ADRIENNE A. HARRIS

Superintendent

Through engagement, data-driven policy and regulation, and a commitment to operational resiliency, Superintendent Adrienne A. Harris is building a new Department of Financial Services ("DFS" or the "Department") that is fostering an equitable, transparent, and resilient financial system that protects consumers and supports responsible businesses. Since joining DFS more than two years ago, the Superintendent has led initiatives to improve financial access and outcomes for consumers, strengthen supervision of virtual currency companies, and ensure entities are adequately addressing cybersecurity risk for their operational resiliency. Foundational to building a new DFS is the Superintendent's commitment to securing the Department's maximum full-time equivalent allotment and appropriations for the first time in its history and fostering a culture of inclusion and performance to attract, retain, and cultivate top talent.

FOSTERING POSITIVE OUTCOMES FOR CONSUMERS

Superintendent Harris has deepened the Department's focus on kitchen table issues and consumer restitution, ensuring that consumers have confidence in the financial products they use and the providers offering them. In addition to returning more than $344 million to New Yorkers in restitution through recoveries and enforcement actions over the last two years, the Superintendent is taking a proactive approach to protecting consumers by implementing new laws, proposing new regulations and amending existing ones, and issuing regulatory guidance.

PROACTIVELY BUILDING A MORE EQUITABLE FINANCIAL SYSTEM

Banking & Access to Credit

- DFS adopted an updated check cashing regulation, implementing a new, data-driven methodology for calculating fees that takes into account the needs of consumers who use check cashing services, creating a fairer fee setting process. The amended regulation replaced an outdated methodology that granted annual, automatic, CPI-based fee increases to check cashers, without any consideration of consumer impact.
- Addressing New York's critical need for affordable and accessible banking services, under Superintendent Harris's direction, DFS published new guidance for New York-regulated banking institutions to promote financial inclusion by prohibiting unfair and deceptive overdraft and non-sufficient funds fee practices. The guidance addresses "authorize positive-settle negative" transactions, overdraft protection fees, and representments.

- Additionally, Superintendent Harris has approved four new Banking Development Districts in the Bronx, the City of Poughkeepsie, and Brooklyn to increase financial access in support of the Department's mission to build a more equitable financial services system. The Heritage Financial Credit Union in the City of Poughkeepsie is the first credit union to be approved through the program.

- Superintendent Harris also issued guidance to expand access to low-cost bank accounts for New Yorkers. State-regulated banks can now offer BankOn-certified accounts as an alternative to the New York Basic Banking Account, allowing more New Yorkers to have access to safe, affordable banking services without several common fees—including overdraft, inactivity, and low balance fees—while permitting banks to meet their state-mandated affordable banking requirements.

- Superintendent Harris has championed the expansion and modernization of the Community Reinvestment Act in New York State to ensure equal access to credit for consumers. She pushed legislation to cover non-depository mortgage lenders and adopted a new regulation to allow the Department to evaluate how well New York-regulated banking institutions are serving their communities with respect to minority- and women-owned businesses.

- Superintendent Harris proposed and adopted a small business lending disclosure regulation that will increase transparency and help business owners better understand and compare the terms of commercial financing offers.

Holocaust Survivors

- Superintendent Harris championed the work of the DFS Holocaust Claims Processing Office ("HCPO") in advocating for Holocaust victims and their heirs, requesting that New York State-chartered institutions voluntarily waive wire transfer and processing fees associated with Holocaust reparations payments. Working in coordination with Governor Hochul and the Legislature, DFS's continued commitment to support Holocaust survivors and maintain an updated list of banks has now been codified into law.

- The Superintendent, in collaboration with the international law enforcement agencies, has returned 19 pieces of Nazi-looted art to their rightful owners. To date, HCPO has responded to thousands of inquiries and received claims from 46 states and 39 countries. The office has helped secure over $183 million in offers for bank, insurance, and other losses. The office has facilitated settlements involving more than 232 cultural objects.

Health & Insurance

- With the support of the Governor and the Legislature, DFS created the Health Guaranty Fund, an essential consumer protection for New Yorkers purchasing health or long term care insurance through a health insurer or property/casualty insurer. If an insurer becomes insolvent, policyholders who have paid their premiums and health care providers will have their claims paid by the Fund.

- Superintendent Harris proposed artificial intelligence guidance to combat discrimination in insurance underwriting and pricing. DFS has a responsibility to ensure that the use of artificial intelligence in insurance will be conducted in a way that does not replicate or expand existing systemic biases that have historically led to unlawful or unfair discrimination.

- In coordination with Governor Hochul and the Legislature, the Department is requiring insurance companies to cover pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) to provide New Yorkers with critical access to lifesaving medications which help prevent HIV infection.

- Superintendent Harris committed the Department to address the systemic health inequities in our society that have disproportionately impacted communities of color. DFS has collected data from insurers to understand the scope and impact of their programs aimed at reducing health disparities. The data gathered allows DFS to establish a foundation from which to build thoughtful, data-driven policies to ensure better health outcomes for all New Yorkers.

- Under Superintendent Harris's leadership, DFS expanded its oversight to the pharmacy benefit manager (PBM) industry with the creation of the DFS Pharmacy Benefits Bureau, which is tasked with licensing and supervising PBMs to keep a watchful eye on their impact on consumers and the cost of health care. Superintendent Harris has built this new bureau from the ground up, finalized licensing regulations, and licensed nearly every PBM by the end of 2023.

- Consumer advocacy groups lauded Superintendent Harris for adopting an essential new regulation to protect consumers against health care provider directory misinformation to ensure that consumers who believe that a provider is in their network based on incorrect information provided by their insurer will pay no more than their in-network cost-sharing for services from that provider.

- To fully understand the current long term care market challenges, the Department analyzed historical data, conducted key stakeholder interviews, and assessed the impacts of past actions. In the spirit of transparency, Superintendent Harris issued a report to make the findings public, a critical step to address long term care insurance challenges to benefit New Yorkers.

- Superintendent Harris issued a new circular letter to life insurance companies prohibiting discrimination by offering multiple versions of the same product, addressing practices that can result in less-favorable versions of products being made available to low-income and minority consumers.

Student Debt

- Working in coordination with Governor Hochul and the Legislature, the Department is helping borrowers take advantage of new legislation that removes substantial barriers to accessing the Federal Public Service Loan Forgiveness ("PSLF") program. The new law establishes uniformity as to what qualifies as full-time employment for the purposes of accessing PSLF and allows public service employers to certify employment on behalf of workers.

- Continuing DFS's commitment to New York student loan borrowers, Superintendent Harris issued a letter to federal student loan servicers to increase awareness of and enrollment in the PSLF program before the rule waiver expired. The waiver, which was in effect through

October 2022, made it easier for eligible borrowers to have their federal loans forgiven. Superintendent Harris secured commitments from organizations representing more than 8,500 public and not-for-profit employers to distribute information to their workforces about the PSLF program and to assist them in applying before the waiver expired.

ENFORCING LAWS & REGULATIONS TO PROTECT CONSUMERS

- Under Superintendent Harris, DFS has secured more than $344 million for consumers, breaking annual records in both 2022 and 2023.
  - Under Superintendent Harris's leadership, DFS secured $3.1 million for New Yorkers, including $473,565 in restitution, following DFS's review of New York insurers' compliance with state and federal cost-sharing requirements for mental health and substance use disorder parity. The penalty provides critical funding for initiatives supporting parity implementation and enforcement on behalf of consumers.
  - Consumers and/or their beneficiaries are receiving $21.6 million after the Department found that John Hancock Life & Health Insurance Company prematurely terminated 156 New York State Partnership long term care policies prior to insureds exhausting benefits and miscalculated lifetime maximum benefits. Because these policies were prematurely terminated, insureds who were on claim or who went on claim after termination may have paid long term care expenses out of pocket or accessed Medicaid prematurely.
  - Superintendent Harris has taken critical action in response to violations of the Insurance Law, securing almost $8 million in restitution for New York consumers from Columbian Mutual for failing to make efforts to identify beneficiaries for thousands of life insurance policies, most of which were held by low-to-moderate income consumers and people of color.
  - DFS secured $3.4 million in restitution for New York consumers in addition to $2.24 million in penalties through a settlement with Nationwide Life Insurance Company for its failure to properly disclose to consumers income comparisons and suitability information, which caused consumers to exchange more financially favorable deferred annuities for immediate annuities.
  - Superintendent Harris secured a $950,000 penalty and restitution to eligible impacted borrowers from Rhinebeck Bank to resolve fair lending violations concerning auto loans. The Department's investigation found that Rhinebeck's practices resulted in minority borrowers paying higher interest rates than non-Hispanic white borrowers for their auto loans, without regard to their creditworthiness.
  - DFS secured $3.2 million in reimbursements for New York students in addition to $4.6 million in penalties through settlements with student health insurers 4 Ever Life Insurance Company, Aetna Life Insurance Company, UnitedHealthcare Insurance Company of New York, and Wellfleet New York Insurance Company. As part of its annual review of student health insurers in the New York market, DFS found that the four insurers charged unapproved premium rates to students covered under blanket

health insurance contracts with institutions of higher learning, and 4 Ever Life and Aetna used unapproved policy forms.

Responding in Crisis

- Superintendent Harris guided DFS's efforts to assist New Yorkers recovering from Hurricane Ida, which caused extensive damage throughout the state. She toured multiple disaster sites, meeting with local residents and ensuring that DFS's resources were available to assist affected communities. She also helped establish an informal steering group, including representatives from the property/casualty insurance industry, to share best practices, strengthen consumer education, and gather real-time information to ensure that New York is better prepared for the next storm. Under her leadership, DFS provided insurance advice to more than 2,700 affected New Yorkers, both in person and through its disaster hotline. DFS also issued guidance to insurers requiring them to increase their resources to impacted communities and expedited the issuance of temporary permits to qualified, out-of-state, independent insurance adjusters so that more adjusters were available to process claims and help get residents' property repaired and claims paid.

- Following Hurricane Fiona, Superintendent Harris directed DFS to issue guidance calling on New York state-chartered banks to take all reasonable steps to assist consumers and businesses affected by the hurricane, including waiving ATM and late fees, increasing ATM withdrawal limits, and facilitating and expediting the transmission of funds. These actions helped ease financial burdens for the many New Yorkers seeking to support family and friends in Puerto Rico, as well as anyone in Puerto Rico with a New York bank account.

- Similarly, following a severe winter storm in the Western and North Country regions of New York, Superintendent Harris issued guidance to banking institutions to provide fee-free services to nearby customers and non-customers while travel conditions remained dangerous.

BUILDING AN OPERATIONALLY RESILIENT DFS

Superintendent Harris is building a new DFS on a foundation of policy, process, and people.

- <u>Policy</u>: **Strengthen consumer protection while encouraging a healthy marketplace.**
    - Superintendent Harris is leading the adoption of a data-driven approach, developing policy based on data rather than ideology.
    - New rules, amended regulations, and draft guidance go through a robust engagement process with all stakeholders, including consumer advocates, legislators, other regulators, and industry.
    - Superintendent Harris undertook a review the Department's mission statement to align with this foundation, soliciting feedback from employees to articulate how the agency works, the agency's values, and the outcomes the agency aims to achieve.
    - Under Superintendent Harris, the Department has promulgated 31 new regulations, issued over 60 pieces of regulatory guidance, and implemented 100 new amendments to the banking, insurance, and financial services laws.

- Process**: The Superintendent is cultivating operational excellence so that decision-making is efficient, transparent, fair, and surfaces the best solutions for New Yorkers.**
    - The Department is increasing the use of data and technology to license, supervise, and regulate financial services, protect consumers, and enforce the law.
    - The Superintendent hired the Department's first-ever Chief Technology Officer, spearheading a complete technology overhaul, implementing a Customer Relationship Management platform, data warehouse, and productivity tools across the enterprise.
    - In 2023 alone, the Department has cleared more than 11,000 filings from the Banking and Insurance divisions.
- People**: The Superintendent is shifting the perception of DFS to that of an outcomes-oriented, innovative regulator with a strong culture of performance to retain, promote, and attract top talent.**
    - Working with the Governor, Superintendent Harris secured the Department's maximum full-time equivalent allotment and appropriations in FY23; this is the first time in the Department's history that it is fully funded.
    - As a result of the Superintendent's commitment to staffing, the Department has hired more than 336 new employees and promoted 309 existing employees since January 1, 2022.
        - Since September 2021, the Department has hired 107 financial service examiner trainees, the first class since 2018.

A ROBUST REGULATORY FRAMEWORK FOR VIRTUAL CURRENCY

Superintendent Harris has worked diligently to strengthen the Department's leadership to become the preeminent, prudential regulator for virtual currency business activity. Through industry guidance and a commitment to operational excellence, the Superintendent has built upon the State's virtual currency regulation to strengthen consumer protections, preserve the safety and soundness of companies, ensure cybersecurity compliance, and root out financial crimes like money laundering and terrorist financing.

- DFS leads the nation with a comprehensive regulatory framework for virtual currency. The framework includes strict licensing, supervisory, and examination standards, as well as enforcement authority. DFS-regulated virtual currency entities are subject to capitalization and reserving, cybersecurity, BSA/AML, and consumer protection requirements. Once licensed, companies are subject to a rigorous and transparent pre-approval process for new products, new listings, and material changes in business model.

To ensure operational excellence across the Virtual Currency Unit, DFS has defined and formalized a set of internal guiding principles under Superintendent Harris, which is known as VOLT – Vision, Operations, Leadership, and Technology.

- Through Superintendent Harris's VOLT initiative, the Department has added more than 60 experts to oversee licensing and strengthen supervision, enhance existing and established new policies and procedures, and enact new assessment authority to support the continued growth of the virtual currency unit.

- Under Superintendent Harris, DFS brought its first penalties against cryptocurrency companies including Robinhood Crypto and Coinbase, Inc. In the last two years, the Department has levied over $140 million in penalties against virtual currency companies. The Department was also the first regulator to take action against Binance, ordering Paxos to cease minting Paxos-issued BUSD.

- To address emerging issues, DFS issued eight pieces of innovative industry regulatory guidance, including first-in-the-nation regulatory guidance setting foundational criteria for USD-backed stablecoins issued by DFS-regulated entities, guidance to better protect customers in the event of a virtual currency insolvency or similar proceeding, and guidance for establishing the use of blockchain analytics tools as a best practice for virtual currency entities to prevent and manage financial risks and suspicious activities.

    - In response to the evolving marketplace, Superintendent Harris released updated guidance regarding the adoption or listing of virtual currencies to enhance consumer protections and market integrity. This guidance serves to enhance the original framework issued by the Department in 2020 by clarifying the expectations of DFS with respect to coin-listing and requiring licensees to develop and submit to DFS for approval a coin-delisting policy.

    - Superintendent Harris released an updated framework for DFS approval of coins presented on its Greenlist. The Greenlist is a forward-looking regulatory tool that permits virtual currency entities to list or custody certain coins meeting specific DFS standards. This guidance strengthens consumer protections and provides greater transparency in the greenlisting process.

    - Superintendent Harris issued first-in-the-nation regulatory guidance setting foundational criteria for USD-backed stablecoins issued by DFS-regulated entities. The guidance outlines the Department’s expectations with regards to reserves, redemption policies, and independent audits.

    - Under Superintendent Harris’s direction, the Department issued new guidance to better protect customers in the event of a virtual currency insolvency or similar proceeding, reiterating expectations regarding the safekeeping of customer assets.

    - Superintendent Harris directed the issuance of new guidance to establish the use of blockchain analytics tools as a best practice for virtual currency entities to prevent and manage financial risks and suspicious activities, providing companies with an efficient, data-driven way to conduct customer due diligence, transaction monitoring, and sanctions screening.

    - Superintendent Harris released virtual currency guidance for banking organizations, reiterating the Department’s expectations to review virtual currency-related activities for prior approval and outlining criteria by which proposals will be evaluated.

CREATING A SAFE & SOUND FINANCIAL SYSTEM

Superintendent Harris has taken a number of steps to ensure the health of the entities the Department regulates and preserve the stability of the global financial system. Under her leadership, the Department finalized amendments to New York's cybersecurity regulation, acted quickly to mitigate a banking crisis, and stood up a first-in-the-nation Climate Division.

- Superintendent Harris released proposed guidance to New York State banking organizations and non-depository financial institutions with updated expectations regarding the review and assessment of the character and fitness of their directors and senior officers, both upon onboarding and on an ongoing basis.

- In light of macroeconomic conditions, Superintendent Harris implemented heightened supervision relating to the commercial real estate portfolios of state-chartered banks. Working collaboratively with industry and regulators, the Department is working to assess commercial real estate concentration risk, including loan values in the event of refinancing and diversification to ensure that risk is being managed.

CYBERSECURITY

DFS has taken a data-driven approach to amending and finalizing its first-in-the-nation cybersecurity regulation to ensure that regulated entities address new and evolving cybersecurity threats with effective controls and best practices to protect businesses and consumers. The finalized regulation strengthens the Department's risk-based approach to ensure cybersecurity considerations are integrated into business planning, decision-making, and risk management.

In addition to amending the regulation, Superintendent Harris brought enforcement actions against companies for non-compliance with the cybersecurity regulation.

- Robinhood Crypto: In July 2022, under Superintendent Harris, DFS assessed its first penalty against a cryptocurrency company, despite regulating the industry since 2015. Robinhood Crypto paid a $30 million penalty for significant cybersecurity, anti-money laundering, and consumer protection violations. All virtual currency companies licensed in New York State are subject to the same cybersecurity, anti-money laundering, and consumer protection regulations as traditional financial services companies. These regulations are critical to protecting New York consumers and ensuring the safety and soundness of institutions.

- Genesis Global Trading: Superintendent Harris secured an $8 million penalty against Genesis Global Trading after a DFS investigation found significant anti-money laundering and cybersecurity compliance failures. In connection with the settlement, Genesis Global Trading will surrender its BitLicense and is in the process of ceasing operations.

- Carnival Corporation: DFS imposed a $5 million penalty for cybersecurity violations after cybersecurity events at Carnival caused the exposure of substantial sensitive, non-public, personal customer data.

- OneMain Financial Group: Under Superintendent Harris's leadership, DFS secured a $4.25 million penalty for cybersecurity violations including failing to effectively manage thirdparty service provider risk, manage access privileges, and maintain a formal application security development methodology, significantly increasing the company's vulnerability to cybersecurity events.

NATIONAL SECURITY

Superintendent Harris renewed DFS's commitment to protecting our national security by assessing more than $225 million in penalties to companies that violated U.S. sanctions laws and/or had significant Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") deficiencies. Representative enforcement actions include:

- For processing payments in violation of U.S. sanctions laws, Mashreqbank paid a $100 million penalty;
- For significant compliance program failings, Coinbase, Inc. paid a $50 million penalty and will invest an additional $50 million on its compliance program;
- For compliance deficiencies related to BSA/AML requirements, the National Bank of Pakistan paid a $35 million penalty;
- For significant compliance program failings, Metropolitan Commercial Bank paid a $15 million penalty;
- For compliance deficiencies related to BSA/AML requirements, Shinhan Bank America paid a $10 million penalty; and
- For compliance deficiencies related to BSA/AML requirements, MoneyGram paid a $8.25 million penalty.

To protect U.S. national security and consumers, Superintendent Harris has issued guidance reiterating that regulated entities must fully comply with U.S. sanctions, as well as New York State and federal laws and regulations, including Department cybersecurity and virtual currency regulations.

- DFS also took action to strengthen the Department's enforcement of sanctions against Russia, including the expedited procurement of additional blockchain analytics technology. These tools have bolstered DFS's ability to detect exposure among DFS-licensed virtual currency businesses to Russian individuals, banks, and other entities that the Biden Administration has sanctioned.

CLIMATE

Superintendent Harris took the bold step of making DFS the first financial regulator in the nation to establish a stand-alone Climate Division, ensuring that DFS will maximize the integration of climate risks into the safety and soundness supervision of its regulated entities.

- The newly created Climate Division issued final guidance to New York-regulated domestic insurers detailing DFS's expectations that all New York insurers begin integrating consideration of the financial risks from climate change into their governance frameworks and risk management strategies.
- To help banking and mortgage institutions manage their safety and soundness risks related to climate change, DFS issued final banking guidance. The guidance will support efforts by

regulated institutions to identify, measure, monitor, and control their material climate-related operational and financial risks.

- In response to increasing flood risks, DFS now requires education in flood insurance for property/casualty insurance producers.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

MISSION

The New York State Department of Financial Services seeks to build an equitable, transparent, and resilient financial system that benefits individuals and supports business. Through engagement, data-driven regulation and policy, and operational excellence, the Department and its employees are responsible for empowering consumers and protecting them from financial harm; ensuring the health of the entities we regulate; driving economic growth in New York through responsible innovation; and preserving the stability of the global financial system.

PRIORITIES

1. Maintain and grow DFS as a preeminent, global regulator
2. Deepen our focus on kitchen table issues and consumer restitution
3. Create a fairer, more resilient financial services system via engagement and data-driven policy making
4. Build a sustainable, forward-looking agency

GUIDING PRINCIPLES

POLICY

Strengthen **consumer protection** while encouraging a **healthy marketplace**.

Adopt a **data-driven approach;** develop **policy based on findings** rather than ideology.

Lead through **collaboration** and **engagement** with all stakeholders.

PEOPLE

Foster a **culture of inclusion** and **performance**.

Attract, retain, and support **expert talent**.

Be known as a "**Best Place to Work.**"

PROCESS

Cultivate **operational excellence** so that decision-making is **efficient, transparent, fair,** and surfaces the **best solutions** for New Yorkers.

Increase the use of **data** and **technology** to **regulate** financial services, **protect** consumers, and **enforce** the law.

EQUITABLE • INNOVATIVE • COLLABORATIVE • TRANSPARENT