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Analysis of Diversity Self- Assessments for 2016

ANALYSIS OF 2016 REPORTING PERIOD

Section 342 of the Dodd-Frank Act required agencies to establish OMWIs and instructed the OMWI director at each agency to develop standards for assessing the diversity policies and practices of the institutions they regulate. FDIC has now completed its analysis of the responses received from these institutions for the first reporting period (2016).

BACKGROUND

The FDIC sought and obtained approval from the Office of Management and Budget (OMB) to collect assessment information from regulated entities to assist and strengthen diversity programs in financial institutions through a self-assessment instrument, FDIC Form 2710/05, Diversity Self-Assessment of FDIC Regulated Financial Institutions (OMB 3064-0200, Expiration Date 02/29/2020). In October 2016, the Acting Director, FDIC OMWI, distributed a letter to the Presidents and Chief Executive Officers of 805 FDIC regulated financial institutions identified as having 100 or more employees. The letter informed these institutions about the process for conducting and voluntarily submitting their diversity information to the FDIC. In March 2016, a second reminder letter from the Acting Director was distributed to financial institutions to encourage participation.

Financial institutions that voluntarily conducted a self-assessment of their diversity policies and practices could use FDIC's instrument or its own assessment tool. The self- assessment instrument is separated into five areas derived from the Policy Statement:

- Organizational Commitment to Diversity and Inclusion
- Workforce Profile and Employment Practices
- Procurement and Business Practices – Supplier Diversity
- Practices to Promote Transparency of Organizational Diversity and Inclusion
- Entity's Self-Assessment

The FDIC received diversity self-assessments from 95 (11.8 percent) of its regulated financial institutions. FDIC conducted a coordinated review of the financial industry's diversity policies and practices for the purpose of monitoring progress and trends of diversity and inclusion in employment and contracting activities. The reviews also provided the opportunity to identify best practices in the form of exemplary diversity policies and practices. Results of FDIC's analyses establish the baseline for subsequent reporting years, and are summarized below.

Any questions about the diversity self-assessment should be directed to FDIC's OMWI. The point of contact is Victor Christiansen, Branch Chief, at VChristiansen@fdic.gov.

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The 2016 reporting period provided FDIC with a baseline for analysis. The 2017 reporting period will be compared to this baseline.

SELF-ASSESSMENT BENCHMARKING RESULTS FOR 2016 REPORTING PERIOD

AGGREGATED ASSESSMENT RESULTS - OVERALL BREAKDOWN BY FDIC REGION AND ASSET SIZE

Financial Institutions by FDIC Regional Offices

The self-assessments were aggregated by FDIC region, with the New York region having the most reported financial institutions (30) and the Dallas region following with 20 reported financial institutions. Both, the Chicago and Atlanta regions had 13 financial institutions reporting, and the San Francisco region had 12. The least reported region was Kansas City, with seven financial institutions. The FDIC received responses at rates proportional to the total number of regulated entities with 100 or more employees in each region.

Financial Institutions by Asset Size

Financial Institutions were further aggregated by Asset Size, which are divided by Small, Intermediate Small and Large¹. Small institutions have assets less than \$307 million; Intermediate Small institutions have assets between \$307 million to \$1.226 billion; and Large institutions have assets totaling more than \$1.226 billion. Most of FDIC's regulated financial institutions that completed a self-assessment fall in the Intermediate Small category (55 financial institutions). Thirty-five were Large institutions and 5 were Small.

A comparative analysis between the asset size in relation to the FDIC Regional Office to which they report revealed that the largest number of self-assessments was submitted by financial institutions in the New York region (30). Of the 30 institutions, 11 are categorized as being Large institutions; 19 Intermediate Small institutions; and zero Small institutions. The second largest number of self-assessments was submitted by financial institutions in the Dallas region (20). Of the 20 institutions, 16 were categorized as Intermediate Small; 3 were Large; and 1 Small. Financial institutions reporting from FDIC's Chicago region (13) were categorized as 1 Large; 9 Intermediate Small; and 3 Small. Financial institutions reporting from the Atlanta region (13) included 9 Large; 4 Intermediate Small; and zero Small. Financial institutions located in San Francisco region (12) were categorized as 6 Large institutions; 4 Intermediate Small institutions; and 2 Small institutions. The Kansas City region had the lowest number of submissions (7). Of the 7 institutions, 3 are Large and 3 are Intermediate Small.

¹ Reference FFIEC's Community Reinvestment Act (CRA) <https://www.ffiec.gov/CRA/pdf/AssetThreshold2016.pdf>

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AGGREGATED ASSESSMENT RESULTS - OVERALL BREAKDOWN BY EACH STANDARD:

SECTION I - FINANCIAL INSTITUTION INFORMATION

Eighty-six percent of the 95 financial institutions reported having a designated Diversity and Inclusion Officer; while forty-seven percent of the financial institutions have someone designated as the Supplier Diversity Officer.

SECTION II – ASSESSMENT OF THE FINANCIAL INSTITUTION’S DIVERSITY POLICIES AND PRACTICES

Subsection 1: Organizational Commitment to Diversity and Inclusion

A high percentage of respondents reported having an organizational commitment to Diversity and Inclusion within their Financial Institutions, from the governing body to senior officials and managers. On average, 82% indicated that they practice the Standards outlined in this subsection.

Organizational Commitment to Diversity and Inclusion Results

Section II. Assessment of the Financial Institution's Diversity Policies and Practices					
1. Organizational Commitment to D&I					
1.1 The financial institution includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.	1.2 The financial institution has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the board of directors.	1.3 The financial institution provides regular progress reports to the board and senior management.	1.4 The financial institution regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.	1.5 The financial institution has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the financial institution's diversity and inclusion efforts.	1.6 The financial institution takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.
79	77	71	78	80	81
83%	81%	75%	82%	84%	85%
Average# 78 / Average% 82					

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Subsection 2: Workforce Profile and Employment Practices

There is a range of participation in the financial institutions' promotion of fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. On average 77% responded that they practice the Standards outlined in this subsection.

Workforce Profile and Employment Practices Results

Section II. Assessment of the Financial Institution's Diversity Policies and Practices						
2. Workforce Profile and Employment Practices						
2.1 The financial institution implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.	2.2 The financial institution ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.	2.3 The financial institution has policies and practices that create diverse applicant pools for both internal and external opportunities that may include: 2.3(a) Outreach to minority and women organizations.	2.3(b) Outreach to educational institutions serving significant minority and women student populations.	2.3(c) Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	2.4 The financial institution utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the financial institution, including the executive and managerial ranks.	2.5 The financial institution holds management at all levels accountable for diversity and inclusion efforts, for example, by ensuring that such efforts align with business strategies and individual performance plans.
89	91	70	63	58	75	66
94%	96%	74%	66%	61%	79%	69%
Average# 73 / Average% 77						

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Subsection 3: Procurement and Business Practices - Supplier Diversity

Overall, a low percentage of respondents reported that they have metrics and analytics to monitor how much they spend to procure and contract for goods and services; how much they spend with minority-owned and women-owned businesses; and that they are knowledgeable about the availability of relevant minority-owned and women-owned businesses. On average 24% responded that they practice the Standards outlined in this subsection; the lowest percentage, 15%, reported having contracts that subcontracted with minority-owned and women owned businesses.

Procurement and Business Practices - Supplier Diversity Results

Section II. Assessment of the Financial Institution's Diversity Policies and Practices						
3. Procurement and Business Practices - Supplier Diversity						
3.1 The financial institution has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the financial institutional assets, and the development of the financial institutional equity investments.	3.2 The financial institution has methods to evaluate its supplier diversity, which may include metrics and analytics related to:3.2(a) Annual procurement spending.	3.2(b) Percentage of contract dollars awarded to minority-owned and women-owned businesses by race, ethnicity, and gender.	3.2(c) Percentage of contracts with minority-owned and women-owned business subcontractors.	3.3. The financial institution has practices to promote a diverse supplier pool, which may include:3.3(a) Outreach to minority-owned and women-owned contractors and representative organizations.	3.3(b) Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities.	3.3(c) An ongoing process to publicize its procurement opportunities.
39	22	15	14	29	19	22
41%	23%	16%	15%	31%	20%	23%
Average# 23 / Average% 24						

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Subsection 4: Practice to Promote Transparency of Organizational Diversity and Inclusion

The self-assessments show that financial institutions engage in practices that provide greater information, awareness and transparency to the public regarding their diversity and inclusion policies and practices. On average, 52 % responded in the affirmative to this section.

Practice to Promote Transparency of Organizational Diversity and Inclusion Results

Section II. Assessment of the Financial Institution's Diversity Policies and Practices					
4. Practice to Promote Transparency of Organizational D&I					
4.1 The financial institution publicizes its diversity and inclusion strategic plan.	4.2 The financial institution publicizes its policy on its commitment to diversity and inclusion.	4.3. The financial institution is transparent about its progress toward achieving diversity and inclusion in its workforce and procurement activities, which may include the financial institution's current workforce and supplier demographic profiles.	4.4. The financial institution publicizes its opportunities to promote diversity, which may include: 4.4(a) Current employment and procurement opportunities.	4.4(b) Forecasts of potential employment and procurement opportunities.	4.4(c) The availability and use of mentorship and developmental programs for employees and contractors.
31	61	54	72	22	51
33%	64%	57%	76%	23%	54%
Average# 49 / Average% 52					

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Subsection 5: Financial Institutions' Self-Assessment

Approximately 85% of financial institutions reported positively to having successful diversity policies and practices, and allocating time and resources to monitor and evaluate performance under their diversity policies and practices on an ongoing basis. However, only 28% publish information pertaining to their assessment of diversity policies and practices.

Financial Institutions' Self- Assessment Results

Section II. Assessment of the Financial Institution's Diversity Policies and Practices		
5. Financial Institutions' Self-Assessment		
5.1 The financial institution conducts an assessment of its diversity policies and practices annually.	5.2. The financial institution monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.	5.3. The financial institution publishes information pertaining to its assessment of its diversity policies and practices.
82	79	27
86%	83%	28%
Average# 63 / Average% 66		

SECTION III - DIVERSITY DATA

Subsection 1: Workforce Profile

A majority of financial institutions (approximately 80%) provided diversity data on their workforce, management, and board members. The aggregated numbers are provided below.

Diversity Data for Workforce Profile

Section III. Diversity Data									
1-3. Workforce Profile									
Diversity Data	Total	Women#	Women%	Men#	Men%	Minorities#	Minorities%	Non-Minorities#	Non-Minorities%
1. Total Workforce	46,269	28,516	62%	17,753	38%	14,792	32%	31,477	68%
2. Total Management	5,333	2,191	41%	3,142	59%	1,219	23%	4,114	77%
3. Total Board Members	850	128	15%	722	85%	82	10%	768	90%

Subsection 2: Procurement-Supplier Diversity

The data submitted on the procurement supplier diversity was insufficient. Therefore, an accurate portrayal of industry practices could not be established.

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EXEMPLARY PRACTICES

FDIC identified four exemplary practices that financial institutions implemented as part of their recruitment, supplier diversity procurement and training practices.

1. More specifically, several financial institutions provided information about hiring a third party company to conduct a survey for assessing employee engagement and satisfaction levels. The benefits of hiring a third party company to survey employees are:
 - Neutral expertise in administration,
 - Unbiased results, and
 - Increase confidence level for the employees as they complete the survey anonymously.
2. A financial institution developed a partnership with trade organizations to create an eight week training course about careers in the financial services industry for young adults from low income and underrepresented communities.
3. A financial institution utilizes its Advisory Boards of Directors to assist with Diversity and Inclusion initiatives, including the City Advisory Board and the Women's Advisory Board. These Boards serve as referral sources for candidate and customer prospects, and advise and participate in the institution's community outreach efforts. The Women's Advisory Board is made up of local women professionals, entrepreneurs, and community volunteers that focus on outreach to women and women-owned businesses.
4. A financial institution conducted a local and regional supplier survey to determine how many diverse suppliers were available to the financial institution to procure goods and services.