SEC's Office of Minority and Women Inclusion (OMWI) is making progress toward completing these standards.

Beyond this, SEC staff is analyzing whether minorities and women are receiving equal opportunities for employment and promotion to senior management positions and the cause of any racial disparities that exist in performance ratings. Further, the SEC has adopted a performance standard to ensure that managers and supervisors are held accountable for

The Honorable Maxine Waters

Page 2

supporting diversity and inclusion in a manner consistent with the Commission's strategic objectives and the requirements of Section 342 of the Dodd-Frank Act.¹

I believe the remaining recommendations – strengthening OMWI's Annual Report, requesting periodic OIG review of the SEC's workforce representation of women and minorities, and developing other innovative initiatives – will help to advance the SEC's efforts to foster a diverse and inclusive workforce. Accordingly, I have directed staff to begin taking the steps necessary to implement these recommendations.

Thank you again for your letter. Please do not hesitate to contact me at (202) 551-2100, or have a member of your staff contact Tim Henseler, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010, if we can be of further assistance.

Sincerely,



Mary Jo White
Chair

¹ The OMWI Director is a Senior Officer reporting directly to me, and as such, the interactions described in the staff report's fifth recommendation currently take place at the SEC.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

JANET L. YELLEN
CHAIR

February 8, 2016

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Ranking Member:

We have reviewed the House Financial Services Committee Democratic Staff Report entitled, "The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies" (Staff Report) which you shared with us on November 5, 2015. I am writing to provide you with additional information pertaining to each of the specific recommendations included in the Staff Report.

The Federal Reserve Board is committed to cultivating diversity and inclusion in all aspects of employment. This includes a commitment to the letter and spirit of all current law. While we have made progress implementing section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as the recommendations in the Inspector General's Report to Congress last March, there is more to be done. We are fully dedicated to building on our progress and securing a more diverse and inclusive workforce.

Thank you for your focus on this important issue and for the opportunity to respond to the Staff Report.

Sincerely,

A handwritten signature in cursive script, reading "Janet L. Yellen", is positioned below the word "Sincerely,".

Enclosure

Committee Staff recommendations:

- 1. Agencies must fully comply with the letter and spirit of all current laws, regulations, and policies that address racial, ethnic or gender-based discrimination and promote diversity and equal opportunities for minorities and women.**

The Federal Reserve Board (Board) is committed to equal employment in all aspects of employment, and to fostering diversity and inclusion in the workplace. This includes both the letter and the spirit of all current law. The Board's 2016-2019 Strategic Plan includes a strategic objective focusing on the recruitment, development, and retention of a highly skilled workforce that enables the Board to meet its mission and foster and sustain a diverse and inclusive environment.

The Board has collaborated with the Federal Reserve Banks and developed a metrics report that will be included in the 2016 Office of Minority and Women Inclusion (OMWI) report addressing 2015 activities. The metrics have been used to review diversity performance against the diversity and inclusion objectives including planned actions to meet the objectives. These reviews also enable the Board and Reserve Banks the ability to monitor the effectiveness of diversity policies, practices, and programs and adjust activities where needed.

- 2. Agencies should investigate and determine whether discrimination is the root cause of the: (1) underrepresentation of minorities and women at the senior-management level at the Agencies; and (2) statistically significant differences in PMRs for minority and women employees. Pending this investigation, consider strategies for addressing potential root causes, such as unconscious bias by those who are responsible for making those decisions.**

We fully cooperated with the recent Office of the Inspector General (OIG) review, which found no evidence of any systemic pattern of discrimination at the Board. We believe that the evidence in the OIG report points to successes that align with our demonstrated commitment to diversity and enhancing inclusion. Further, we have committed to addressing all the OIG recommendations which include evaluation of the Board's Performance Management Program. Our Learning Management System (LMS) tracks employee completion of our mandatory NO FEAR Act training which consists of modules on non-discrimination Equal Employment Opportunity (EEO) law, workplace harassment, legal recruitment practices, disability non-discrimination, and disability accommodation. In 2016, we will be enhancing workplace harassment training and adding a diversity and inclusion module. Also, employees will be requested to complete a training survey which will provide essential feedback for us to evaluate the training.

The Board takes seriously any claim of discrimination and is in full compliance with the administrative process required for processing EEO complaints per the EEOC Complaint Management Directive 110 (including any amendments). On an on-going

basis, we review EEO complaints and address any trends including discussing with division management where applicable.

We post Officer positions and track them through our Recruitment Management System which covers applicants, referrals to hiring managers, interviews, recruitment source, race, and gender (self-identified). The OMWI director participates in the appointment process for official staff, including participation on selected interview panels and evaluation of proposed recommendations to the Board.¹

In 2015, the Board had 21 appointments to official staff, of which 6 were minorities. This represents a positive increase in the number of minority appointments as compared to 2014. The challenge for the Board continues to be minority underrepresentation in the professional pipeline grades for official staff positions. To address the challenges, specific outreach and recruitment strategies continue to be implemented and evaluated for desired outcomes. We continue to participate at minority recruitment events at Historically Black Colleges and Universities, Hispanic professional conferences, and career fairs for MBAs and Information Technology professionals, as well as Business/Finance events for financial and legal professionals.

3. While investigating their PMR systems, consider modification or alternatives to the current PMR systems.

Over the past two years, the Board has been implementing a new performance management system which is designed to enhance the conversations between managers and staff and to clearly align their work with the Board's mission. The new system is designed to provide more constructive and timely feedback that will be beneficial to staff. Our changes have been motivated by a strong desire to respond to employee needs and support their increased engagement. The new system will further support our ability to analyze, as appropriate, the performance results for indications of bias.

4. Agencies should ensure accountability of managers, at all levels, by evaluating them on their progress toward achieving the Agencies' diversity objectives and their ability to manage a diverse group of employees.

The Board has implemented a Diversity Scorecard for each division. The scorecard establishes accountability for the setting of diversity objectives and actions by divisions to achieve objectives. The scorecard objectives include four performance areas: Leadership Engagement; Talent Acquisition; Talent Management; and Supplier Diversity. Meetings are held with division management to discuss analytics associated with recruitment, staff development, retention, and supplier diversity. Also, the OMWI director and diversity staff meet with division management to

¹ Official staff is equivalent to Senior Executive Service.

discuss scorecard assessments and advise senior leaders on diversity and inclusion progress against objectives and areas that need priority focus.

Under a Board management mandate adopted in 2015, succession planning, workforce planning, and talent management strategic objectives are being established throughout the Board. This effort will help to ensure accountability in addressing diversity and non-discrimination in the application of all personnel practices.

The Board is also working on adopting diversity standards and a diversity strategic plan. These are expected to be reviewed for approval and implementation within the 2nd quarter of 2016.

- 5. Agencies should enhance the interactions between the Office of Minority and Women Inclusion (“OMWI”) Directors and the Agencies’ heads, by ensuring that the OMWI Directors report directly to the Agencies’ heads and increasing the meetings between them. This dialogue will enable the OMWI Directors to influence policymaking decisions at the Agencies and ensure the Agencies’ heads are closely monitoring the effectiveness of diversity practices and policies and are prepared to testify about these efforts and outcomes when appearing before Congress.**

I have a stated position of being personally available to the OMWI director to remain informed and apprised of the Board’s performance related to diversity and inclusion, as well as the assessment of policies and practices impacting the Board’s workforce. A standing schedule of meetings with the OMWI director has been established for 2016.

The OMWI director also meets with the Committee on Board Affairs, chaired by the Administrative Governor, and the Executive Committee of the Board, comprised of all division directors and chaired by the Board’s Chief Operating Officer, in order to advise and influence policy decisions and business practices. Also, we are currently establishing a process for the inclusion of the OMWI director’s review of regulations, as needed, to ascertain potential impact on women and minorities.

- 6. Agencies should re-evaluate the purpose and content of their OMWI’s annual reports to, among other things:**
 - a. include information on OMWI’s efforts to measure and evaluate their progress on achieving diversity and inclusion goals, as recommended by the GAO in 2013;**
 - b. consult with other Agencies’ OMWIs, in an interagency manner, to adopt uniform standards to track and report diversity data to enable meaningful cross-agency comparison; and,**
 - c. provide racial, ethnic, and gender data by specific occupational classifications and supplier industry classifications.**

The Board and Reserve Banks' OMWI reports for 2011 through 2014, include evaluation and assessment of performance on achieving the diversity and inclusion goals and objectives, and the reports addressing 2015 activities will continue to do so. In addition to the EEO-1 data and procurement contract awards, the reports for 2015, will also include, in the appendix, a standard core metric report measuring key workforce indicators and procurement awards.

Since 2011, the financial regulatory agencies' OMWI directors have held quarterly and ad hoc meetings to address diversity and inclusion activities across the agencies. The agencies continue to explore ways in which uniform reporting standards can be established to enable cross-agency comparison given the agencies' differing business and Human Resource Information Systems. Included in the OMWI reports is the EEO-1 Survey report filed with the EEOC, which provides racial, ethnic, and gender data by specific occupational classifications. This data provides some basis for comparison. In addition, the financial regulatory agencies will be including a chart that exhibits a five-year trend of contracts awarded to minority and women-owned firms. This chart includes ethnic breakdown.

7. Agencies should direct their OIGs to:

- a. periodically study the representation of minorities and women in their agency workforces, as well as personnel practices and other efforts to increase agency diversity, create a workplace free of systemic discrimination and provide equal opportunity for minorities and women obtain senior-management level positions; and,**
- b. report the results of these audits to Congress every four years.**

The Inspector General Act of 1978 (IG Act), as amended, establishes the responsibilities and duties of an Inspector General. The IG Act grants the Office of Inspector General the authority to determine which audits, investigations, inspections, and reviews are necessary and to issue reports recommending corrective actions without improper interference from agency heads. While the OIG operates independently, we will continue to cooperate with any and all OIG investigations. We remain committed to evaluating the Board's personnel practices, policies, and other efforts to ensure that the workplaces are free of systemic discrimination and provide equal opportunity and access for minorities and women in hiring, promotion, and retention particularly to senior-management level positions.