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Statement by

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Board of Governors of the Federal Reserve System

before the

Committee on Financial Services
Subcommittee on Diversity and Inclusion

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Chair Beatty, Ranking Member Wagner, and members of the subcommittee, thank you for the opportunity to testify today on the important role of the Office of Minority and Women Inclusion (OMWI) at the Federal Reserve Board. The Board of Governors of the Federal Reserve System (Board) is deeply committed to an inclusive workplace and a diverse workforce, as well as to fostering diversity in our own procurement practices and those at the institutions we regulate. Diverse perspectives inspire the best ideas, lead to the best decisions, and advance the Federal Reserve's mission in service to the public. We continue to work toward increasing diversity and inclusion at all levels of the Board; promoting fair inclusion and utilization of minority- and women-owned businesses in the Board's procurement process; and supporting transparency and awareness of diversity policies and practices at regulated institutions.

The Board established its Office of Diversity and Inclusion (ODI) in January 2011 to promote diversity and inclusion throughout the Board, the Federal Reserve System, and in the financial services industry. ODI works closely with OMWI directors at the 12 Reserve Banks, recognizing that the commitment of the Board on these important issues is shared by the Banks and their leaderships. ODI administers and directs the Board's Equal Employment Opportunity compliance policies and programs and includes the Office of Minority and Women Inclusion. ODI also works to assess the Board's diversity policies, programs, and performance to determine progress and increase transparency. ODI's ongoing efforts to foster an informed dialogue on diversity best practices include participation in Equal Employment Opportunity Commission technical workshops, attendance at conferences and events held by professional organizations, and participation in financial industry groups addressing diversity issues.

The Board's OMWI, created pursuant to section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),¹ develops standards, procedures, and initiatives to ensure fair inclusion of minorities, women, and minority-owned and women-owned businesses in all activities of the Board. This includes ensuring diversity in the Board's workforce and procurement selection process along with developing standards for assessing the diversity policies and practices of regulated entities.

As required by the Dodd-Frank Act, the Board's OMWI submits an annual report to the Congress outlining its activities, successes, and challenges. I included the Board's most recent report published in March as an attachment to my testimony. I am highlighting several key areas of this report in my testimony as well as some significant accomplishments of the Federal Reserve.

- The Board is committed to equal employment opportunity and fostering diversity and inclusion in our workplace. As part of this commitment, the Board has made progress in increasing the level of diversity in senior leadership. In 2019, there were 19 appointments to the official staff, of which five were minorities (26 percent) and six were women (32 percent). Currently, there are six female division directors, of which one is African American. Eight division directors are male, of which one is Hispanic. In addition, there are three African Americans, one Hispanic, and three females who serve as deputy directors of their respective divisions. ODI staff regularly engage with division leaders to measure progress and results against the Board's diversity and inclusion standards, objectives, and actions. The Board is committed to continuing to address challenges with recruiting diverse candidates for major job functions, such as financial

¹ See <https://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>.

analysts and economists, and strengthening the pipeline to executive and senior level positions.

- The Federal Reserve System focuses considerable time and attention on increasing racial and ethnic, gender, and sectoral diversity among Reserve Bank and Branch directors.

This focus on diversity stems from our belief that these boards function more effectively when they are constituted in a manner that encourages a variety of perspectives and viewpoints. The Board works in close partnership with each Reserve Bank's senior leaders to ensure the composition of Reserve Bank and Branch boards reflect the communities in which they serve. Information on racial and ethnic, gender, and sectoral characteristics of the boards of directors are updated annually and posted on our website.² In 2020, approximately 75 percent of Class C directors—those directors appointed by the Board to represent the public—and 70 percent of Class B directors—those elected by member banks to represent the public—are diverse in terms of race and ethnicity or gender.

- Identification of minority- and women-owned businesses for the Board's capital projects is critical, and we align minority- and women-owned businesses with prime contractors for subcontracting opportunities, when possible. The Board has made significant progress in the inclusion of minority-owned and women-owned businesses in the Board's acquisition process. For example, 2019 contracts awarded to minority- and women-owned businesses increased 9 percent over 2018. This was due, in part, to outreach engagements that focused on forging partnerships with minority- and women-owned businesses, creating a database of diverse suppliers, and ensuring their capabilities to

² See <https://www.federalreserve.gov/aboutthefed/directors/about.htm>.

offer goods and services are aligned with the Board's needs. In 2019, the Board paid over 14 percent (over \$40 million) of all goods and services contracts to minority- and women-owned businesses. To continue to make progress in this area, we hold technical assistance events to enable minority- and women-owned businesses to interface with prime contractors on capital projects.

- The Board has engaged in a wide range of community outreach events to increase financial literacy and help students explore the field of economics. For example, we facilitate financial literacy activities aimed at minorities and women through the Board's Federal Reserve Outreach Program (FedEd). This program is conducted by research assistants who work with local District of Columbia, Maryland, and Virginia schools with predominantly minority and female populations. As part of the Fed Challenge Program we are increasing outreach to historically Black colleges and universities (HBCUs) and Hispanic Serving Institutions, and strengthening our support of the American Economic Association (AEA) Summer Mentoring Pipeline Conference. Board staff economists will be faculty co-sponsors for the AEA Summer Program, which will be hosted by Howard University from 2021 to 2025.
- We continue to strongly encourage the institutions we regulate to provide information on their diversity policies, practices, and self-assessments. In the last two years, regulated entities slightly increased their submissions of assessments of their diversity policies and practices. However, we are not satisfied with the level of responsiveness from these entities. We continue to explore ways to facilitate greater participation. In October 2019, we worked collaboratively with the other financial regulatory agencies to host the second Diversity and Inclusion Summit. The program included various topics on the Joint

Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies as well as a panel that included major financial services company representatives who shared how their practices and policies are aligned with the standards. In November 2019, we collaborated with the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the American Bankers Association to host a webinar on the Diversity Self-Assessments.

The Board is committed to fostering an inclusive work environment in which diversity is encouraged, respected, and leveraged to better serve the agency's mission. We appreciate the subcommittee's interest in the work of the Board's OMWI, and we look forward to working with you to continue to advance our shared objectives. Thank you, again, for the opportunity to testify on this important topic. I would be glad to answer any questions.