

February 5, 2014

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Re: **Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices Regulated by the Agencies and Request for Comment**

Dear OMWI Directors:

BMO Financial Group (BMO) appreciates the opportunity to respond to the request for comment on the proposed interagency policy statement establishing joint standards for assessing the diversity policies and practices (the "Proposed Standards") issued jointly by the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission (collectively, the "Agencies").

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. With total assets of \$537 billion and approximately 45,500 employees, BMO provides a broad range of retail banking, wealth management and investment banking products and services to more than 12 million customers. In the United States, BMO serves customers through BMO Harris Bank, an integrated financial services organization based in the U.S. Midwest with more than two million retail, small business and commercial customers.

We commend the Agencies' efforts to promote transparency and awareness of diversity policies and practices within the entities they regulate. Diversity and inclusion are part of BMO's core values. We recognize the direct link between diversity and performance and we agree, as the Proposed Standards state, that "greater diversity and inclusion promotes stronger, more effective, and more innovative businesses, as well as opportunities to serve a wider range of customers."

We are also very supportive of the flexibility adopted in the Proposed Standards. There are a wide variety of sizes and shapes of entities regulated by the Agencies. A one-size fits all approach could create unnecessary challenges for entities at either end of the spectrum. Giving regulated entities the ability to accomplish their diversity goals in a manner tailored to their unique circumstances is likely to produce more meaningful change.

Our specific comments on the Proposed Standards are as follows:

1. Application of Proposed Standards

Consistent with the Agencies cross-border approach to regulation, we assume the Proposed Standards will apply only to US branches and subsidiaries of foreign headquartered entities. The Proposed Standards should not apply to operations outside of the US. However, consistent with the flexible approach adopted by the Agencies, we believe regulated entities should be able to benefit from global diversity programs and should not be required to create additional, separate programs and reporting for US operations.

At BMO we have adopted an integrated approach to diversity and inclusion and requiring subsidiaries or units to implement their own practices and policies in addition to or in lieu of a global program would result in duplication of resources and potentially misdirected efforts. We support the Agencies adoption of a flexible approach and believe this flexibility should be carried through to the application of the standards for consolidated global operations.

2. Timing

The Proposed Standards do not set out the timeframes for the completion of the initial self-assessment or the frequency self-assessments should be conducted going forward. We support regulated entities being given, at a minimum, a full calendar year after the Proposed Standards become effective to conduct their first self-assessment. Thereafter, self-assessments should be required not more frequently than every 3 years. Providing sufficient time between self-assessments will allow regulated entities to analyze the results of previous assessment and implement policies and practices to improve results.

3. Procurement

The Proposed Standards require entities to have a process to publicize procurement opportunities. We are very supportive of encouraging diversity in our supplier base and providing fair opportunities for companies owned and operated by women and minority groups. It has been our experience that an open-call approach to procurement can result in inefficiencies, where we receive proposals that don't meet our needs, and does not necessarily lead to a more diverse supplier pool. In our experience, we have been most successful in hiring

diverse suppliers through targeted recruitment and engagement. As an alternative, we propose regulated entities be given the option to maintain a supplier registration database that they publicize and maintain. Suppliers can provide information about their services, products, skills and expertise as well as their ownership and management group. The database can be used to allow regulated entities to collect necessary information and send request for proposals from supplier with the relevant skills and expertise.

This is a good example of how the Agencies could use regulated entities' practical experience in implementing diversity policies and practices to craft effective assessments standards, helping to foster truly effective approaches to diversity and inclusion. Adopting a flexible approach to the implementation of standards for assessing diversity will allow regulated entities to become more innovative in their approaches. This is in contrast to a "check-the-box" approach with examinations against static standards that may be inappropriate at best and worse, counter-productive to Congress' true goal in enacting section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. At BMO we share this goal and have chosen to make diversity and inclusion our priority.

We believe the Proposed Standards are a positive step in the right direction and thank you for the opportunity to comment.

Yours truly,

A handwritten signature in blue ink, appearing to read "N. Anderson", is written below the text "Yours truly,".