

## Remarks to the Women's Economic Empowerment TechSprint and Conference

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### *Introduction*

Thank you, Francesca, for the introduction. It is an honor to be among so many female leaders and innovators. I would like to thank the Alliance for Innovative Regulation and the Financial Conduct Authority (FCA) for the opportunity to celebrate the accomplishments of the last few days. This truly has been a blueprint for how the regulatory, financial services, and technology sectors can join forces through ingenuity and a common goal. For the millions of women who work hard each day to break through economic barriers, the importance of your work cannot be understated.

### *Empowering Women Through Access*

For those who have heard my story, it will come as no surprise that women's economic and educational empowerment is very personal. As a young woman born on the wrong side of the Iron Curtain in the former Yugoslavia, I ached for the chance to transcend my parents' socioeconomic status. Neither of my parents went to high school. My father fought in World War II as a teenager, and as the post-war recovery took shape, men were needed to guard the borders, not perform calculus, while educating girls was barely an afterthought. Though education was not an option for my parents, years later they instilled in their daughter a belief that education was the only path upwards.

I recall that my mother wanted nothing more than to have an office job as a secretary—the professional pinnacle for women of her generation—which was rather unachievable for a woman with a 3rd grade education. She worked as a seamstress at home and a cafeteria worker at a state-owned construction company, washing large pots and pans in a cold, unheated basement, causing the skin on her hands to crack and bleed. She longed for her daughter to have a better life, never expecting that life to be in a faraway land.

My journey to the United States, at the age of 18, was one of many on the path toward economic empowerment. Another important step came when I opened a bank account—an account that I still have today—that enabled me to have a safe place to receive and store funds, as well as to access the many products and services that banks offer. That access led to a secured, and later an unsecured, credit card, an auto loan, student loans, and eventually a mortgage, allowing me to achieve the dream of American homeownership. Each step was a building block in establishing not only my financial independence, but a vested interest in the well-being of my community and the country as a whole.

### *Progress Must Not Be Stopped by a Pandemic*

My journey mirrors that of many women in the United States and the U.K. In many ways, we have to thank that most iconic image of working women—Rosie the Riveter—as American women entered the workforce in unprecedented numbers during World War II. Between 1940 and 1945, the percent of women in the U.S. workforce increased from 27 percent to nearly 37 percent. By 1945 nearly one out of every four married women worked outside the home.<sup>1</sup> Over the last half century, we have come a long way from the days when lenders required women to have male cosigners on loans or make larger down payments to purchase homes.

While much work remains, the importance of your efforts this week stems not only from the benefits that women's economic empowerment bestows on all, but also from the impact of the COVID-19 pandemic on women as workers, entrepreneurs, and individuals.

As workers, women have experienced disproportionate job loss during the pandemic. Leading into 2020, the unemployment rates for men and women were roughly equal. By April of 2020, however, the unemployment rate for women had climbed to 15.5 percent, 2.9 percentage points higher than for men.

Historically, recessions have typically led to larger employment losses in industries that disproportionately employ men, such as manufacturing. However, the pandemic negatively impacted a number of industries with a stronger presence of women, such as leisure and hospitality, education, and health services. Furthermore, the closure of schools and daycare facilities also forced many married and single mothers to reduce employment. According to one study by the Brookings Institution, 25 percent of women who became unemployed during the pandemic reported that their job loss was due to a lack of childcare, which was twice the rate of men surveyed.<sup>2</sup>

As entrepreneurs, women have also faced disproportionate impact from the pandemic. From February to April 2020, the number of female-owned business declined by 25 percent, compared to a 20 percent decline in male-owned business. Female-owned business also reported worse financial conditions and more often reported a decrease in revenue than male-owned business.<sup>3</sup>

Finally, in the silent shadows beneath the numbers on employment and business conditions, there are millions of women who remain employed but may be barely getting by. Women in the workforce on average spend 50 percent more time each day caring for children than full-time working fathers.<sup>4</sup>

In the face of these challenges, there are many signs of hope ahead. COVID-19 cases are declining,<sup>5</sup> employment and consumer spending has improved,<sup>6</sup> and the banking system remains a source of strength,<sup>7</sup> as it has throughout the darkest days of the past year. The pandemic also has led to changes in how we work that could lead to more permanent improvements in economic opportunities for women. For example, a more flexible work-from-home environment and more widespread adoption of video conferencing could pull more women into the labor force, in addition to boosting the productive capacity of the economy more generally.

Our world has gone through many cataclysmic events, from natural to manmade. And those events, while often catastrophic and tragic, have also provided an opportunity for rebirth and innovation. To say that the COVID-19 pandemic and the related personal and professional challenges have been unprecedented is to underestimate the momentous shift that many societies around the world have experienced over the past year. Those challenges have forced us to rethink that old idiom that necessity is the mother of invention. With the contagious and deadly virus upon us, we had to adjust everyday activities—from how we work to how we procure food—to protect ourselves and those around us. That rapid transformation amplified how critical innovation is not only to our survival but also to empowering people's lives amidst a global calamity.

But we should not wait for necessity to foster innovation. Early in my tenure at the FDIC, we established a new Office of Innovation—FDiTech—to promote innovation at the agency and across the banking sector.<sup>8</sup> And we took over two years to find the right person to lead that effort—someone with both the personal acumen and technical experience to effectively challenge the status quo. We finally found that person in our first Chief Innovation Officer, Sultan Meghji, who has hit the ground running, engaging with banks, fintechs, and other stakeholders.<sup>9</sup>

We are undertaking a number of activities to promote innovation under four broad themes: *Inclusion*, *Resilience*, *Amplification*, and *Protecting the Future*.

- First, we need to ensure our banking system is *inclusive*—that it is accessible to all Americans.
- Second, the American banking system is the strongest, most *resilient* in the world, and we need to ensure that continues to be true throughout the 21<sup>st</sup> century.
- Third, we want to *amplify* the work of FDIC staff, bank compliance staff, and other stakeholders through technology, and we do *not* want their efforts hindered by outdated or inadequate technology.
- Finally, new banking products and services are emerging on a daily basis and we want to reframe how we think about the world. We should build a system for ten years in the future, not a system based on the technology of the last ten years.

We are conducting our own research programs, as well as soliciting feedback from the public through traditional requests for information (RFIs) and briefings from innovators. We are looking at the full spectrum of issues, including analytics, artificial intelligence, digital assets, quantum computing, and more.

#### *Alternative Data*

We are considering how to encourage the responsible use of alternative data by financial institutions. Data is evolving into another currency in finance. Alternative data is information not typically found in a consumer's credit files at the nationwide consumer reporting agencies nor customarily provided as part of applications for credit. Using alternative data can improve the speed and accuracy of credit decisions and help firms evaluate the creditworthiness of consumers who might not otherwise have access to credit in the mainstream credit system. The

FDIC and our fellow regulators issued guidance in December 2019 to encourage the responsible use of alternative data, and this is an area we continue to explore.<sup>10</sup>

### *Artificial Intelligence*

We also have been working on an interagency RFI on financial institutions' use of artificial intelligence (AI). AI can offer a range of benefits for banks, consumers, and businesses, such as expanding credit access through innovative use of data and faster underwriting. The RFI will seek feedback on how financial institutions use AI and manage associated risks, and whether additional regulatory clarity would be helpful.

Alternative data and AI can be especially important for small businesses, such as sole proprietorships and smaller companies owned by women and minorities. Such businesses often do not have a long credit history, and novel measures of creditworthiness, like income streams, can provide critical access to capital, particularly in difficult times.

### *Rapid Prototyping*

Another example of our work is our announcement last year of a rapid prototyping competition, a type of tech sprint, to develop a new and innovative approach to financial reporting, particularly for community banks.<sup>11</sup> More than 30 technology firms were invited to participate. We are now in phase three of the competition,<sup>12</sup> with 11 vendors, and expect the process to pave the way for more seamless and timely reporting of more granular data in the future for banks that voluntarily choose to participate.

These programs will allow us to innovate across all aspects of our organization—focusing on building an equitable, inclusive banking system of the future that enables all American citizens to have the right financial services products and services, while enhancing competitiveness and allowing all American banks to have easy access to the best technologies in the world. Continuous engagement with all our stakeholders is key and we are working to build the next generation of technologies to support that.

### *Fintechs*

We have also been working on several initiatives to facilitate partnerships between fintechs and banks that can allow banks to reach new customers and offer new products. I will briefly discuss two examples.

At the end of 2020, the FDIC approved a final rule revamping our brokered deposits regulations, removing regulatory hurdles to certain types of innovative partnerships between banks and fintechs.<sup>13</sup> The law imposing restrictions on brokered deposits was passed in 1989, prior to the adoption of the internet, when people interacted with their banks by walking into a local branch. Today, people interact with their banks through a variety of channels, including in some instances through third-party fintechs that look very different from the traditional deposit brokers of the 1980s. Our modernized framework excludes many of these types of partnerships from the

brokered deposit definition, while still including the types of deposit brokers the law was intended to cover.

Also last year, we asked stakeholders to comment on a groundbreaking approach to facilitate technology partnerships. Our RFI proposed a public/private standard-setting organization, or “SSO”, to establish standards for due diligence of vendors and for the technologies they develop.<sup>14</sup> This voluntary certification program would help reduce the cost and uncertainty associated with the introduction of new technology at financial institutions. Standardizing the due diligence process and removing regulatory and operational uncertainty surrounding technologies could fundamentally change the way banks partner with technology firms. We received many supportive comments in response to the RFI and continue to actively pursue the concept.<sup>15</sup>

### *Diversity and Inclusion*

While we often think of innovation as requiring an elaborate skillset and new technology to implement, sometimes all that is required is a simple change in how we think and the courage to pursue that change. A good example of this is how we approach the diversity of our examiner workforce. When I arrived at the FDIC, about 60 percent of our examination work was conducted on-site at banks. I asked staff to study the impact of that examination model on examiners, particularly for our women examiners. On average, examiners spent close to 80 nights a year on the road. For new examiners, their first four years at the FDIC included substantial travel for in-person training. These nights away and travel commitments exacted a toll on our examiners and their families, and made it difficult for us to retain a diverse examiner workforce.<sup>16</sup>

We have found during the pandemic that our models for bank supervision and resolution, as well as examiner training, can change. We can use technology to reduce the number of examiners we send to a bank by maintaining smaller on-site team and larger off-site team to support the exam. We have already cut the length of our examiner training program by nearly a year, and we learned that virtual tools can allow for distance learning and further cut travel requirements.

The FDIC was also a leader in providing paid parental leave<sup>17</sup> and supporting student loan repayment programs for our examination workforce. Ultimately, technology will also allow us to consider where our offices are located, improving our ability to recruit and retain a diverse workforce.

### *Conclusion*

As we wrap up the week’s events, there is still much work ahead to ensure a recovery that empowers women and lifts us all to a more prosperous and more inclusive future. Your work stands on the shoulders of the great American and British women leaders in innovation and finance, such as Ada Lovelace and Grace Hopper, both pioneers in computer programming, and Maggie Walker,<sup>18</sup> the first woman to own a bank in the United States. I am optimistic and confident that the same ingenuity that resulted in a new type of vaccine to combat a global

pandemic in record time will continue to push innovation in banking and financial services. The FDIC will continue playing an important role in that endeavor.

I have learned that one sure way to win British audience is to quote Sir Winston Churchill. Churchill is credited with first saying, “Never let a good crisis go to waste,” as we were approaching the end of World War II, perhaps one of the most cataclysmic events in world history. As we approach what is—hopefully—the end of an unprecedented pandemic, let us not waste an opportunity to think outside the box. Let us break the mold and build a new and improved financial system that will serve all in a way that the old system did not. *We can do it!*

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<sup>1</sup>See “Women in the Workforce,” National Archives at Atlanta, available at: <https://www.archives.gov/atlanta/exhibits/women.html>.

<sup>2</sup>See Bateman, Nicole and Martha Ross. “Why has COVID-19 been especially harmful for Working Women?” Brookings Institution, October 2020, available at: <https://www.brookings.edu/essay/why-has-covid-19-been-especially-harmful-for-working-women/>.

<sup>3</sup>See Special Report on Women-Owned Small Business During COVID-19, U.S. Chamber of Commerce, August 2020, available at: <https://www.uschamber.com/report/special-report-women-owned-small-businesses-during-covid-19>.

<sup>4</sup>See Bureau of Labor Statistics. Table A-7A Time spent in primary activities by married mothers and fathers by employment status of self and spouse, average for combined years 2015-2019, <https://www.bls.gov/tus/tables/a7-1519.pdf> (PDF).

<sup>5</sup>See Covid Data Tracker. Centers for Disease Control and Prevention, available at: <https://covid.cdc.gov/covid-data-tracker/>.

<sup>6</sup>See Bureau of Labor Statistic, Current Employment Statistics, available at: <https://www.bls.gov/ces/>; see also Bureau of Economic Analysis, Personal Income and Outlays, January 2021, available at: <https://www.bea.gov/news/2021/personal-income-and-outlays-january-2021>.

<sup>7</sup>See FDIC Quarterly Banking Profile Fourth Quarter 2020, available at: <https://www.fdic.gov/bank/analytical/qbp/2020dec/qbp.pdf> (PDF).

<sup>8</sup>See “The Future of Banking,” keynote remarks by FDIC Chairman Jelena McWilliams at The Federal Reserve Bank of St. Louis, October 1, 2019, available at <https://www.fdic.gov/news/speeches/2019/spect0119.html>.

<sup>9</sup>See “FDIC Appoints First Chief Innovation Officer,” February 16, 2021, available at <https://www.fdic.gov/news/press-releases/2021/pr21009.html>.

<sup>10</sup>See Financial Institution Letter FIL-82-2019, “Interagency Statement on the Use of Alternative Data in Credit Underwriting,” December 13, 2019, available at <https://www.fdic.gov/news/financial-institution-letters/2019/fil19082.html>.

<sup>11</sup>See “FDIC Launches Competition to Modernize Bank Financial Reporting,” June 30, 2020, available at <https://www.fdic.gov/news/press-releases/2020/pr20079.html>.

<sup>12</sup>See “FDIC Selects 11 Companies to Compete in Final Phase of Tech Sprint,” January 11, 2021, available at <https://www.fdic.gov/news/press-releases/2021/pr21004.html>.

<sup>13</sup>See Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions, 86 Fed. Reg., 6742, January 22, 2021, available at <https://www.fdic.gov/news/board/2020/2020-12-15-notice-dis-a-fr.pdf> (PDF); “Brokered Deposits in the Fintech Age,” keynote remarks by FDIC Chairman Jelena McWilliams at Brookings Institution, December 11, 2019, available at <https://www.fdic.gov/news/speeches/spdec1119.pdf> (PDF).

<sup>14</sup>See “FDIC Seeks Input on Voluntary Certification Program to Promote New Technologies,” July 20, 2020, available at <https://www.fdic.gov/news/press-releases/2020/pr20083.html>.

<sup>15</sup>Comments received in response to the RFI are available at <https://www.fdic.gov/regulations/laws/federal/2020/2020-request-for-info-standard-setting-3064-za18.html>.

<sup>16</sup>See Statement of Nikita Pearson, Acting Director, Office of Minority and Women Inclusion, Federal Deposit Insurance Corporation “Holding Financial Regulators Accountable for Diversity and Inclusion: Perspectives from The Offices of Minority and Women Inclusion” before the Subcommittee on Diversity and Inclusion of the Committee on Financial Services, U.S. House of Representatives, September 8, 2020, available at <https://www.fdic.gov/news/speeches/2020/spsep0820.html>.

<sup>17</sup>See “FDIC Announces New Paid Parental Leave Benefit for Employees,” October 9, 2019, available at <https://www.fdic.gov/news/press-releases/2019/pr19089.html>.

<sup>18</sup>See “Maggie Lena Walker: America’s National Treasure in Banking,” available at <https://www.fdic.gov/regulations/resources/minority/speeches/walker.html>.