



December 04, 2013

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Email: regcomments@ncua.gov

Re: Comments on Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies.

Dear Mr. Poliquin:

On behalf of the African-American Credit Union Coalition (AACUC), we welcome the opportunity to submit comments on the Proposed Interagency Policy Statement ("PIPS") establishing joint standards for assessing the diversity policies and practices of entities regulated by the agencies. We commend NCUA and the regulatory agencies ("Agencies") for the development of joint standards; however the policy statement lacks an effective mechanism by which the diversity practices of regulated entities can be adequately assessed and measured.

The AACUC is the premier African-American credit union organization whose mission is to increase the strength of the credit union movement through mentorship, internship, and leadership. In our position paper of February 2013, we stated that "companies [including credit unions] should no longer perceive diversity as a separate, remote business practice; rather it should be viewed as a crucial factor toward [sustainability] through the creation of new ideas. The credit union movement must embrace diversity to remain competitive and relevant."

Section 342 (a) (1) of the Dodd-Frank Act directs the Agencies to "establish an Office of Minority and Women Inclusion (OMWI) that shall be responsible for all matters of the agency relating to diversity in management, employment, and business activities." Each agency must appoint a Director in the Senior Executive Service who shall develop standards for:

- (A) equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency;
- (B) increased participation of minority-owned and women-owned businesses in the programs and contracts of the agency, including standards for coordinating technical assistance to such businesses; and
- (C) assessing the diversity policies and practices of entities regulated by the agency.

Unfortunately, in Section III of the PIPS entitled "Proposed Approach to Assessment," the Agencies "believe" that the method of assessing credit unions and other regulated entities as referenced above in (C) should be via "self-assessment" and the "voluntary disclosure of the same. This approach would virtually render Section 342 impotent!

This past April 2013, the U.S. Government Accountability Office (GAO) issued a report entitled "Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis." The report referenced a previous GAO study in 2010 that concluded overall diversity at the management level in the financial services industry did not change substantially from 1993 through 2008 and that diversity in senior positions was limited. Also, from 2007 -2011 diversity has remained about the same at the management level in terms of the representation of both minorities and women. It is apparent by the data that regulated entities have not taken the initiative to implement effective and affirmative steps toward increasing diversity throughout the workforce. At the minimum, this raises the question: is self-assessment/self-disclosure the appropriate methodology?

In an October 23, 2013 speech, Commissioner Luis Aguilar of the U.S. Securities and Exchange Commission ("S.E.C.," one of the Agencies), expressed his concern regarding voluntary self-assessments and voluntary disclosure. He characterized this method as a "completely volitional approach" and stated that "companies would not be required to take any proactive steps to enhance diversity in their workforce." Additionally, Commissioner Aguilar raised the question "Should other types of assessment methodologies be considered in addition to self-assessments – such as: 1) surveys that require companies to respond to specific questions about their diversity and inclusion programs; 2) a mandatory submission of a regulated entity's materials regarding its diversity and inclusion program; or 3) requiring regulated entities to submit detailed diversity and inclusion annual reports describing specific actions taken to address diversity and inclusion at their organizations?"

The answer to that question may be found in the GAO cited regulation under the Housing and Economic Recovery Act of 2008 (HERA) that presently directs the Federal Housing Finance Agency (one of the Agencies) to require each of its regulated entities to report annually on actions they have taken regarding the inclusion and utilization of

minorities and women, and minority and women-owned businesses in all business and activities of the regulated entities at all levels including: procurement, insurance, and all types of contracts. In addition, the S.E.C. approved a rule that would require disclosure of whether, and if so how, a nominating committee considers diversity in identifying candidates for the board of directors. Regulated companies must also disclose: 1) if the nominating committee or the board has a policy with regard to the consideration of diversity in identifying nominees, 2) how this policy is implemented and 3) how the nominating committee or the board assesses the effectiveness of its policy. In addition, the rule also requires the disclosure of this data to be reported on corporate proxy and informational statements. There is no need to reinvent the wheel. Assessment models currently exist as a template for Agencies to require reporting of similar diversity efforts by their respective entities.

The AACUC recognizes the regulatory burden that the credit union movement and other regulated entities shoulder. However, diversity should not be considered a burden; it is a business strategy that provides value added resources and also serves to mitigate workforce concentration risk. Indeed, this is not about quotas! The requirement for regulated entities to develop and submit to Agencies a diversity policy incorporating the PIPS joint standards should be considered as part of an overall strategic plan. This approach is in alignment with the purposes of Dodd Frank which is among others to "promote the financial stability of the United States by improving accountability and transparency in the financial system."

The AACUC appreciates the opportunity to comment on this important Proposed Interagency Policy Statement and is hopeful that NCUA will continue to work with its counterparts toward effectively fulfilling the goals of Dodd Frank Section 342.

Very truly yours,



Lynette Smith
Chair



Mark S. Brantley, Esq.
Vice-Chair and Advocacy Chair

cc: Tawana James