



Written Testimony of Kenneth E. Bentsen, Jr.

On behalf of the Securities Industry and Financial Markets Association

Before the U.S. House of Representatives

Committee on Financial Services

Subcommittee on Diversity and Inclusion

Hearing entitled “A Review of Diversity and Inclusion at America’s Large Banks”

February 12, 2020

Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry and distinguished members of the Subcommittee, thank you for the opportunity to testify today on behalf of SIFMA and to share our members' commitment to diversity and inclusion in the securities industry. SIFMA commends the members of this Committee for your collective focus on these important issues.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. The combined businesses of SIFMA's members represent 75% of the U.S. broker-dealer sector by revenue and 50% of the asset management sector by assets under management.

SIFMA recognizes that achieving diversity in our workforce is an evolutionary process that requires an ongoing commitment to fostering a culture of diversity and inclusion, from the breakroom to the boardroom, as well as regular assessments to evaluate the effectiveness of workforce, employment and business practices. The securities and capital markets industry has long recognized that building and maintaining a diverse and inclusive workforce that reflects the diversity of the clients and communities we serve is both the right thing to do and a business imperative. Likewise, our industry recognizes that a workforce that is diverse in demographics, experiences, talents and ideas is the most effective way to cultivate varied perspectives that benefit our employees, the clients we serve and the economy as a whole. Research has shown that companies with diverse employment perform better financially and are more successful. This does not come as a surprise given an inclusive environment allows for greater collaboration and innovation.

This commitment is a priority for SIFMA's Board of Directors. For the past two decades, SIFMA members have proactively worked to support, promote and advocate for a diverse and inclusive securities industry. Through our Diversity and Inclusion Advisory Council, we provide an open and honest forum that allows our members the opportunity to discuss their unique initiatives and to benchmark with their peers on ways to achieve their D&I goals. SIFMA D&I Advisory Council member firms employ 2.2 million people (total including broker-dealer and/or asset manager), including 296,000 registered representatives and 195,000 financial advisors. SIFMA, both through our D&I Advisory Council and industry-wide channels, convenes conferences, roundtables and symposiums offering timely advice, proven strategies and best practices to help our firms focus on and enhance their D&I efforts. These events include participation from the Directors of the Offices of Minority and Women Inclusion (OMWI) at the regulators, as well as senior industry leaders, allowing for greater collaboration between our members and their primary regulators.

SIFMA and our members believe an evidence-based approach leads to the most successful D&I outcomes. Biennially, SIFMA, on behalf of our participating member firms and working with our outside partner Mercer, who we're pleased to have joining us today, facilitates

a thorough benchmarking survey examining demographics, D&I programs, and industry practices. This benchmarking study conducted on a confidential basis allows our members to assess their firm's D&I plans and how their progress compares to the results of their peers. The survey also gives our members the opportunity to actively engage in discussions about where the industry stands and to look prospectively at the strong policies and practices needed in order to achieve our future goals. SIFMA completed its most recent survey in 2018. Collectively, the participating organizations employ more than 500,000 across the securities industry which represents about 50 percent of the industry workforce across a broad range of firms. And while I can't share the specific survey results due to non-disclosure agreements, I wanted to share a few topline observations.

- All participants reported having a diversity strategic plan. In the U.S., 95 percent of organizations' strategic plans explicitly addressed gender, gender identity, race, and ethnicity. Sexual orientation and veterans are also commonly covered (80%+).
- Responses indicated that leaders at all levels in the industry are actively engaged in diversity and inclusion efforts, particularly senior leaders. Every organization agreed that their senior leaders believe there is a business case for D&I, and all indicated their senior leaders are actively involved in D&I programs and initiatives. This type of engagement across an organization is critical for ensuring successful outcomes.
- Representation of women in the industry was 44 percent. The overall industry hire rate for women is comparable to the rate for men, as is the overall turnover rate, indicating that while both populations are growing, the share of women in the industry relative to men has remained steady. Likewise, the share of women is projected to increase by two percentage points over the next five years and three percentage points over the next ten years, making the ratio of men and women equal.
- People of color make up roughly one-third of the overall industry population in the US. The overall industry hire rate for people of color exceeds that for whites by more than five percentage points, while the turnover rate is about two percentage points higher for people of color than for whites, indicating that the percentage of people of color relative to whites in the industry has been increasing.
- We are in the planning stage of our 2020 survey and will look forward to sharing the key highlights when it is complete later this year.

To continue to improve upon their diverse workforces, our members report to us they are employing a wide array of strategies to develop diverse talent pipelines that are sustainable throughout the future. In fact, the Committee's staff report recognized several SIFMA member company initiatives to encourage upward mobility for diverse individuals including development opportunities to highlight business, strategic and financial skills, create pathways to return to the workforce and identifying new ways to promote more diverse individuals within their companies. As a matter of accountability, many SIFMA D&I Council members report to us that they tie their diversity and inclusion efforts to their performance results and compensation plans.

Throughout the hiring process, our member firms have implemented strategies to reduce bias, cultivate diverse pipelines and expand their recruiting efforts. Firms have worked to ensure interviews are objective by developing best practices to reduce bias in the interview process and

requiring that interview panels include minorities and women. Many of our members focus their recruiting efforts on institutions with broad racial diversity, including Historically Black Colleges and Universities (HBCUs). Many have also developed specialized internship programs to further enhance their hiring diversity, some of which specifically target high school students on track to be the first in their families to attend college. Several SIFMA firms offer early-pipeline programs designed to attract undergraduate and MBA students who may not otherwise look to pursue a career in the securities industry. These recruitment efforts include leadership summits tailored toward women, Latino, LGBTQ and HBCU students. In their efforts to recruit mid-level candidates, many firms work with affinity organizations and community groups that bring together historically overlooked communities, as well attend targeted job fairs and utilize recruiting firms or consultants that specialize in identifying diverse candidates. Firms are committed to expanding their pool of mid-level candidates through programs that consider and give opportunities to nontraditional candidates. Firms have developed “return to work” programs to attract predominantly female talent back into the workplace after a career break with programming that includes group coaching, mentoring and other “upskilling.”

I would like to also highlight an important rule change recently issued by FINRA that provides a path for diverse individuals to work in the securities industry and others to return to the workforce after a period away. This new rule provides for a more accessible entry point to those who have never worked in the securities industry to demonstrate their knowledge and capabilities. In the past, someone who was interested in working in the industry had to be affiliated with a registered firm before taking the necessary tests to be registered as a securities professional with FINRA. FINRA acknowledged that at times, securities professionals may need to put their careers on hold while maintaining their accreditation, thus they have extended the time limit before a registered representative must retake such licensing exams.

The strides our members have made to build diverse talent pipelines, however, can only be sustained by simultaneously facilitating an inclusive culture and ensuring advancement opportunities for diverse staff. To that end, firms have established advancement initiatives to increase female and minority representation in senior leadership by providing ongoing development opportunities to strengthen their business, strategic, and financial skills. Many firms incorporate a discussion of diversity in their succession planning process. Some firms have in place formal mentoring programs to help employees navigate the organization and support their professional development, many of which specifically target diverse populations including women and people of color. Sponsorship, another important aspect of retaining and promoting diverse talent, is also strongly encouraged at senior levels, with some firms providing training to senior leaders so they are prepared to sponsor underrepresented talent within their organization. Others have developed leadership academies to ensure that diverse employees are prepared to take on top roles in the firm.

Beyond these hiring, retention and promotion practices, firms have taken other critical steps to build inclusive cultures. SIFMA member firms have instituted comprehensive D&I advocate programs for all employees to contribute to inclusivity, encourage inclusive behavior, and diversify their networks and experience. Our firms have established Employee Resource Groups, which as the report noted, are also a proven and effective tool for enhancing recruitment, retention and career development. Some of these groups include shared identities such as

veterans, gender and ethnicity, and LGBTQ employees, and allow these networks to collaborate internally and with outside organizations.

Veterans are of great importance to our members as well. In fact, the skills that are second nature to military veterans like leadership, teamwork and problem solving are in high demand in our industry. Some of our members have undertaken ambitious initiatives to increase their hiring of our country's bravest citizens. In fact, one firm just surpassed their five-year goal to hire 10,000 veterans into high-quality positions with clear advancement potential. That is just one example among many where SIFMA members are prioritizing those who serve.

Another important way SIFMA and our member firms work to cultivate a pipeline of future talent is through the facilitation of several of innovative programs run by our affiliated SIFMA Foundation. The programs reach 600,000 high school and middle school students from more than 15,000 schools nationwide each year with critical financial literacy programs. These programs include the Stock Market Game, Invest Write, Invest It Forward and the Capital Hill Challenge, all of which provide students the opportunity to learn and experience the securities industry first-hand where they may not have had the opportunity otherwise.

It is essential when discussing D&I best practices to also acknowledge the issue of pay equity. The 2018 SIFMA D&I Survey found that 94 percent examine pay equity, with 67 percent of respondents conducting such analysis at least once a year. Eighty-two percent of respondents said that adjustments are made as part of an annual review process and a similar number said they have a formal remediation process to address pay equity risks. Many firms also have a formal remediation process in place to address any pay equity risks that their analyses identify.

Diversity and inclusion is a business imperative for our industry. I want to reiterate that SIFMA and its member companies are firmly committed to bringing greater attention to these important topics and will continue to work to enhance the cultures and employment in all facets of the business. Again, I commend the work of this Committee and commit to continue working with you as the securities industry invests in the business of diversity. Thank you and I look forward to answering your questions.