

October 3, 2017

Chair Janet L. Yellen
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551
[SENT VIA EMAIL]

The Federal Board of Governors’ Supervisory Guidance on Diversity Must Include Gender, Race, and Ethnicity

Dear Chair Yellen:

The Greenling Institute appreciates the opportunity to comment on the Federal Reserve Board’s corporate governance proposal to enhance the effectiveness of boards of directors. We appreciate the Fed’s acknowledgement that “an effective board is composed of directors with a diversity of skills, knowledge, experience, and perspectives.” Toward this end, we believe that the inclusion of explicit language regarding racial, ethnic, and gender diversity is a necessary consideration to create a diverse board of directors.

Who We Are

The Greenlining Institute (Greenlining) works to build a nation where communities of color thrive and race is never a barrier to opportunity. Our Diversity and Inclusion team supports this mission through research and advocacy and advances racial equity policies in the industries driving our economy – which includes financial institutions and regulators. People of color will become America’s new majority by 2044, and so they must be full participants in the economy. Businesses and government bodies must use their extensive footprints to increase employment and create racially equitable outcomes for communities historically redlined in the job market.

Greenlining Coalition:

Allen Temple Baptist Church
American GI Forum
AnewAmerica
Asian Business Assn
Asian Inc
Black Business Assn
Brightline Defense Project
California Black Chamber
California Hispanic Chambers
California Journal for FilAm

California Rural Legal Assistance
Chicana/Latina Foundation
Chicano Federation, San Diego
Community Child Care Council
Community Resource Project
Council of Asian American Business Assn.
El Concilio of San Mateo County
Ella Baker Center
FAME Renaissance
Greater Phoenix Area Urban League

Hispanic American Growers Assn.
Hmong American Political Assn.
KHEIR Center
La Maestra Family Clinic
Mexican American Grocers Assn.
Mexican American Political Assn.
Mission Language & Vocational School
Mission Housing Development Corporation
National Federation of Filipino American Assn.
Oakland Citizens Committee for Urban Renewal

Our Weekly
Precinct Reporter Group
Sacramento Observer
San Francisco African American Chamber
San Francisco Housing Development
Search to Involve Pilipino-Americans
Southeast Asian Community Center
TELACU
Ward Economic Development
West Angeles Community Development

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Racially Diverse Boards are More Effective

Multiple studies indicate that board diversity is beneficial. One report found a positive relationship between companies' performances and high gender and racial/ethnic diversity of leadership (Hunt, Layton, & Prince, 2015)¹. Scientific American magazine produced an article that highlighted several studies showing a relationship with greater social diversity and greater innovation (Phillips, 2014)². Hence, Greenlining believes that boards that are gender, racially, and ethnically diverse are better suited to respond to the needs of people of color with products and services.

Board Diversity in the Financial Industry

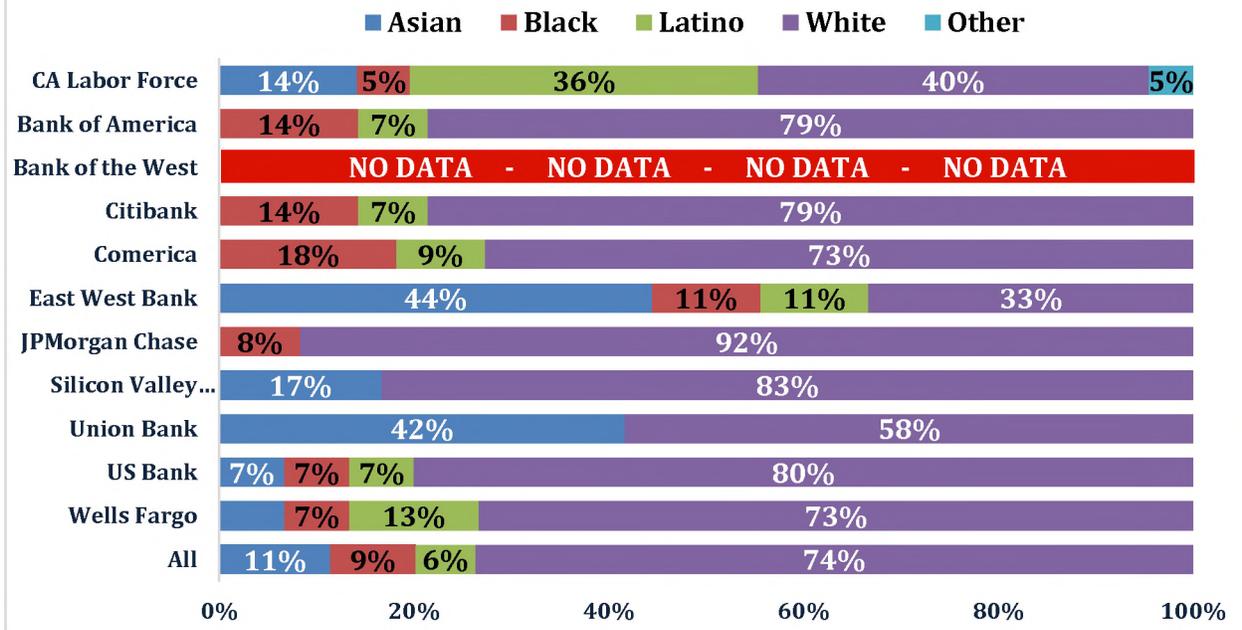
Despite its diverse consumer base, boards in the financial industry remain a "good old boys' network" comprised largely of white men. Greenlining's Diversity and Inclusion team evaluated the racial/ethnic and gender diversity of 10 of California's highest revenue banks. Our findings include:

- Half of the 10 evaluated banks had fewer than 25% people of color represented on their boards, although California's labor force is nearly 60% people of color.
- Three banks had no Latinos or Latinas on their boards. This is noteworthy, given that the Latino community is estimated to be more than a third of California's labor force.

¹ Hunt, V., Layton, D., & Prince, S. (2015). *Diversity Matters*. Research Study, McKinsey&Company. Retrieved Sept 2017, from <https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.ashx>

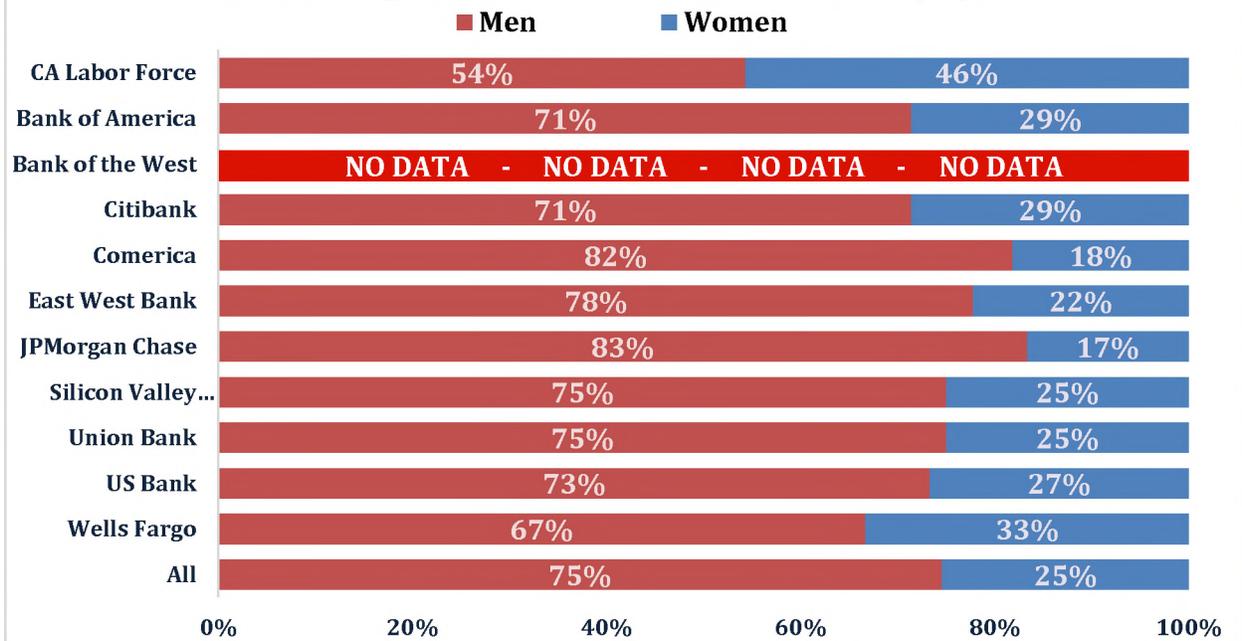
² Phillips, K. W. (2014, Oct 1). How Diversity Makes Us Smarter: Being around people who are different from us makes us more creative, more diligent and harder-working. *Scientific American*. Retrieved Sept 2017, from <https://www.scientificamerican.com/article/how-diversity-makes-us-smarter/>

California's Highest Revenue Banks' Board Diversity by Race/Ethnicity



- Seven out of the 10 reviewed banks had boards comprised of at least 25% women, although women make-up 49% of California's labor force.

California's Highest Revenue Banks' Board Diversity by Gender



We support the Fed's overall efforts to increase board diversity. Toward this end, we ask that the Fed consider adding the recommended *text* to the second paragraph of section E of its supervisory guidance:

An effective board is composed of directors with a diversity of skills, knowledge, experience, and perspectives. To support a diverse composition, an effective board establishes a process for identifying and selecting director nominees which would consider, for example, a potential nominee's expertise, availability, integrity, and potential conflicts of interest. ***Furthermore, an effective board would consider, to the greatest extent possible, board nominees that are diverse with respect to their race, ethnicity, and gender.***

Sincerely,



Danielle Beavers
Director of Diversity and Inclusion
The Greenlining Institute



Joe Jackson
Diversity and Inclusion Manager
The Greenlining Institute

cc:

The Honorable Representative Gregory Meeks (D-NY)
The Honorable Maxine Waters (D-CA)
The Office of Minority and Women Inclusion, Federal Reserve Board of Governors