

**Securities Industry Association**

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January 21, 1998

Office of the Attorney General
State of New York
120 Broadway
New York, New York 10271-0332

**Re: Statement of the Securities Industry Association in
Connection with New York Hearing on Gender
Discrimination in the Securities Industry, January 22, 1998**

Dear Attorney General Vacco and Others:

The Securities Industry Association (the "SIA") submits this statement for the record of the hearing of the New York State Attorney General (the "Attorney General") on "Gender Discrimination in the Securities Industry" (the "Hearing").

The SIA represents the shared interests of its more than 800 member firms throughout North America and Canada. SIA members include investment banks, broker-dealers, specialists and mutual fund companies. SIA members are active in all markets and in all phases of corporate and public finance. Its members account for approximately 90 percent of the securities business conducted in North America, employ more than 550,000 registered persons, and include all of the major securities firms in New York City.

SIA commends the Attorney General for his interest in this important issue. SIA and its members deplore gender discrimination and intolerance of all kinds and, as discussed more fully below, is actively working with its membership to increase the ranks of women in the industry and to assure that all employees enjoy a working environment in which they can maximize their success and advancement.

A. DIVERSITY INITIATIVES

Securities firms are keenly aware of the importance of full participation by women in their industry. To that end, firms take an energetic, proactive approach to developing programs and initiatives designed to recruit, train, develop and retain women.¹ These programs and initiatives are part of the industry's overall commitment to creating a corporate environment based on mutual respect and acceptance among people of diverse backgrounds.

Competition on Wall Street to recruit and hire qualified women is fierce such that each firm must be imaginative and aggressive in its efforts to recruit a diverse workforce. Contrary to the hyperbolic rhetoric which yields good media stories, the securities industry has been dedicated not only to carrying out the letter and spirit of the laws which prohibit discrimination but to reaching further, for example, by sensitizing senior management and employees to the importance of mutual respect amongst their colleagues. The securities industry has been aggressively pursuing a proactive agenda to help foster positive development, support and understanding of employment and diversity policies amongst its ranks of executives, managers, and staff. Those diversity efforts focus on all aspects of employment, including recruitment, hiring, development retention and promotion. By necessity, the initiatives undertaken by the securities firms vary to reflect the unique needs and demands of their respective organizations. Those programs do, however, share a common objective: to hire, develop and promote on the basis of merit with the expectation that this will yield a more diverse and productive workforce at all levels.

We believe it will be helpful to the Attorney General for the SIA to provide information about the numerous types of initiatives and programs undertaken by its member firms. Of course, the programs and initiatives that have been undertaken vary greatly based on the differing needs and resources of the firms. Indeed, since the size and business focus of SIA's 800 members do vary to such an extreme degree -- ranging from firms with 50,000 employees operating from 550 offices to firms with two employees -- it is simply not possible to describe the programs in terms that are applicable to all members. We have instead cited examples of some of the types of programs and initiatives offered at some of its firms.

With an eye towards recruitment, securities firms have tailored and expanded traditional recruitment programs to attract more female candidates. In the interest of diversity, and specifically, with respect to recruitment, some firms have created advertising campaigns targeted at female candidates. Others publish career opportunity brochures that specifically target and encourage women to enter careers that in the past may have been considered inhospitable to women. Securities firms have increased their use of women-owned search firms that focus specifically on placing women in the industry and some firms hold special meetings on college and graduate school campuses for women students. Some have formed alliances with women's MBA associations at major business schools in an effort to become acquainted with their pools of qualified female candidates. Some member firms have devoted significant time and resources to training their managers on how to recruit, interview and hire qualified female candidates. As part of some firms' recruiting efforts, securities firms have participated in community outreach programs, internships and internal programs designed to provide women and minorities with a head start in obtaining permanent employment positions in the securities industry.

With respect to retention efforts, that is, programs designed to assure that a firm's culture encourages the advancement of women once at a firm, managers are encouraged to develop existing female employees to increase their skills and chances for success within the firm. At many firms, diversity programs are complemented by mentorship programs to assist new employees and junior professionals in their early career development. Firms also develop internal programs that assist women to focus their careers and opportunities. In addition, some securities firms have created their own women's networks that sponsor events such as career

seminars and focused developmental training for women. Similarly, some firms hold seminars during Women's History Month, and others provide recognition training programs for women producers who meet specific goals. The securities firms sponsor a variety of women's activities and organizations including, to name a few, The Ms. Foundation's Take Our Daughters to Work Day, The YWCA Salute to Women Achievers, Catalyst, Girls Inc. of New York, New York Women's Foundation, the American Women's Development Corporation and scholarship programs for exceptional women college students. In short, each firm takes a different approach, recognizing that they are competing with one another to obtain and retain the best women candidates.

Some securities firms augment diversity programs with affirmative action plans and specific goals. In some firms, progress in the hiring and promotion of women is reviewed on a regular basis and objectives are set for increased representation of women throughout each business unit.

Securities firms work hard to foster an environment that welcomes a diverse workforce. Programs designed to heighten sensitivity and awareness of diversity-related issues in the workplace have become an important part of training at many firms. Securities firms were among the leaders in American industry in developing such diversity programs. These programs include mandatory diversity and other training seminars to increase sensitivity to gender-related issues in the workplace. For example, at some New York-based securities firms, many levels of personnel, including senior level managers, executives, and professionals, are required to participate in diversity training programs to increase their skills and sensitivity so that they can better manage and understand differences in a diverse workforce. At many major firms, such diversity programs are provided to line and support staff as well.

Notably, at many large New York firms, the responsibility for implementing diversity-related policies is entrusted to senior management and involves the participation of employees firmwide. Division level task forces, consisting of senior divisional management, are responsible for developing action plans for their respective divisions, and for providing periodic progress reports to senior management. Many of the larger firms have also expended significant resources in developing flexible work arrangements to attract and retain the broadest possible range of employees and to make the industry a viable and attractive option for employees who have child rearing responsibilities. These arrangements include options such as telecommuting, job sharing, flexible hours, reduced workweeks, back-up childcare, childcare referral systems, and generous paid maternity and adoption leave policies. In fact, several of our member firms have received favorable mention for such values in publications such as Working Mother, Business Week and Fortune magazine as well as awards by the National Council of Women and Catalyst Census of Female Directors

B. POLICIES AND PRACTICES ESTABLISHED THROUGHOUT THE SECURITIES INDUSTRY DEMONSTRATE AN INTOLERANCE FOR DISCRIMINATION.

The SIA and its member firms are committed to providing a level playing field for women in the industry and eliminating gender discrimination therein. All our members deplore sexual harassment and every one of the major securities firms represented by the SIA, and many others, have a strong written policy prohibiting gender discrimination, including sexual

harassment, and have implemented creative initiatives designed specifically to promote a more diverse workforce at all levels in their respective organizations. SIA itself recently produced and disseminated a video focusing on the importance of creating diversity within our industry and stressing the commitment of our firms to that value. The video highlights the positive attitudes of senior management in our industry about diversity, both in terms of women and minorities.

In order to communicate a clear and strong message to employees and management that they will not condone a discriminatory work environment, most firms have policies specifically stating this value. The firms assure their employees that if discriminatory conduct is found to have occurred, prompt and appropriate remedial action will be taken. SIA's member firms urge employees who believe he or she has been discriminated against to come forward, make known their grievance, and take care to assure their employees that there will be no retaliatory action for lodging a complaint. Employees at many firms have a variety of paths they may follow to raise concerns and are free to choose whichever is most comfortable for them. For instance, an employee may have the option of speaking with their immediate supervisor, the next level of management, their human resources representative, an ethics hotline or the legal department of the firm. The existence of established policies and procedures to air employment grievances is disseminated in new hire packages, by posting it in common work areas and/or by publication in regular internal employee communications. At some member firms, this message is delivered directly by senior management.

Our firms are committed to investigating claims of gender discrimination or harassment and in many firms, written internal firm procedures require a prompt and careful investigation once a complaint is received. Investigations are customarily led by human resources professionals supported by attorneys who are trained in conducting such investigations. Once the investigation is completed and if wrongdoing is uncovered, appropriate disciplinary action is taken. Some examples of appropriate action include counseling, reduction in compensation, demotion, and, of course, termination.

While the securities industry is committed to providing workplaces free of sexual harassment and discrimination, even the strongest of commitments cannot absolutely guarantee that there will never be any instance of discrimination. Our industry employs hundreds of thousands of men and women and there will invariably be isolated problems at a given firm or branch office. Despite the existence of individualized instances of misconduct, such misconduct is, unfortunately, not unique to our industry but is problematic in almost all industries, and even in government. While we will never be able to guarantee that isolated instances will never occur, we can state unequivocally that these problems are not systemic or pervasive. Thus, the point is not that instances of sexual harassment and other forms of invidious discrimination unfortunately exist in all industries and in society generally, but that securities firms actively address the issue and, to this end, cultures, work environments and procedures are progressing towards a sea change in the workforce in this country.

C. SECURITIES FIRMS SUPPORT THE NASD RULE PROPOSAL IN RELATION TO ARBITRATION OF STATUTORY DISCRIMINATION CLAIMS

The SIA and its members have worked aggressively to ensure equal opportunity in the industry and to assure that existing procedures, both internal and external, to resolve complaints of

gender discrimination are fair and effective. As part of these efforts, SIA continues to work closely with the National Association of Securities Dealers (the "NASD") to improve any perceptions of unfairness that exist in our industry regarding the arbitration process. The SIA is supporting the rule recently proposed by the Securities and Exchange Commission ("SEC"), which would eliminate the requirement that gender discrimination claims be arbitrated.

In addition, the NASD is working through a Task Force to improve arbitration at the NASD. Among the improvements being contemplated in that forum are increasing the extent and quality of arbitrator training with respect to applicable employment law and increasing the diversity of the pool of arbitrators from which panels are chosen. The SIA and, we believe, the other participating SROs, share the hope that, SROs can provide employees with the choice of bringing their complaints in arbitration, where their claims can be resolved efficiently and economically.

Conclusion

The SIA shares the Attorney General's concerns to ensure equal opportunity for all employees in the industry and to promote diversity therein, and would be happy to participate in ongoing discussions focusing on these issues.

If SIA can provide further information, please contact the undersigned, or Fredda L. Plesser, Vice President and Associate General Counsel.

Very truly yours,

Stuart J. Kaswell
Senior Vice President and General Counsel

Footnotes

¹ This letter and the Hearing -- is directed to the issue of gender discrimination only and thus, women, and not ethnic minorities, are its sole focus.