

FINANCIAL SERVICES DIVERSITY INITIATIVE

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JULY 30, 2007.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed  
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Mr. FRANK of Massachusetts, from the Committee on Financial  
Services, submitted the following

R E P O R T

[To accompany H. Con Res. 140]

The Committee on Financial Services, to whom was referred the concurrent resolution (H. Con. Res. 140) recognizing the low presence of minorities in the financial services industry and minorities and women in upper level positions of management, and expressing the sense of the Congress that active measures should be taken to increase the demographic diversity of the financial services industry, having considered the same, report favorably thereon with an amendment and recommend that the concurrent resolution be agreed to.

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## AMENDMENT

The amendment is as follows:

Amend the preamble to read as follows:

- Whereas the financial services industry is vitally important to the United States economy;
- Whereas in 2005, employment in the financial services industry was about 7 percent of total employment in the United States, with over 10,000,000 employees;
- Whereas since 1995, the average hourly earnings of non-supervisory workers in financial activities was above the private industry and increased from approximately \$13 in 1997 to \$18.80 in 2006;
- Whereas minorities and women face various challenges in obtaining and maintaining positions, especially upper-level positions, within the financial services industry;
- Whereas minorities and women often cite the lack of mentors and leadership training as barriers to their advancement;
- Whereas in 2005, about 14.9 percent of the board seats at the Fortune 100 companies were held by minorities, and women comprised about 16.9 percent of Fortune 100 company board seats in 2005;
- Whereas in the financial services industry, the percentage of black employees has slowly decreased from about 10.5 percent to 9.8 percent between 2000 to 2005;
- Whereas in 2005, blacks were approximately 9.8 percent of those employed in the financial services industry and about 7.4 percent of financial managers;
- Whereas from 2000 to 2005, Hispanics have been an increasing percentage of the United States workforce and the financial services industry;
- Whereas in 2005, Hispanics comprised about 9.7 percent of those employed in the financial services industry, just 6 percent of financial managers, and less than 2 percent of the directors of Fortune 1,000 companies;
- Whereas in 2004, Asians represented about 5.5 percent of the employees in the financial services industry and about 6.3 percent of all financial managers;
- Whereas in 2004, the financial services industry ranked third in the percentage of women employed in the workforce behind healthcare and education;
- Whereas approximately half of financial managers are women and the percentage of women financial managers was approximately 51.7 in 2005;
- Whereas in a 2001 survey of 2,200 senior and pipeline level women and men representing approximately 60 securities firms, 65 percent of women reported that women have to work harder than men to get the same rewards, and 51 percent of women report that women are paid less than men for doing similar work;
- Whereas a minority of women (32 percent) and men (43 percent) believe that promotion decisions are made fairly in their firm;
- Whereas the House-approved Financial Services Regulatory Relief Act of 2005 directed each Federal banking agency to submit biennial reports to Congress on the status of the employment by the agency of women and minorities;
- Whereas the Government Accountability Office found in its report "Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993–2003", issued in June 2006, that overall diversity at the management level in the financial services industry did not change substantially from 1993 to 2004; and
- Whereas, although the Government Accountability Office acknowledged that financial services firms have initiated programs to increase workforce diversity, the Office found that these initiatives face challenges: Now, therefore, be it

## PURPOSE AND SUMMARY

House Concurrent Resolution 140, the "Financial Services Diversity Initiative," provides statistics on the low representation of women and minorities employed within the financial services industry, particularly in senior-level positions. The resolution also expresses the sense of Congress that active measures should be taken to increase the demographic diversity of the financial services industry and that a diverse workforce is important to be able to achieve a fair and just economy.

## BACKGROUND AND NEED FOR LEGISLATION

On July 15, 2004, the Oversight and Investigations (O&I) Subcommittee of the Financial Services Committee (Committee) held a hearing entitled, "Diversity in the Financial Services Industry and Access to Capital for Minority-Owned Businesses: Challenges and Opportunities," on diversifying the senior corporate ranks of the financial services industry, and improving access to capital for women- and minority-owned businesses. During this hearing, Ana María Fernandez Haar, who testified on behalf of the New America Alliance, recommended in response to a question from Representative David Scott (GA) that the Committee request a Government Accountability Office (GAO) report to review the extent of workforce diversity within the financial services industry. After the hearing, Committee Chairman Oxley, Ranking Member Frank, O&I Chair Kelly, O&I Ranking Member Gutierrez, and Representative Scott (GA) sent a joint letter to GAO requesting a report.

GAO completed the report entitled, "FINANCIAL SERVICES INDUSTRY: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993–2004," in June 2006. The O&I Subcommittee held a hearing entitled, "Diversity: The GAO Perspective," to review this report on July 12, 2006.

In the report, GAO concluded that overall diversity at the management level in the financial services industry did not change substantially from 1993 through 2004. GAO also found that workforce diversity varied among the different sectors of the financial services industry. Commercial banks and insurance companies, for example, were generally more diverse at the management level than securities firms. Diversity at the management level within the accounting industry was lower than in other sectors of the financial services industry.

In completing the report, GAO relied on the Equal Employment Opportunity Commission (EEOC) Employer Information Report (EEO-1) data for financial services industry for employers with 100 or more employees for the years 1993, 1998, 2000, and 2004. The EEO-1 data provide information on the racial, ethnic, and gender composition of various job categories within a broad range of industries, including financial services. While EEO-1 data are important, because of the broad scope of the job categories, GAO noted that EEO-1 data may be slightly misleading as an accurate measurement of the representation of women and minorities in senior management and board positions within the financial services industry. GAO stated that "existing EEO-1 data may actually overstate representation levels for minorities and white women in the most senior-level positions because the 'officials and managers' category includes lower- and mid-level management positions that may have higher representations of minorities and white women." (GAO Report, page 9). The "officials and managers" category could, for example, cover a wide range of job positions within the industry, capturing both a chief executive officer of a large commercial bank and an assistant branch manager at a small bank branch.

## HEARINGS

In the 109th Congress, the O&I Subcommittee held a hearing on July 12, 2006, entitled, "Diversity: The GAO Perspective," to review

a report issued by GAO in June 2006 entitled, “FINANCIAL SERVICES INDUSTRY: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993–2004.” The following witnesses testified at the hearing: Ms. Orice Williams, Director of the Financial Markets and Community Investment of the U.S. Government Accountability Office; Mr. Marc Lackritz, President of the Securities Industry Association; Ms. Donna Sims Wilson, Member of the Board of Directors and Chair of the National Legislative Committee of the National Association of Securities Professionals; Mr. Carlos Loumiet, Co-Chair of the Capital Advocacy Committee of the New America Alliance; and Mr. Manuel “Manny” Fernandez, National Managing Partner-Campus Recruiting of KPMG, LLP.

In the 108th Congress, the O&I Subcommittee also held a hearing on July 15, 2004, entitled, “Diversity in the Financial Services Industry and Access to Capital for Minority-Owned Businesses: Challenges and Opportunities.” This hearing focused on two topics: diversifying the senior corporate ranks of the financial services industry and improving access to capital for women- and minority-owned businesses. The following witnesses testified at the hearing: Ms. Ana María Fernandez Haar, Chair of the Board of New America Alliance; Dr. Theresa Hammond, Associate Professor of Accounting at Boston College; Mr. Michael Kennedy, Manager of Diversity Program and Financial Services Sector Executive with Korn/Ferry International; Mr. Marc Lackritz, President of Securities Industry Association; Ms. Joanne Hanley, President of Women in Housing and Finance, Inc.; and The Honorable Lorenzo Padrón, State of Illinois Commissioner of the Office of Banks and Real Estate. The National Gay & Lesbian Chamber of Commerce submitted a written statement for the record.

#### COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on June 26, 2007, and ordered reported House Concurrent Resolution 140, the Financial Services Diversity Initiative, as amended, with a favorable recommendation by a voice vote.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken with in conjunction with the consideration of this legislation. A motion by Mr. Frank to report the concurrent resolution, as amended, to the House with a favorable recommendation was agreed to by a voice vote.

During the consideration of the concurrent resolution, the following amendment was considered:

An amendment by Mr. Meeks, No. 1, a substitute for the preamble, was agreed to, as modified, by a voice vote.

#### COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

## PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises the concurrent resolution does not authorize funding, so a statement of general performance goals and objectives is not required.

## NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee finds that this concurrent resolution expresses the sense of the Congress and therefore does not have the force of law. As such, it would not result in new budget authority, entitlement authority, or tax expenditures or revenues.

## COMMITTEE COST ESTIMATE

The Committee finds that this concurrent resolution expresses the sense of the Congress and therefore does not have the force of law. As such, there is no cost associated with this legislation for the current fiscal year or for any fiscal year thereafter.

## CONGRESSIONAL BUDGET OFFICE ESTIMATE

Being a concurrent resolution and without the force of law, the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974 is not required.

## FEDERAL MANDATES STATEMENT

The concurrent resolution contains no Federal mandates.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Consistent with clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to adopt this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## EARMARK IDENTIFICATION

House Concurrent Resolution 140 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

## EXCHANGE OF COMMITTEE CORRESPONDENCE

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July 24, 2007

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The Honorable Barney Frank  
Chairman, Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Frank:

I write to confirm our mutual understanding regarding H. Con Res. 140, the Financial Services Diversity Initiative. This legislation contains subject matter within the jurisdiction of the Committee on Education and Labor. However, in order to expedite floor consideration of this important legislation, the Committee waives consideration of the bill.

The Committee on Education and Labor takes this action only with the understanding that the committee's jurisdictional interests over this and similar legislation are in no way diminished or altered.

Finally, the Committee also reserves the right to seek appointment to any House-Senate conference on this legislation and would appreciate your support if such a request is made. Finally, I ask that you please include this letter in the Congressional Record during consideration of H. Con. Res. 140 on the House Floor. Thank you for your attention to these matters.

Sincerely,

  
GEORGE MILLER  
Chairman

cc: The Honorable Nancy Pelosi  
The Honorable Steny Hoyer

The Honorable Howard P. "Buck" McKeon  
The Honorable John V. Sullivan, Parliamentarian

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July 24, 2007

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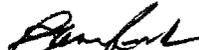
The Honorable George Miller, Chairman  
 Committee on Education and Labor  
 U.S. House of Representatives  
 Washington, D.C.

Dear Mr. Chairman:

Thank you for your letter concerning House Concurrent Resolution 140, the Financial Services Diversity Resolution. This resolution was introduced on May 3, 2007, and was referred to the Committee on Financial Services, and in addition to the Committee on Education and Labor. The resolution was ordered reported by the Committee on Financial Services on June 26, 2007. It is my expectation that this resolution will be scheduled for floor consideration in the near future.

I am writing to confirm our mutual understanding regarding this resolution. I recognize that the legislation contains matter within the jurisdiction of the Committee on Education and Labor. However, I appreciate your willingness to forego action on this matter in order to allow the resolution to come to the floor expeditiously. I agree that your decision will not prejudice the Committee on Education and Labor with respect to its jurisdictional prerogatives on this or similar legislation. I would support your request for conferees on those provisions within your jurisdiction should this legislation be the subject of a House-Senate conference.

I will include this exchange of correspondence in the Congressional Record when this resolution is considered by the House. Thank you again for your cooperation in this important matter.

  
 Barney Frank  
 Chairman

Cc: The Honorable Spencer Bachus

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Preamble*

The resolution notes the importance of the financial services industry, which comprised about 7 percent of the total employment in the United States in 2005, to the American economy. The resolution also notes that women and minorities face various challenges in obtaining and maintaining positions within the financial services industry, particularly in upper-level positions. The resolution provides data on workforce diversity among different sectors of the industry, including findings from a June 2006 GAO report entitled, “FINANCIAL SERVICES INDUSTRY: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993–2004,” using EEO–1 data that overall diversity within the financial services industry did not change substantially from 1993 to 2004.

*Section 1. Short title*

This section establishes the short title of the resolution as the “Financial Services Diversity Initiative.”

*Section 2. Financial services diversity initiative*

This section recognizes that women and minorities still face unique challenges entering into and obtaining upper level positions within the financial services industry and expresses a sense of Congress about the importance of workforce diversity. The resolution encourages financial institutions to engage in a number of activities to try to promote workforce diversity, including partnering with organizations that focus on developing opportunities for minorities and women to place talented youth in internships, summer jobs, and full-time positions within the industry and partnering with inner-city high schools and girls’ high schools to establish financial literacy programs and provide mentoring. The resolution also encourages financial institutions and federal and state financial institution regulatory agencies to attract and retain a diverse workforce by providing financial support for women and minorities undergraduate and graduate business programs; recruiting at women’s colleges, historically Black colleges and universities, and Hispanic serving institutions; sponsoring and recruiting at job fairs in urban communities; and placing employment ads in media outlets oriented to people of color. The resolution also encourages financial institutions and public and private pension funds to seek qualified women- and minority-owned firms as investment managers, underwriters, and other business relationships and to appoint more women and minorities as Board members.

This section also expresses the sense of Congress that active measures should be taken by employers and educational institutions to increase the demographic diversity of the financial services industry. In addition, the section expresses the sense of Congress that diversity within the financial services industry is vitally important to promoting innovation and creativity in the industry and to developing a more inclusive workforce to achieve a fair and just economy.