

Congress of the United States
Washington, DC 20515

June 30, 2021

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506
RE: Regulatory Notice 21-17

Dear Ms. Mitchell:

As the leadership of the Democratic Women's Caucus of the U.S. House of Representatives, we are pleased to provide comment on FINRA Regulatory Notice 21-17, the Notice of Comment on Supporting Diversity and Inclusion in the Broker-Dealer Industry. We support the agency's efforts to form a robust, well-rounded diversity and inclusion initiative that considers the input of those throughout and adjacent to the broker-dealer industry.

Like other divisions of the greater financial services industry, the broker-dealer industry has historically lacked racial, ethnic, and gender diversity, but like the industry at large, the broker-dealer industry has made great strides in correcting this historical imbalance. Reducing the initial barriers to entry by allowing unaffiliated individuals to take the Securities Industry Essentials (SIE) to validate their expertise is a strong step forward in making this industry more open to those who may have traditionally been excluded from an insular hiring culture.

We strongly advise you to consider all elements of diversity when making an assessment of the ways to diversify the broker-dealer industry. We encourage the agency to evaluate diversity holistically, working with broker-dealers to integrate those who are older and may experience ageism, those with disabilities whose accommodations are not being met, and those who primarily speak a language other than English.

Women in the Workplace

The nation is currently experiencing a critical shortage of women in the workplace – a problem that could have lasting impacts on the current and future generations of workers, as well as the economy, for years to come. Nationwide, 4.2 million women lost their jobs since the start of the pandemic, and female labor force participation is at a 30-year low, with Black and Latina women

impacted the most.¹ A persistent lack of family-friendly workplace policies such as paid family and medical leave threatens to reverse decades of progress that we have made in the last fifty years.

FINRA can work with its member broker-dealers to make the workplace more available to working mothers by updating its licensing expirations to be valid for more than two years, or by providing a means for working families to access their licensure through continuing education after a period of being removed from the workforce. Allowing the doors to stay open for working families, so that they do not need to start over and lose their licensure entirely, would allow women who have been forced out of the workforce to return without having to begin their careers again.

Working with regulated broker-dealers on implementing family-friendly workplace policies would benefit not only women, but all who seek to work in this industry. These policies are key to facilitating economic recovery from a recession that has left so many women behind. Notably, family-friendly workplace policies have been proven to engender positive change and economic growth in other countries.²

Racial and Ethnic Diversity

The securities industry has much to gain by harnessing the market power of racial and ethnic minority groups who have previously been ostracized from focused client management. The combined buying power of Black, Asian, Native American, and Hispanic minority groups was \$3.9 trillion in 2018.³ Achieving racial parity in the securities industry is necessary for reaching those whose economic presence is increasingly unavoidable, and that begins by recruiting securities professionals who share their backgrounds.

Engaging with current licensees in collecting anonymous survey data on the workplace satisfaction will allow FINRA to oversee the state of the industry and focus on addressing cultural change before it has the chance to evolve into a companywide problem with significant legal and financial ramifications, as was the case recently with one of the nation's largest securities firms with \$1.1 trillion in assets under management.⁴ Actively seeking feedback through surveys and data collection can help FINRA work with regulated entities to take preemptive action on issues within a company's culture.

FINRA has made great strides in taking active measures to lower the barriers to entry in the broker-dealer marketplace, such as through the Securities Industry Essentials (SIE) exam mentioned previously. Working with SIE exam alumni who have previously taken the test on

¹ Ewing-Nelson, Claire and Tucker, Jasmine. "Women Gained 314,000 Jobs in May, But Still Need 13 Straight Months of Growth to Recover Pandemic Losses" (Washington: National Women's Law Center, 2021), available at https://nwlc.org/wp-content/uploads/2021/06/May-Jobs-Day-Final_2.pdf

² OECD. "Family-friendly Policies a Key Driver for Economic Growth." <https://www.oecd.org/newsroom/family-friendly-policies-a-key-driver-of-economic-growth.htm>

³ Weeks, Matt. The University of Georgia Selig Center. "Minority Markets See Economic Growth." <https://news.uga.edu/multicultural-economy/>

⁴ Martin, Jake. AdvisorHub. "Edward Jones to Settle Race Discrimination Suit for \$34 Million." 2021. <https://www.advisorhub.com/edward-jones-to-settle-race-discrimination-suit-for-34-million/>

other ways to address barriers to entry is a positive step in the right direction. If FINRA is not tracking the current employment status of those who have passed this test, then we advise that they begin engaging in a focused effort to see how these applicants perform in their job search and what barriers they report encountering. The agency should also be engaging with employing broker-dealers on connecting them with potential job applicants who have passed the SIE, working with them to actively recruit and retain diverse talent who have already demonstrated their securities industry knowledge through this exam.

Language Access

Migrating toward a more fee-based industry from a commission-based industry, the broker-dealer industry has made strides in consumer-focused approaches. Moving to a more standardized, fee-based structure fosters an industry that benefits from scaling up, through reaching more clients, and through working with a diverse array of potential clientele. Working with diverse customers is mutually beneficial for parties on both sides of the transaction, and it allows non-English speaking clients to take advantage of effective wealth-building strategies.

Rather than allowing more time for Limited English Proficiency (LEP) candidates to take licensing exams, FINRA could make the industry more inclusive by developing exams in additional languages. Not only would this serve to benefit diverse candidates, but it could open up the securities industry to broaden access to potential customers whose primary language is not English.

Older Members of the Workforce

FINRA must apply these strategies to target age inclusion as well. Ageism in the workplace is a longstanding problem that plagues workplaces across multiple industries. Ensuring that licensing exams are equipped to serve older workers and those changing industries will benefit the broker-dealer industry and its increasingly age-diverse clientele. FINRA must work closely with its regulated entities to ensure that there is widespread understanding of the ramifications of age discrimination, and there should be an industrywide effort to engage with prospective securities professionals with outside professional backgrounds.

In Summary

We applaud you for these efforts and look forward to reviewing the comments and your intended plan of action. Incorporating diverse Americans into the securities industry is critical, as it will allow broker-dealers to better represent their customers. As market makers, securities professionals play a significant role in determining access to wealth building for the American investing public. It is thereby of significant value to consumers of all wealth levels that the securities industry best represents the public.

Diversifying the broker-dealer industry involves a variety of challenges, but it is a worthwhile endeavor to counteract the more permanent challenges caused by gender and race-based wealth disparities. Engaging with stakeholders to build upon inclusivity is a commendable first step, and for that, this Caucus extends our encouragement. We are optimistic that these efforts will result

in robust market engagement, and a reduction in the longstanding barriers to wealth building, for years to come.

Sincerely,



Sylvia R. Garcia
Vice Chair
Democratic Women's Caucus



Lois Frankel
Co-Chair
Democratic Women's Caucus



Barbara Lawrence
Co-Chair
Democratic Women's Caucus



Jackie Speier
Co-Chair
Democratic Women's Caucus



Veronica Escobar
Vice Chair
Democratic Women's Caucus