



Department of Financial Services

KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

January 27, 2022

Dear Speaker Heastie and President Pro Tempore and Senate Majority Leader Andrea Stewart-Cousins:

Pursuant to the requirements of Chapter 18-A, Article 2, §205-b of the Financial Services Law, I hereby submit a report of the State Charter Advisory Board meetings held during the calendar year 2021.

Respectfully submitted,

Adrienne A. Harris

Superintendent of Financial Services

**Report of the New York State
Department of Financial Services’
State Charter Advisory Board
Meetings
For the Calendar Year 2021**

Background

The State Charter Advisory Board (“Board”) was created pursuant to Section 205-b of the Financial Services Law, with its term extended to October 3, 2026. The Board is to work with the Superintendent of the New York State Department of Financial Services (“DFS”) in retaining state-chartered banking institutions, encouraging federally chartered institutions to convert to a state charter, and promoting the state banking system. The members of the Board, who are appointed by the Superintendent, consist of representative from credit unions, consumers, foreign banks, and banks which, to the extent practicable, reflect a range of size and geographical location, provided, that at least one shall represent institutions of more than \$3 billion in assets and at least two shall represent institutions of less than \$500 million in assets.

The Board has been meeting three times annually. Board discussions have focused on promoting the state banking system and providing a forum for exchanging views and discussing supervisory and regulatory developments. Board meetings have also fostered regular discussions with the industry and consumers concerning trends and other issues of concern, such as financial inclusion, diversity, and consumer protection issues.

In August 2021, legislation was signed requiring the Superintendent to make an annual report no later than thirty days after the end of each year to the temporary president of the Senate and the speaker of the Assembly, which shall include a summary of topics discussed at the Board meetings, and any legislative recommendations related to topics at the Board meetings.

Soon after the legislation was passed, Governor Hochul nominated a new Superintendent of DFS, Adrienne A. Harris. The Acting Superintendent started at DFS in September 2021, and quickly recognized the importance of the Board in identifying areas of collaboration across

government, industry and consumer groups, and proceeded to set up the last and final Board meeting of the year in December 2021 to address critical topics.

DFS thanks all Board members for their time commitment and valuable contributions throughout 2021.

SUMMARY OF THE STATE CHARTER ADVISORY BOARD MEETINGS

HELD ON:

- December 10, 2021
- August 11, 2021*
- March 15, 2021*

* Former DFS Superintendent Linda Lacewell presided over the first two meetings of the Board in 2021

State Charter Advisory Board Meeting Held On December 10, 2021- 1:30-2:30 p.m.

Acting DFS Superintendent Adrienne Harris called to order the most recent meeting of the Board in 2021 (the third and last). In her first Board meeting, the Acting Superintendent focused the discussions on three key priorities, finding ways to collaborate with consumers representative and industry to ensure the safety and soundness of the banking industry in New York while increasing access and availability of financial services to all New Yorkers. After introducing herself and asking Board members present to announce themselves, the meeting commenced for presentations and discussions relating to the following topics:

Topics of Discussion:

1. Preserving Community Banking Model
2. Advancing The Financial Health Of The Underserved Communities Through Bank On Coalitions
3. Facilitating Real Time Payments And Funds Availability

1. Preserving Community Banking Model

Executive Deputy Superintendent of Banking, Shirin Emami, presented on the critical role state-chartered community banks and credit unions play in keeping local economies vibrant and growing by providing access to financial services and products to their customers. It was noted that these institutions often respond with greater agility to the needs of their customers because of their deep knowledge of the communities they serve. Discussions then followed regarding elements that have kept the traditional community banking model alive and the challenges to the traditional community banking model, partnerships with fintechs, and balance between needing to maintain strong risk management practices and the ability to meet the credit needs of communities. Discussions also focused on challenges of operations during the COVID-19 Pandemic,

particularly challenges of staffing in physical branches. Some Board members highlighted concerns for the safety and health of their customers and staff during the Pandemic, and noted the mass transition of consumers to online banking, rather than going to branches as a result of the Pandemic. There were also discussions regarding “banking as a service,” and some of the challenges of using intermediaries that interface with customers and facilitate access to bank products and services. The need for a level playing field with fintechs was also highlighted.

2. Advancing the Financial Health of the Underserved Communities through Bank On Coalitions

Senior Deputy Superintendent of Banking, Raymond Dorado, made a presentation regarding Bank On National Account Standards (“Bank On”), which included a description of the core features of a Bank On National Account, such as a transaction account at an insured depository institution, a debit card, a minimum opening deposit of \$25 or less, monthly maintenance fee of \$5 or less if not waivable, or if waivable \$10 or less, no overdraft fees, and no fees for account activation, closure, dormancy, inactivity, or low balance. The features of a Bank On National Account was also compared with the features of New York Basic Banking account. Discussions then followed regarding how DFS can encourage New York regulated banking organizations to participate in the Bank On program and any operational challenges they may face in offering the account to New Yorkers. It was stated that DFS has initiated discussions with trade associations regarding Bank On certifications process for banking organizations.

3. **Facilitating Real Time Payments And Funds Availability**

Executive Deputy Superintendent of Banking, Shirin Emami, made a presentation regarding real time payments. It was noted that access to immediate funds has become paramount for consumers and businesses, and the timeliness of payment disbursements has become a major concern for those that depend on, for example, social security, unemployment benefits, government assistance and other financial aid. Given the urgency created by the Pandemic, converting a check into available funds immediately is critical. Discussions followed regarding the challenges that banking organizations, particularly smaller ones, face in adopting real-time funds transfers and payments, including challenges of migrating to real-time funds transfers and payments via acquisitions, partnerships with fintechs, and vendor white-label solutions. It is clear that a number of community banking organizations are aware of the issue and are focused on it.

There being no further items on the agenda, Acting Superintendent Harris adjourned the meeting at 2:30 p.m.

State Charter Advisory Board Meeting Held On August 11, 2021- 1:00-2:00 p.m.

The former Superintendent called to order the second meeting of the Board in 2021, and after introducing a new Board member, a new deputy superintendent of Banking, as well as the guest speaker, and announcing those present, she commenced the meeting with introductory remarks followed by a presentation, as follows:

Topics of Discussion:

1. Former Superintendent's Introductory Remarks
2. Presentation On Micro Financing To Low-Income Women Entrepreneurs By the CEO of Grameen America

1. Introductory Remarks By Former DFS Superintendent

Former DFS Superintendent started the meeting with introductory remarks and announced the signing of the bill that extends the State Charter Advisory Board term for another 5 years, to October 3, 2026. The former Superintendent then asked the guest speaker, the CEO of Grameen America, Andrea Jung, to explain the firm's microfinancing business lending model that has facilitated access to capital to many low-income women entrepreneurs.

2. Presentation On Micro Financing Business Model of Grameen America (A New York Regulated Licensed Lender) By the CEO, Andrea Jung

The CEO provided background information on Grameen America ("Grameen"), including how it began in 2008, following the last global crisis. Grameen facilitates access to capital for low-income women entrepreneurs, primarily women of color, by providing non-recourse, non-collateralized loans to them for their businesses. They provide microloans averaging \$4500 (first time loans start at no more than \$2,000),

weekly financial training, as well as asset building and credit building support to members. The average term of Grameen's loans is six months. It was noted that Grameen has a very high 99%+ repayment rate and has approximately 70,000 New York members. The organization has invested over \$1.09 billion in New York women-run micro businesses as of August 2021. Grameen will soon be focusing on their new initiative called "Elevating Black Women Entrepreneurs". The goal is to invest \$1.3 billion in loans to 80,000 Black women entrepreneurs over the next ten years. Board members asked the CEO about the firm's trends on success rate, and whether the businesses were surviving over time. Multiple Board members expressed interest in reaching out to Grameen to better understand Grameen's success with demographics that they have had challenges in reaching out to and exploring collaboration opportunities.

There being no further items on the agenda, the former DFS Superintendent adjourned the meeting at 2:00 p.m.

State Charter Advisory Board Meeting Held On March 15, 2021- 1:00-2:00 p.m.

The former DFS Superintendent called to order the first meeting of the Board in 2021, and after announcing those present, the former Superintendent commenced the meeting for presentations and discussions relating to the following topics:

Topics of Discussion:

1. Update from Community and Regional Banking (“CRB”) division
2. New York Community Reinvestment Act (“CRA”) Credit for Climate-Related Initiatives
3. Cyber Security Insurance Risk Framework

1. CRB Update:

An update was provided by the Deputy Superintendent Yolanda Ford, head of CRB, discussing operational preparedness of regulated institutions during the Pandemic, financial and other risks, bank and credit union mergers, and examinations-related matters during the Pandemic, such as supervisory focus on credit, capital, financial crimes prevention, cyber security protection, and third-party vendor management. It was noted that examinations were conducted remotely with no major issues, and that examiners accommodated institutions regarding the examination process whenever possible during the Pandemic. It was also mentioned that while temporary branch closures continued to exist due to the Pandemic, applications for new branch openings continued to be processed. The update noted an increase in customers usage of on-line banking, which has caused many banks to re-evaluate the way they conduct business. The Deputy Superintendent also mentioned interest from banks to partner with fintech companies, and vice-versa, although it was

noted that some fintechs wish to get directly into the business of banking without bank partnerships by, for example, obtaining an industrial bank charter.

2. New York Community Reinvestment Act (“CRA”) Credit For Climate-Related Initiatives

The Deputy Superintendent for the Consumer Examinations Unit updated the Board on the guidance issued by DFS on February 9, 2021 regarding New York CRA credit that banking organizations may receive for activities that contribute to climate mitigation and climate adaptation. The guidance is intended to inform banking organizations of the opportunity to receive CRA credit for financing activities that support climate change mitigation and climate adaptation that primarily benefit low- and moderate-income (“LMI”) communities. The CRA evaluations include a community development test, which assesses whether a banking organization is engaged in activities that revitalizes or stabilizes LMI communities. The guidance provides examples of financing activities that both support climate resiliency and revitalize or stabilize LMI communities. The activities may assume the form of community development lending or qualified investments, such as those for renewable energy, energy efficiency, water conservation equipment, or solar systems that provide energy to affordable housing projects. Banking organizations may also receive community development credit for climate resiliency by promoting investments, or loans to Community Development Financial Institutions.

3. **Cybersecurity Insurance Risk Framework**

Presentation was made by the Executive Deputy Superintendent of the Cyber Security division of DFS, Justin Herring. The Executive Deputy Superintendent discussed the increased level of cyber risk, the cyber insurance market, as well as the DFS Cyber Insurance Risk Framework issued on February 4, 2021. There were discussions about the Pandemic resulting in businesses shifting online, introducing new vulnerabilities that cybercriminals are exploiting, as well as the rise of “mass cyber events, impacting thousands of organizations through the same vulnerabilities or attack vectors. It was noted that the rising cyber risk is driven foremost by an increase in the frequency and costs associated with ransomware attacks. The presentation then focused on an overview of the cyber insurance market, noting that cyber insurance, which is relatively new, is critical to managing and reducing the extraordinary risk faced from cyber intrusions. The growing cost of cyber incidents generally means the cost to insurers is rising. So, insurers are making extra efforts in analyzing risks to policyholders, and that means that, increasingly, cyber insurance is priced based on such analysis and assessment of the policy holder’s risks and security controls.

There being no further items on the agenda, the former DFS Superintendent adjourned the meeting at 2:00 p.m.