Remarks by Acting Comptroller of the Currency Michael J. Hsu
Women in Housing & Finance Public Policy Luncheon
October 5, 2021

Good afternoon. It is a pleasure to be here and to have the opportunity to join the longstanding conversation on how we can make real, meaningful, and lasting change to promote diversity and inclusion in the financial services sector.

I know that you have been striving to promote diversity and inclusion for decades, and I want to thank you for the work that you, individually and through the Women in Housing and Finance (WHF) organization, have done to give visibility to these issues. I only recently learned about the origins of WHF. It is an inspiring story and worth recounting because the same issues that gave rise to WHF's formation persist today. This is from your website:

> *WHF was formed by a group of women working in the financial services industry. In the late 1970s, there were few women employed in the financial services industry, and the group felt left out of the men's professional clubs, some of which continued to exclude women.*
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> *Mary Dunn, one of the founders, suggested that they organize a group of other women from the housing and financial services industries, recruit luncheon speakers, and develop a framework to support each other through networking, educational, and other professional opportunities. Women in Housing and Finance, as they called the organization, held its first luncheon at the National Lawyers Club, where members heard*

from Anita Miller, a member of the Federal Home Loan Bank Board and the first and only woman bank regulator at the time.[1]

Today, some forty-odd years later, I think we would all agree that there is still a diversity and inclusion problem in the financial services sector, both among regulators and within the institutions we supervise. While women and minorities are no longer *explicitly* excluded from "professional clubs" and from recruiting and promotion within our fields, significant *implicit* barriers remain.

The statistics are telling. A recent study of 72 North American banks by Moody's Investor Services showed that women make up between just 24 percent and 31 percent of those banks' boards of directors.[2] This data is consistent with our data on the large banks we supervise. At the OCC itself, in 2021, 44 percent of our workforce are women and 36 percent are minorities. Of our managers, only 41 percent are women and 30 percent are minorities.[3] These numbers show that we continue to fall short in reflecting the communities we serve. This is disappointing and unacceptable.

Our personal experiences are even more telling. I know what it's like to be the only person in the room who looks like me. I know what it's like to feel like there's a secret language that only those in the in-group speak. It is hard to bring your best self, to contribute fully, and to take risks if you feel alone, like you don't belong.

[1] See https://whfdc.org/page/WHFHistory.

[2] See American Banker, "Do women on boards make banks less risky? It's too soon to say," *available at* https://www.americanbanker.com/news/do-women-on-boards-make-banks-less-risky-its-too-soon-to-say.

[3] OCC Data as of August 28, 2021.

Networks and networking effects are powerful – WHF is an example of that. They can also be pernicious. They can pre-determine who gets hired or even considered for a position – comfort and familiarity are strong forces and can reinforce the status quo. I still sometimes hear leaders say things like “There just aren’t any qualified, diverse candidates to hire,” or “I can’t take a risk on picking a diversity candidate over a more qualified and experienced (white, male) candidate.”

At the OCC, we are working to strengthen and broaden opportunities for members from underrepresented communities to network and build connections. Our eight Employee Network Groups support employees through a variety of events, programs, mentoring, newsletters, and regular meetings. We also have expanded our recruitment and internship pipeline to help prepare local youth for work in the financial sector or government. This summer, we welcomed more than 80 participants to our High School Scholars Internship Program. This six-week, paid summer internship was designed to provide students and graduates of Washington, D.C., high schools with valuable and challenging professional experiences in the financial services regulatory sector.

Banking rests on trust and trust rests on our values, our conception of what is fair and unfair, what is right and what is wrong, what is acceptable and what is unacceptable. Achieving diversity and inclusion speaks to those values, which can build and sustain trust.

Diversity is also important from a safety and soundness perspective. Without diverse leadership, banks and their regulators may develop blind spots or suffer from groupthink. These blind spots can lead to the kinds of nasty surprises that threaten safety and soundness – and possibly the financial sector as a whole. There is a growing body of empirical evidence that companies that address these blind spots by having diverse boards of directors have stronger earnings, more effective corporate governance, better reputations, and less litigation risk.[4]

Before concluding, I want to say a quick word about inclusion. "Diversity and inclusion" is and should be a single idea – a hendiadys like "safety and soundness." Inclusion means more than just giving someone a seat at the table. It means giving them a voice. It is not their responsibility to speak up, it is ours – the others at the table – to invite their input and listen and react. Without inclusion and a sense of belonging, diversity over time becomes a box to be checked, not a value to be upheld.

In conclusion, I want to be clear about the goal. Ultimately, we need to shift cultural expectations so that diversity and inclusion are the norm, not some distant aspiration. For the financial sector, this starts with improving transparency about the diversity of large bank boards of directors and executive leadership. We are also exploring and considering taking other steps, like encouraging banks to make it a practice to nominate or consider a diverse range of candidates or requiring institutions to either diversify their boards or explain why they have not.

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[4] See, for example, McKinsey& Company, "Diversity wins: How inclusion matters" (May 19, 2020), *available at* https://www.mckinsey.com/featured-insights/dand-inclusion/diversity-wins-how-inclusion-matters#; Ann Owen and Judit Temesvary, Gender Diversity on Bank Board of Directors and Performance, FEDS Notes (Feb. 12, 2019), *available at* https://www.federalreserve.gov/econres/notes/feds-notes/gender-diversityon-bank-board-of-directors-and-performance-20190212.htm; Margaret Heffernan, "Willful Blindness – Why We Ignore the Obvious at Our Peril" (2011).

There are many models for how do this. For example, the SEC recently approved Nasdaq's "diversify or explain" listing rule.[5] California's legislature passed laws in 2018 and 2020 requiring companies to have a certain number of female directors and directors from underrepresented communities.[6] At least one Federal Reserve Bank has set diversity goals for its own board.[7] We are also looking to experiences abroad. For example, German law already requires that a certain number of board seats for certain companies be filled by women,[8] and the German legislature is considering expanding those requirements to even more companies.[9]

I believe we are in a special moment now. The pandemic, the murder of George Floyd, and the national reflections, soul searching, and conversations that have occurred over the past year and a half have created a sense of urgency and shared purpose that didn't exist before. I can hear it my meetings with bank CEOs, industry leaders, and heads of government agencies. I can see it in concrete plans, agenda items, goals, and monitoring. There is an authenticity and resolve and a sense of momentum that feels different.

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[5] See Securities and Exchange Commission Release No. 34-92590, August 6, 2021, "Self-Regulatory Organizations, The Nasdaq Stock Market LLC; Order Approving Proposed Rule Changes, as Modified by Amendments No. 1, to Adopt Listing Rules Related to Board Diversity and to Offer Certain Listed Companies Access to a Complimentary Board Recruiting Service," *available at* https://www.sec.gov/rules/sro/nasdaq/2021/34-92590.pdf.

[6] California S.B. 826 (2018), *available at* https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB826, and A.B. 979 (2020), *available at* https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB979.

[7] *See* Reuters, "San Francisco Fed sets diversity goal for boards, councils" (Mar. 19, 2021) *available at* https://www.reuters.com/article/us-usa-fed-diversity/san-francisco-fed-sets-diversity-goal-for-boards-councils-idUSKBN2BB2K3.

[8] See Germany, "Gender Quotas for Large Companies and for Federal Bodies," Library of Congress, March 17, 2015, *available at* https://www.loc.gov/item/global-legal-monitor/2015-03-17/germany-gender-quotas-for-large-companies-and-for-federal-bodies/.

[9] Geneva Abdul, "German Parliament Backs 'Milestone' Gender Quota for Company Boards," New York Times, June 11, 2021, *available at* https://www.nytimes.com/2021/06/11/world/germany-gender-quota-boards.html.

Thank you for the opportunity to contribute to the ongoing conversation on how to promote diversity and inclusion in the financial services sector. I look forward to hearing more ideas from the industry, from the members of Women in Housing and Finance, and from other stakeholders as we continue this work together.